

## MEMORANDUM

Date: May 15, 2017  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: First Quarter 2017 Financial Report

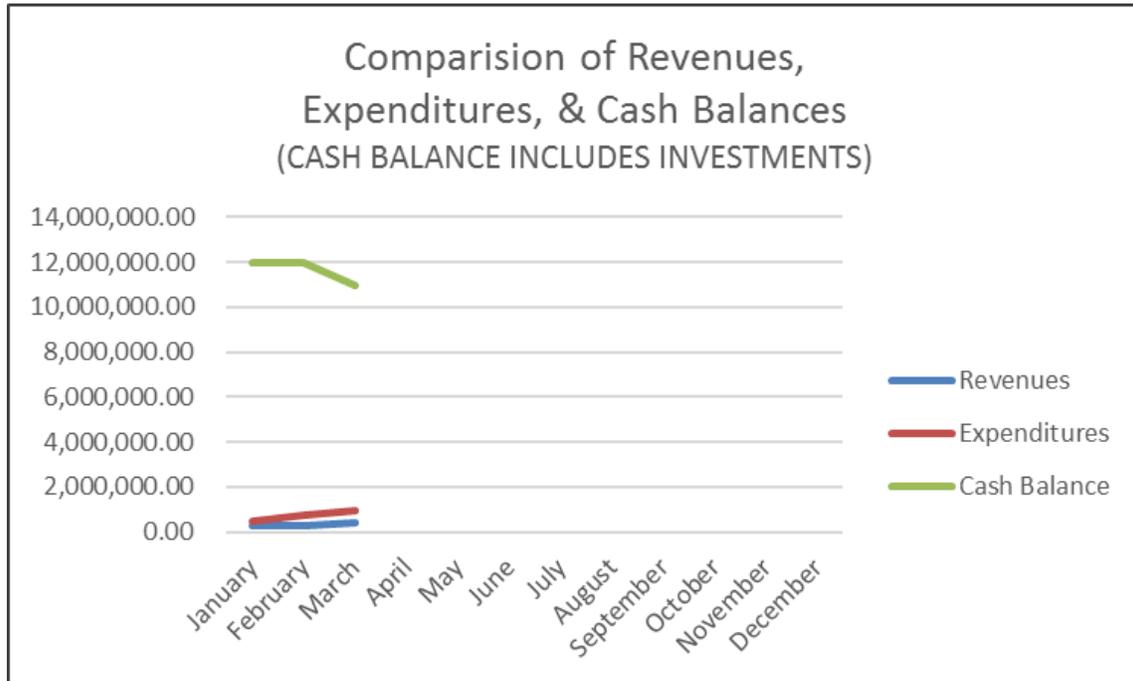
It is already May and the auditors has completed their fieldwork and are preparing the Town's annual financial report, but in the meantime, it's time to review 1<sup>st</sup> quarter 2017 Town finances. The Town's revenues and expenditures are where they should be, and maybe a little bit better at this point in time. The key to the Town's finances are that even though we are 25% through the year, revenues and expenditures don't flow evenly though 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 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. Below is a chart comparing budget to actual revenue and expenditures for the years 2016 and 2017.

Revenues	2016	2016	%	2017	2017	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	197,639.76	233,796.34	118.29%	219,732.99	386,860.32	176.06%
Special Revenue Fds	9,756.50	630.00	6.46%	0.00	0.00	0.00%
Debt Service Funds	83,774.75	151,562.00	180.92%	197,842.25	617,587.89	312.16%
Capital Project Funds	253,303.75	82,236.65	32.47%	264,778.00	179,800.39	67.91%
Enterprise Funds	1,128,542.50	206,637.96	18.31%	920,533.00	717,679.07	77.96%
Internal Service Fds	126,075.25	571,765.96	453.51%	143,691.25	515,570.80	358.80%
<b>Total</b>	<b>1,799,092.51</b>	<b>1,246,628.91</b>	<b>69.29%</b>	<b>1,746,577.49</b>	<b>2,417,498.47</b>	<b>138.41%</b>
Expenditures	2016	2016	%	2017	2017	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	931,121.25	955,020.92	102.57%	969,732.99	961,258.76	99.13%
Special Revenue Fds	6,500.00	1,014.50	15.61%	0.00	0.00	0.00%
Debt Service Funds	104,961.50	394,342.81	375.70%	233,849.25	746,394.18	319.18%
Capital Project Funds	547,095.00	234,814.90	42.92%	357,181.75	562,540.51	157.49%
Enterprise Funds	1,539,905.00	906,902.63	58.89%	1,910,854.00	903,457.04	47.28%
Internal Service Fds	161,702.50	73,945.31	45.73%	124,143.75	10,025.36	8.08%
<b>Total</b>	<b>3,291,285.25</b>	<b>2,566,041.07</b>	<b>77.96%</b>	<b>3,595,761.74</b>	<b>3,183,675.85</b>	<b>88.54%</b>

