

## MEMORANDUM

Date: April 10, 2018  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: First Quarter 2018 Financial Report

It is already April, but based on the snow flying you would never know it. However, the auditors are scheduled for their fieldwork next week so it must be spring and income tax time. Once the auditors are completed with their fieldwork, they will prepare the Town's annual financial report to be presented in June, but in the meantime, it is time to review 1<sup>st</sup> quarter 2018 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 do not 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 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. In addition, utility billing revenues are only received once a quarter. Below is a chart comparing budget to actual revenue and expenditures for the years 2017 and 2018.

Revenues	2017 Budget	2017 Actual	% Received	2018 Budget	2018 Actual	% Received
General Fund	219,732.99	386,860.32	176.06%	204,198.00	203,795.19	99.80%
Debt Service Funds	197,842.25	617,587.89	312.16%	57,162.00	7,583.00	13.27%
Capital Project Funds	264,778.00	179,800.39	67.91%	293,814.25	15,553.88	5.29%
Enterprise Funds	920,533.00	717,679.07	77.96%	1,042,203.00	686,592.83	65.88%
Internal Service Fds	143,691.25	515,570.80	358.80%	204,061.75	0.00	0.00%
<b>Total</b>	<b>1,746,577.49</b>	<b>2,417,498.47</b>	<b>138.41%</b>	<b>1,801,439.00</b>	<b>913,524.90</b>	<b>50.71%</b>

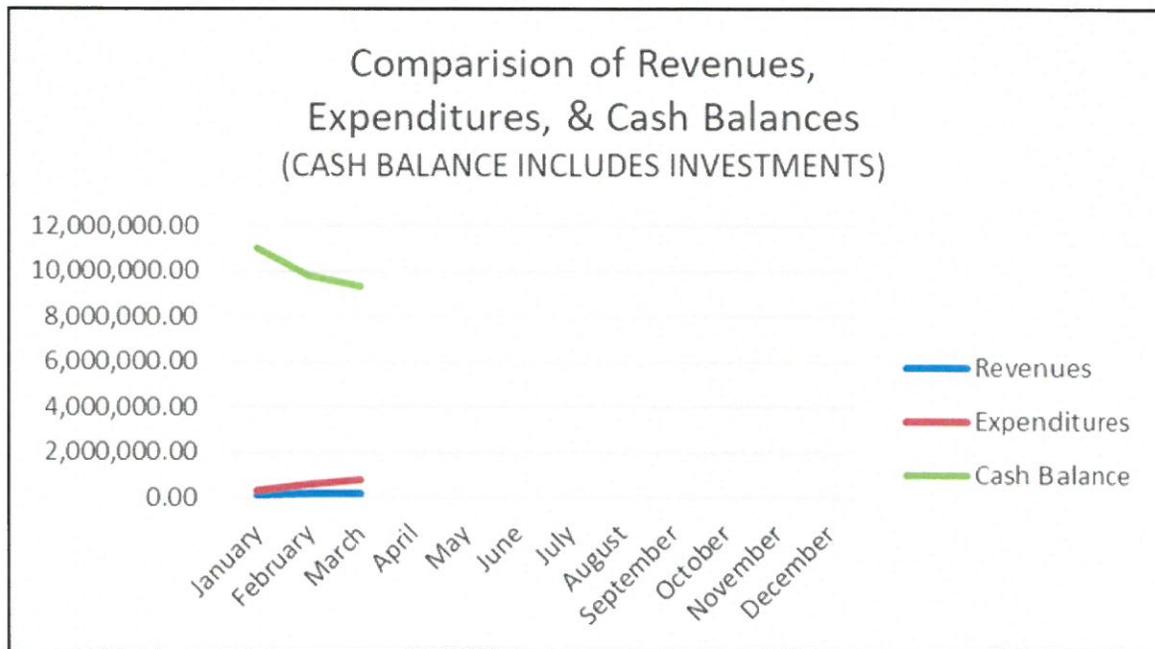
Expenditures	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Fund	969,732.99	961,258.76	99.13%	1,010,871.00	804,613.58	79.60%
Debt Service Funds	233,849.25	746,394.18	319.18%	85,087.75	330,164.35	388.03%
Capital Project Funds	357,181.75	562,540.51	157.49%	317,483.25	52,600.95	16.57%
Enterprise Funds	1,910,854.00	903,457.04	47.28%	1,231,611.75	419,116.90	34.03%
Internal Service Fds	124,143.75	10,025.36	8.08%	234,396.25	12,449.68	5.31%
<b>Total</b>	<b>3,595,761.74</b>	<b>3,183,675.85</b>	<b>88.54%</b>	<b>2,879,450.00</b>	<b>1,618,945.46</b>	<b>56.22%</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 result in the budget for Debt Services Funds to be significantly less in 2018 compared to 2017 and the operating transfers, which supported the debt payments, will be less, which affects both revenues and expenditures. You can see this reduction in both revenues and expenditures when comparing 2017 to 2018 actual revenues and expenditures.

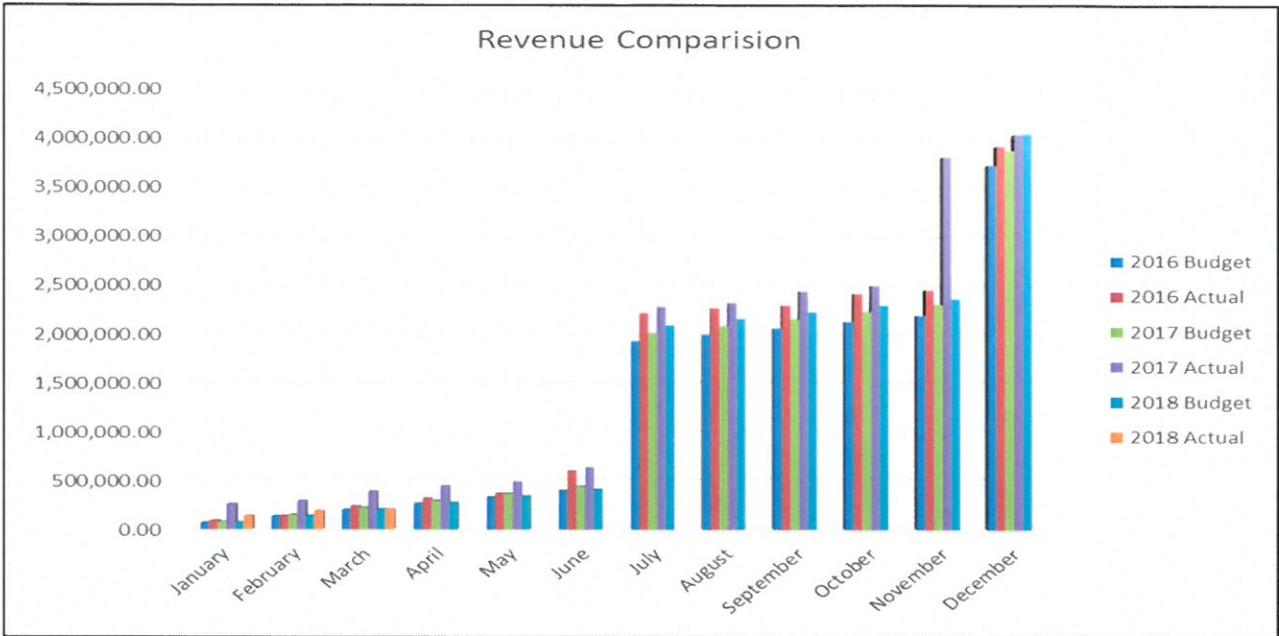
The rest of the report will detail the revenues and expenditures of each of five fund types.

### **GENEARL FUND**

For the first quarter, revenues are close to budget projections and expenditures are below budget, which will be shown in future charts. The one-time payments and transfers, which are normally made during the first quarter, will be made in the second quarter, as finance did not have time to complete them so expenditures appear to be lower than last year because of this. 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. In addition, one can see how the Town depends on reserves (cash balances) until that tax payment is received.