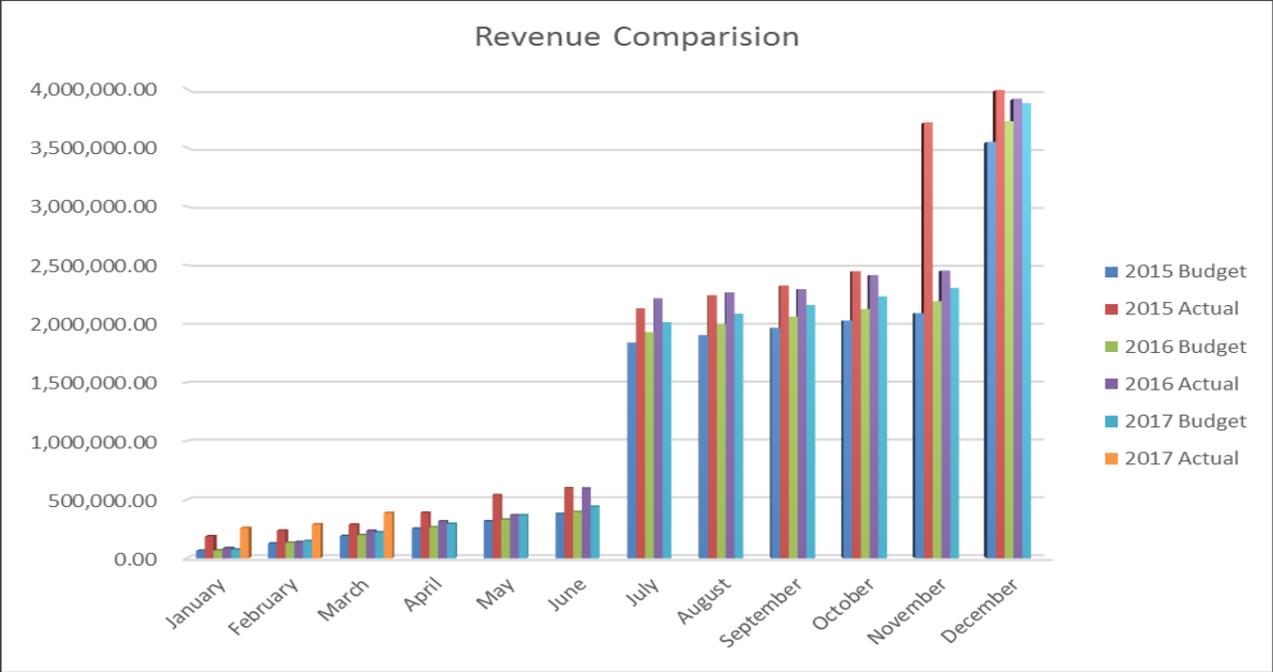
It should be noted that the budget amounts are 1/4<sup>th</sup> of the fiscal year budget and the actual is year to date actual revenues collected or funds spent. One item to note from the table above is the Town has retired a number of its debt issues. This results in the budget for Debt Services Funds to be significantly less in 2017 compared to 2016 and the operating transfers, which supported the debt payments to be less, which affects both revenues and expenditures. You can see this reduction in both revenues and expenditures when comparing 2016 to 2017 actual revenues and expenditures. The rest of the report will detail the revenues and expenditures of each of six fund types.

## GENEARL FUND

For the first quarter, revenues are above budget projections and expenditures are below budget, which will be shown in future charts. However the chart below shows how revenues are below expenditures levels for the first quarter 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.

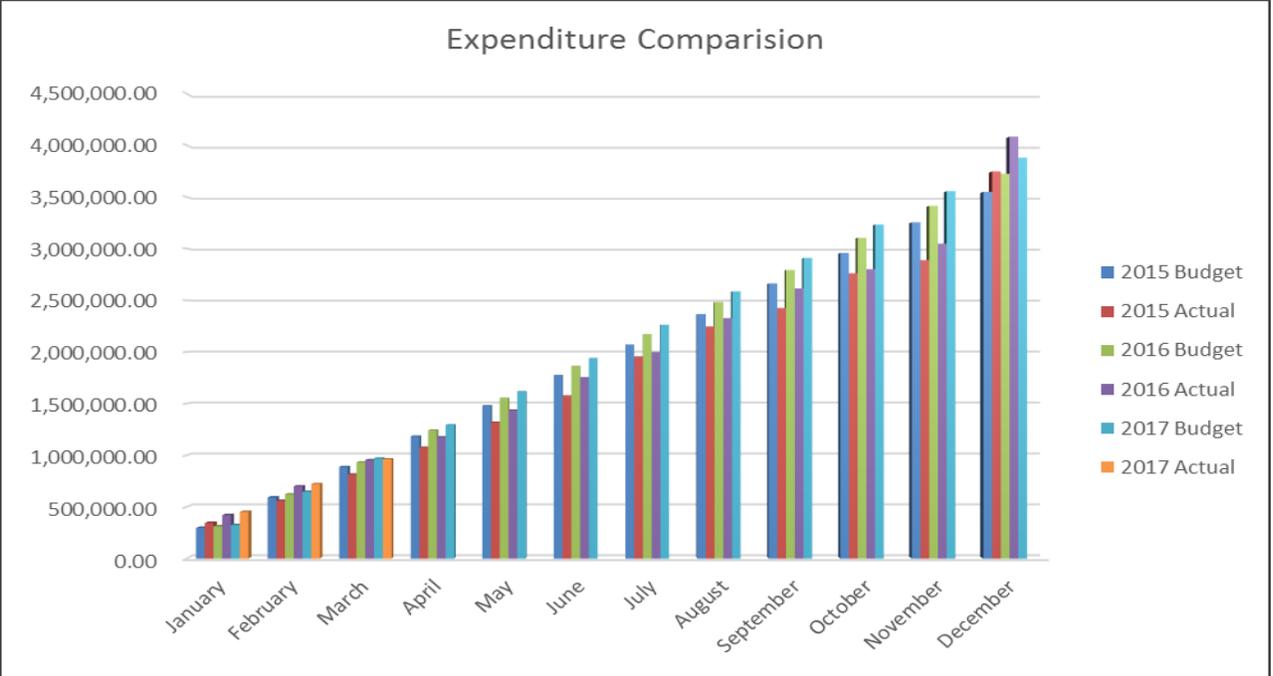


For the year the Town has received 9.97% of the budgeted revenue through the end of the first quarter, which is above last year (6.28%) at this time. Business, liquor, and tobacco licenses are renewed at the beginning of each year with only liquor license exceeding their budgeted amounts by \$1,625.00. Also as shown in the code enforcement reports building permit revenue is up slightly. The rental dwelling and dog licenses are two-year licenses collected in even years resulting in a decline in these two revenue sources. In the past most of the intergovernmental revenues are received in the second or third quarter of the year, however the Town has received its 2017 police state aid in the amount of \$32,352.00, which is only 55% of budget. Also as the weather warms up so does permit activity resulting in increases in those revenue sources. The chart on the following page compares budget to actual revenues for the last three years. For this chart, the monthly revenues are 1/12<sup>th</sup> of the total revenue budget with the exception of property taxes, which are included in the July and December budget numbers only.