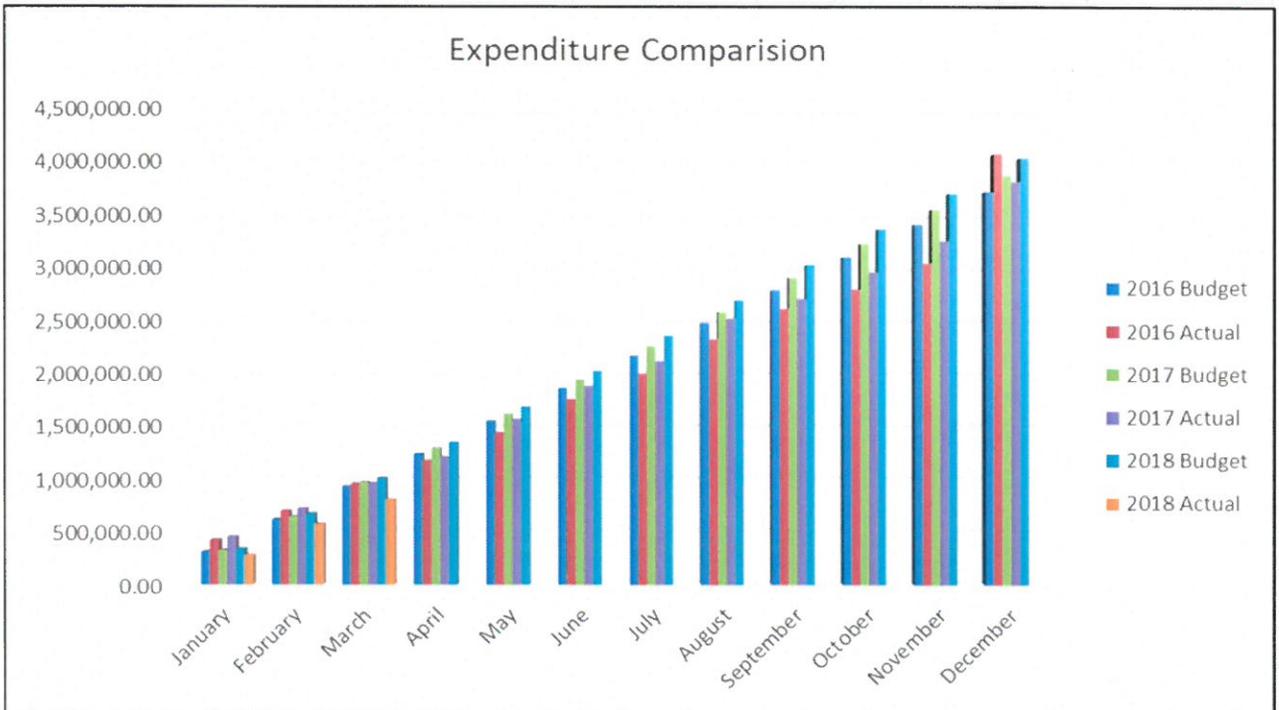


For the year, the Town has received 5.04% of the budgeted revenue through the end of the first quarter, which is below last year (9.97%) at this time. Business, liquor, and tobacco licenses are renewed at the beginning of each year are all behind last year's revenue. Also as shown in the code enforcement reports building permit revenue is up slightly. The rental dwelling and dog licenses are two-year licenses collected in even years resulting in an increase 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 did receive the 2017 police state aid in the amount of \$32,352.00 in March last year. 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.