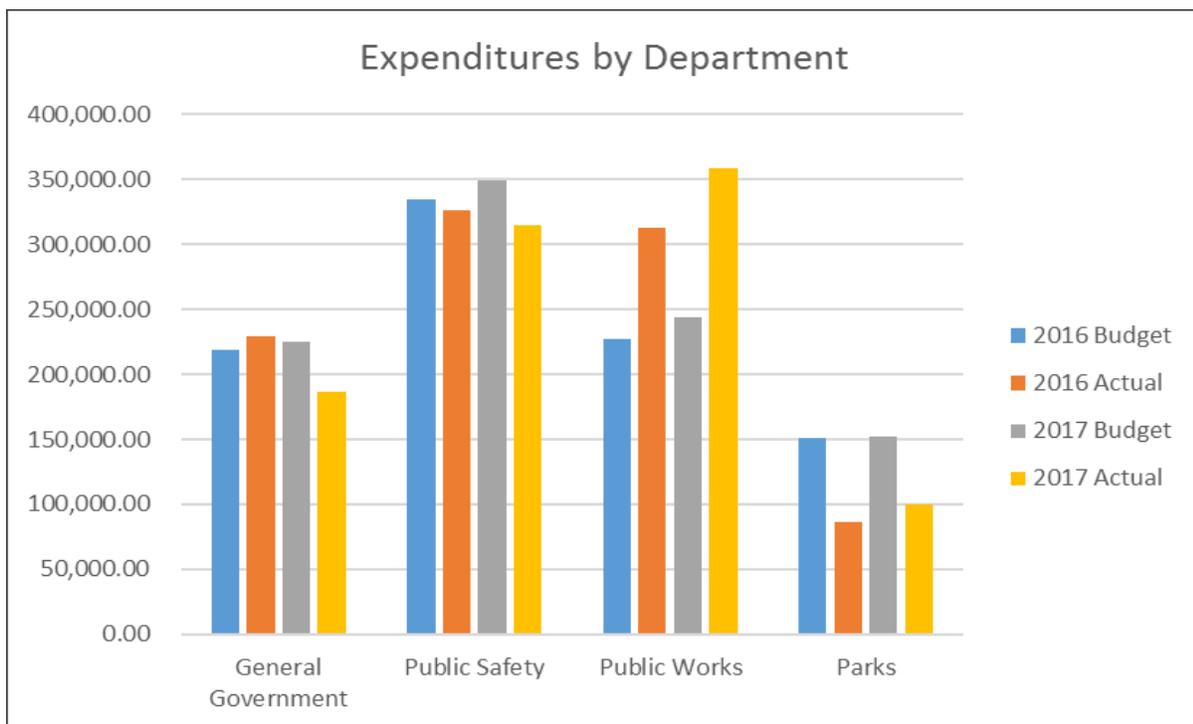
Actual expenditures for the quarter are slightly below the 2017 budget, but above both the 2016 budget and actual amounts as shown in the charts below:

	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
General Government	218,282.00	229,549.98	105.16%	225,100.00	186,979.74	83.07%
Public Safety	334,886.00	326,648.42	97.54%	349,194.50	314,948.15	90.19%
Public Works	227,039.00	312,326.65	137.57%	243,771.00	359,015.67	147.28%
Parks	150,914.00	86,495.87	57.31%	151,667.49	100,315.20	66.14%
<b>Total</b>	<b>931,121.00</b>	<b>955,020.92</b>	<b>102.57%</b>	<b>969,732.99</b>	<b>961,258.76</b>	<b>99.13%</b>



If expenditures were spent evenly throughout the year, the Town should have spent 25% of its budget, which is the budget amounts in the previous charts. The only activities not over 25% spent of their budgets after the 1<sup>st</sup> quarter is the board of supervisors (23%), general government (15%), recycling (6%) community development (21%) and park maintenance (17%). The other activities are over the 25% threshold due to one-time expenditures for their equipment rental and insurance fees that were recorded to the Town's Capital Equipment and Risk Management Funds and a one-time transfer to the Capital Projects Funds for the Town's annual sealcoat project.

The bad new 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. As the summer months, progress staff will monitor these departments to keep within budget levels.



Overall the General Fund appears to be in good shape through the first quarter of the year. If revenues and expenditures follow, previous year collections and expenditure patters revenues should finish the year above budget amounts while expenditures finish below budgeted amounts.

**SPECIAL REVENUE FUNDS**

In the past, the Town maintained two Special Revenue Funds, the Park Acquisition Fund and Township Day's Festival. Because of the nature and funding for these funds, the Park Acquisition Fund was moved to the Capital Project Funds and the Township Day's Festival Fund was moved into the General Fund.

**DEBT SERVICE FUNDS**

On February 1<sup>st</sup> the Town paid its 2017 debt obligations of \$1,085,000.00 in principal and \$45,125.00 of interest, compared to \$720,000.00 of principal and \$53,357.50 of interest in 2016.

The large increase in the principal payment is due to the prepayment of 2005B TIF Bond. The Town now has \$2,290,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$26,842.50 due August 1<sup>st</sup>. 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 2017 property tax settlement in July. The \$609,749.00 of the revenues received in the first quarter are from the budgeted transfers from other Town funds for their share of the debt payments.