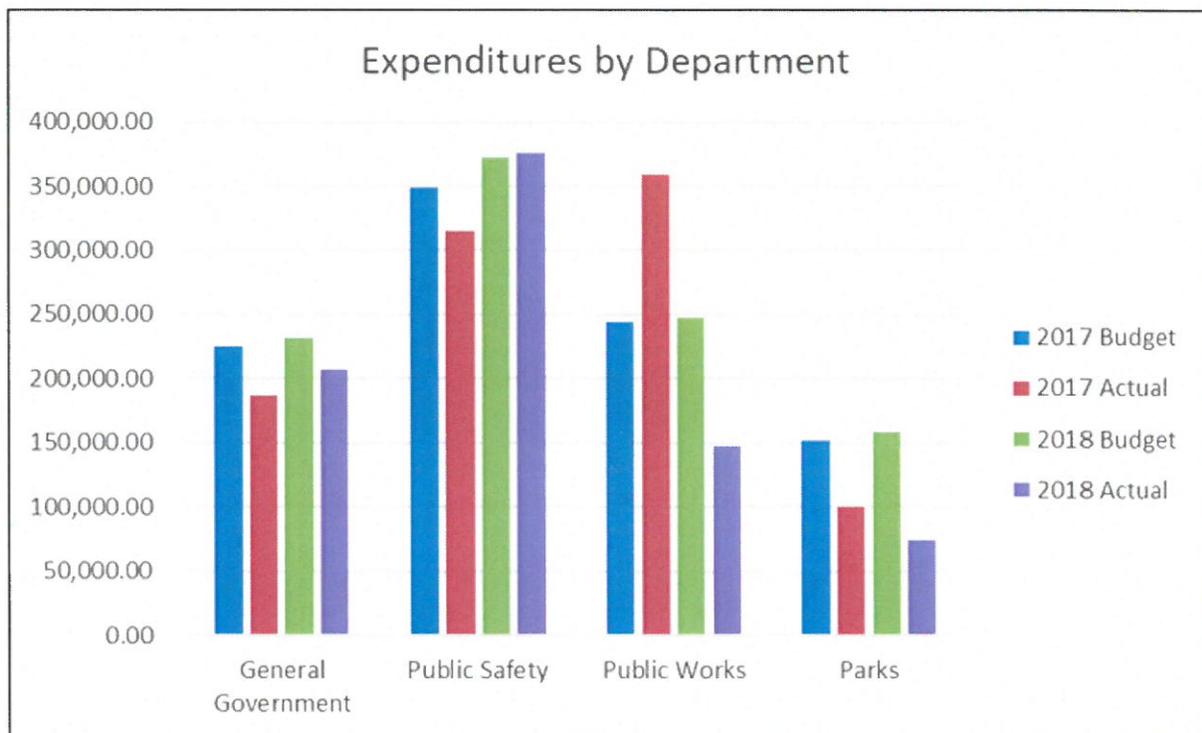
Actual expenditures for the quarter are below the 2018 budget and below both the 2017 budget and actual amounts as shown in the charts below:

	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Government	225,100.00	186,979.74	83.07%	232,060.50	207,275.47	89.32%
Public Safety	349,194.50	314,948.15	90.19%	372,315.75	376,218.14	101.05%
Public Works	243,771.00	359,015.67	147.28%	247,626.00	146,974.86	59.35%
Parks	151,667.50	100,315.20	66.14%	158,868.75	74,145.11	46.67%
<b>Total</b>	<b>969,733.00</b>	<b>961,258.76</b>	<b>99.13%</b>	<b>1,010,871.00</b>	<b>804,613.58</b>	<b>79.60%</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 no activities are over 25% spent of their budgets after the 1<sup>st</sup> quarter. The activities, which have one-time expenditures for equipment rental, and insurance fees that were revenues 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, will be recorded in April or May compared to the 1<sup>st</sup> quarter in previous years.

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. In addition, the Town has part-time temporary administrative assistant position, which was not budgeted and could result in personnel services being over budget by year-end.



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 close to budgeted amounts.

**DEBT SERVICE FUNDS**

On February 1<sup>st</sup> the Town paid its 2018 debt obligations of \$650,000.00 in principal and \$26,842.50 of interest, compared to \$1,085,000.00 of principal and \$45,125.00 of interest in 2017. The large decrease in the principal payment is due to the prepayment of 2005B TIF Bond in 2017. The Town now has \$1,640,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$18,747.50 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 2018 property tax settlement in July.