### **CAPITAL PROJECT FUNDS**

Revenues received in the first quarter are from the billboard lease in the Community Park Fund, 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 2017 bond payments. Again, this is typical for the first quarter of the year for the Capital Project Funds.

### **ENTERPRISE FUNDS**

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

Revenues	2016 Budget	2016 Actual	% Received	2017 Budget	2017 Actual	% Received
Water Fund	1,724,984.00	177,240.69	10.27%	1,568,845.00	280,066.25	17.85%
Sanitary Sewer Fund	2,371,086.00	204,022.00	8.60%	1,716,760.00	332,701.51	19.38%
Storm Water Fund	418,100.00	47,237.16	11.30%	396,527.00	104,911.31	26.46%
Total	4,514,170.00	428,499.85	9.49%	3,682,132.00	717,679.07	19.49%
Expenditures	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
Water Fund	1,682,926.00	335,428.48	19.93%	3,029,456.00	333,318.65	11.00%
Sanitary Sewer Fund	3,481,739.00	442,047.78	12.70%	3,538,897.00	494,212.94	13.97%
Storm Water Fund	994,955.00	72,350.08	7.27%	1,075,063.00	75,925.45	7.06%
Total	6,159,620.00	849,826.34	13.80%	7,643,416.00	903,457.04	11.82%

Revenues for the first quarter reflect the utility rate increase, which result in revenues being above revenues from last year. Expenses for the year are slightly above last year's expenses. Keeping in mind that the expense budget for these Enterprise Funds have increased over last year and all three are below 25% spent. Also expenses includes depreciation which is not recorded until year-end, so by the end of the year expenses should be close to budget amounts. The 2017 expense budget for the Storm Water Fund is significantly higher than 2016 and 2015 budgets due to capital expenditures. Again, nothing is unusual for the first quarter of the year for the Enterprise Funds.

### **INTERNAL SERVICE FUNDS**

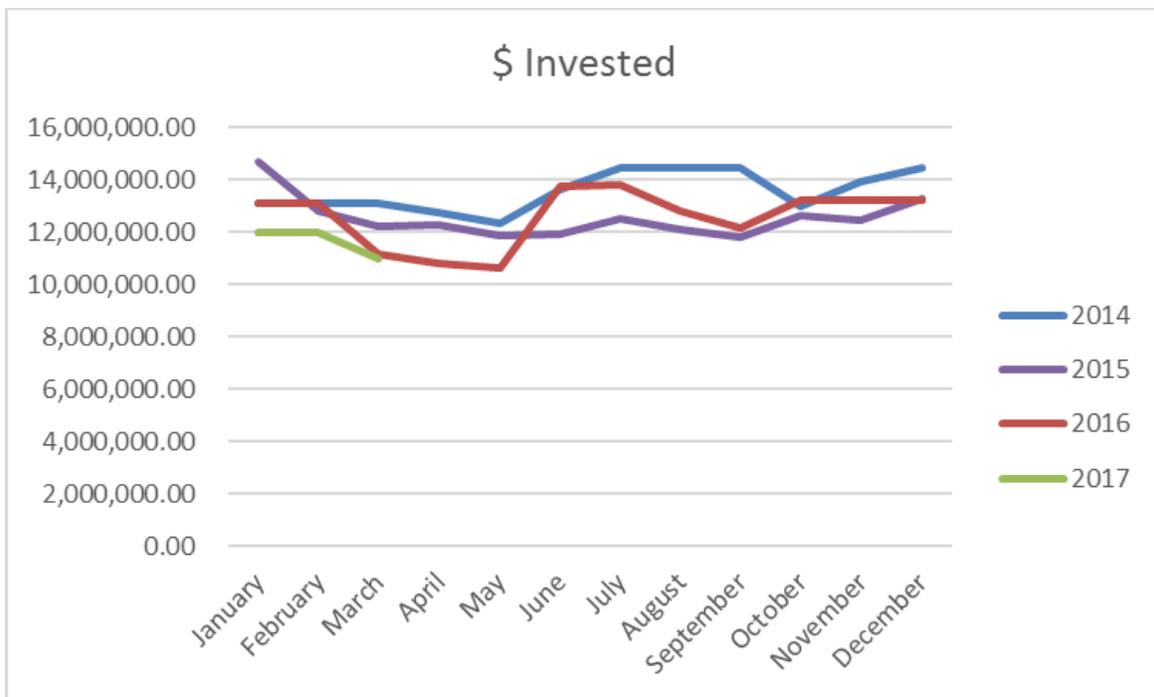
The Town's Town Building, Capital Equipment, and Risk Management Funds have collected their one-time fees from the General Fund and Enterprise Funds, thus they have collected 100% of their revenues, other than interest earnings, for 2017.