## **CAPITAL PROJECT FUNDS**

Revenues received in the first quarter are from the billboard lease in the Community Park Fund. The expenditures are for some payments related to the Pine Hill project. Again, this is typical for the first quarter of the year for the Capital Project Funds.

## **ENTERPRISE FUNDS**

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

Revenues	2017 Budget	2017 Actual	% Received	2018 Budget	2018 Actual	% Received
Water Fund	1,568,845.00	280,066.25	17.85%	1,648,241.00	255,752.91	15.52%
Sanitary Sewer Fund	1,716,760.00	332,701.51	19.38%	1,969,845.00	334,587.90	16.99%
Storm Water Fund	396,527.00	104,911.31	26.46%	550,726.00	96,252.02	17.48%
Total	3,682,132.00	717,679.07	19.49%	4,168,812.00	686,592.83	16.47%
Expenses	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
Water Fund	3,029,456.00	333,318.65	11.00%	1,766,378.00	188,192.73	10.65%
Sanitary Sewer Fund	3,538,897.00	494,212.94	13.97%	2,394,814.00	206,684.72	8.63%
Storm Water Fund	1,075,063.00	75,925.45	7.06%	765,255.00	24,239.45	3.17%
Total	7,643,416.00	903,457.04	11.82%	4,926,447.00	419,116.90	8.51%

Revenues for the first quarter reflect the utility rate increase; however, water usage is down resulting in less revenue. Expenses for the year are below last year's expenses, but again the one-time expenses for equipment rental and building rental will be recorded in April or May compared to the first quarter in 2017. Even if these had been recorded in the first quarter, all three Funds would still be below 25% spent. In addition, 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 2018 expense budget for the Storm Water Fund reflects budgets for capital expenditures. Again, nothing is unusual for the first quarter of the year for the Enterprise Funds.

## **INTERNAL SERVICE FUNDS**

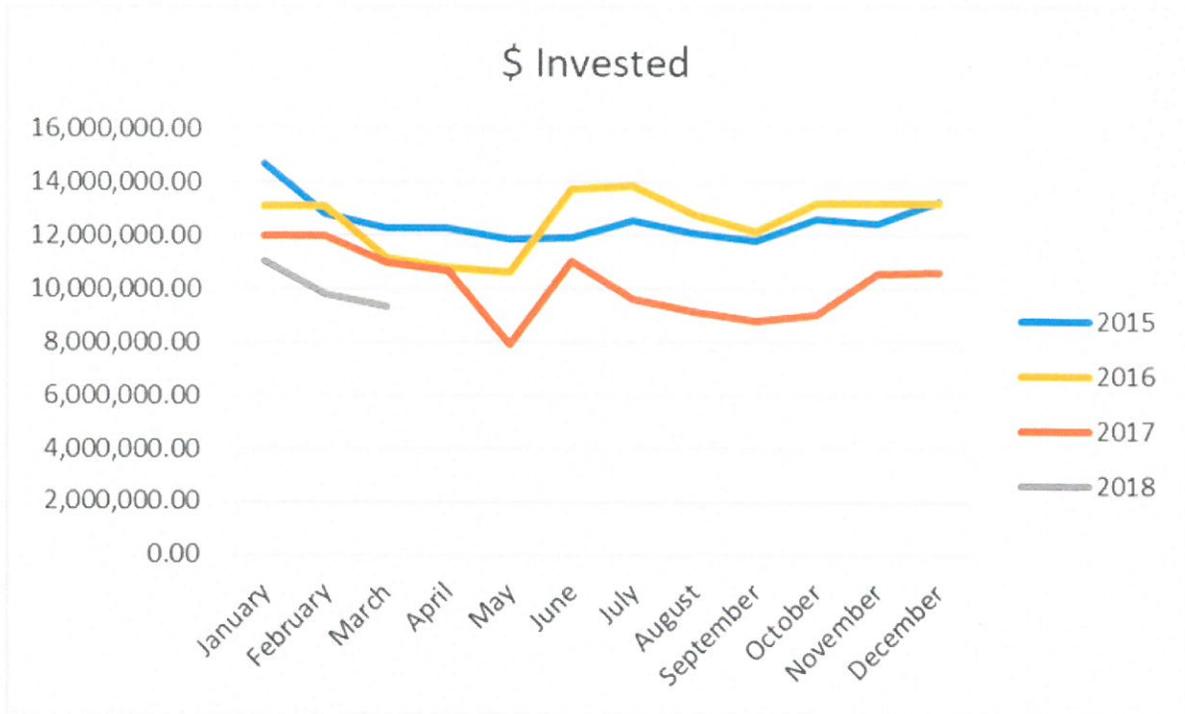
The Town's Town Building, Capital Equipment, and Risk Management Funds have not collected their one-time fees from the General Fund and Enterprise Funds.