The Town Building Fund has not spent any of their budgeted items yet as these activities tend to happen more after the first quarter. Some equipment purchase have taken place resulting in expenditures of \$9,921.58 from a budget of \$185,200.00.

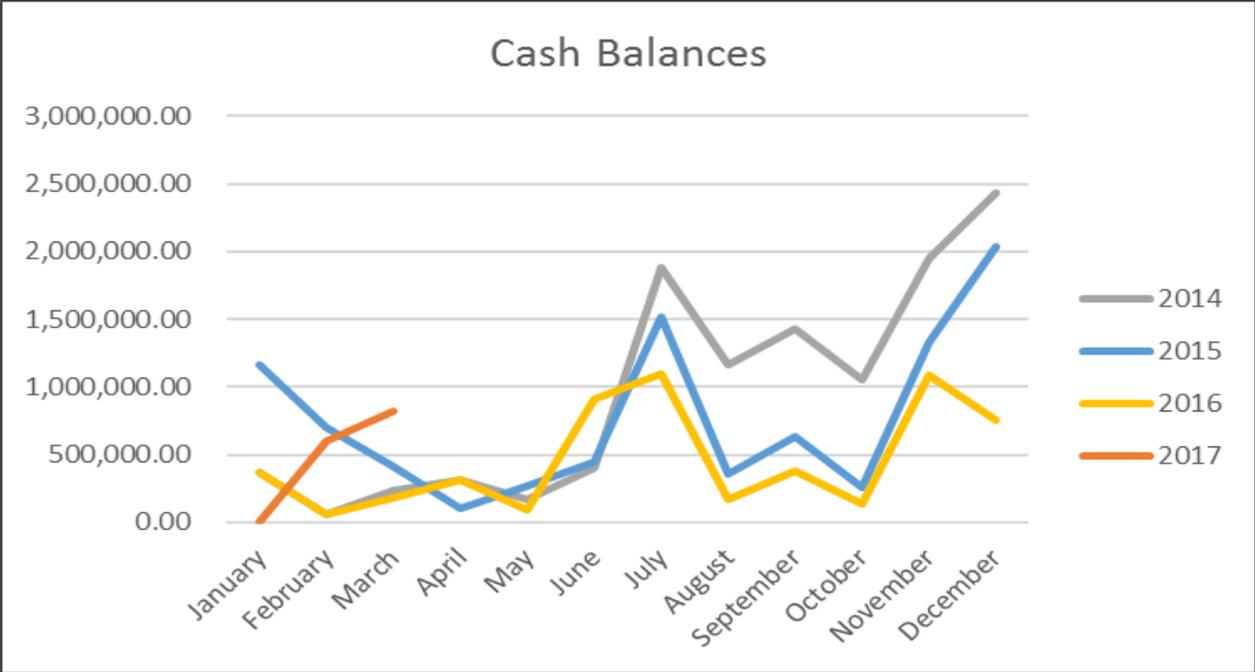
The Risk Management Fund paid the worker's compensation premiums and the majority of the 2017 insurance premiums of \$103,776.00, so its expense activity are almost completed for the year. Premiums and deductibles are anticipated to cost the Town \$146,375.00, which is an increase of \$5,915.00 from 2016. Part of the increase is due to increases in worker's compensation claims which results in a higher experience modification factor. Minor increased in auto and decrease in general liability premiums make up the difference.

**CASH AND INVESTMENTS**

Finally, the Town had \$10,974,947.49 invested as of March 31<sup>st</sup>. This compares to \$11,182,773.38 invested last year at this time. The investments had an average interest rate of 3.07% compared to 2.53% last year. Interest rates still are not the best but have increased since last year. Also the Town has purchased some longer-term, higher interest rate bond at a premium, which increases our interest earnings over time. The chart below shows the Town's invested funds for the last four 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. The chart on the following page demonstrates the cash flow for the Township.



**CONCLUSION**

The Township had a typical first quarter of the year financially. Through the first 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 Township has sufficient cash and investments to meet its obligations until the Township receives its first tax settlement in July. Therefore, it would appear the Township is in good financial shape for 2017.