The Town Building Fund has spent \$1,005.72 of their budgeted as part of the fuel tank replace project, however, most activities tend to happen more after the first quarter. Some equipment purchase are in the works but again not much has been spent in 2018.

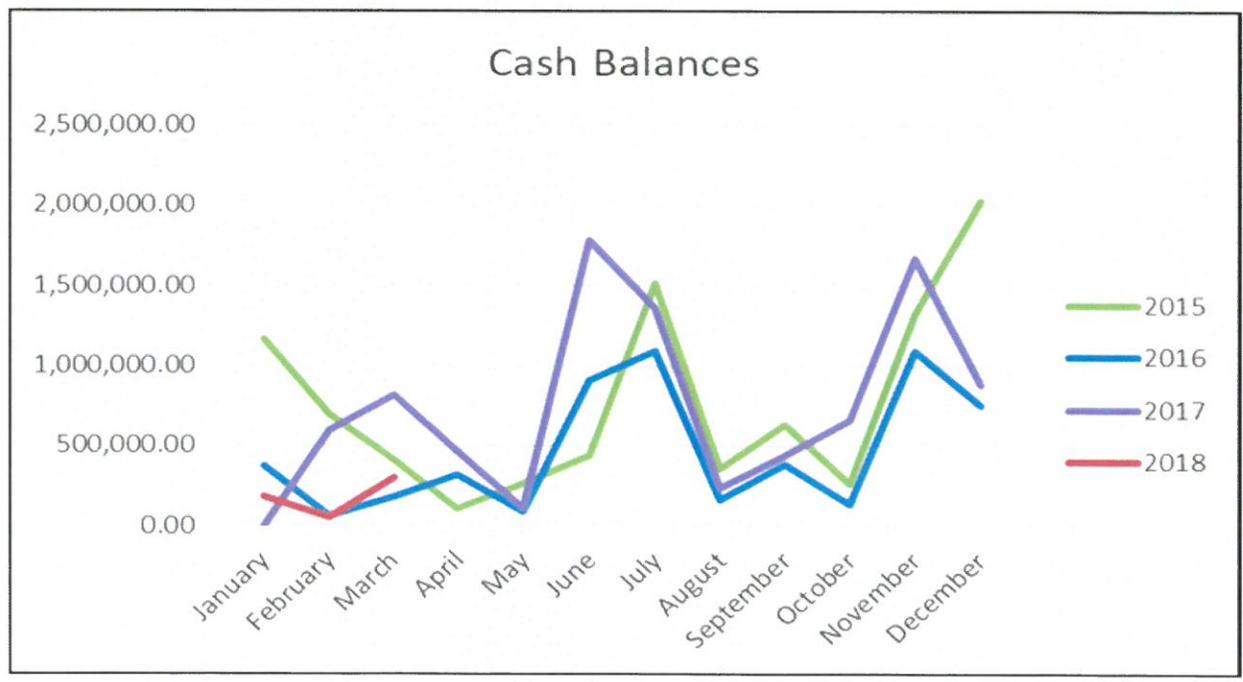
The Risk Management Fund paid the worker's compensation premiums of \$28,792.98 with the other insurance premiums due later this year.

## **CASH AND INVESTMENTS**

Finally, the Town had \$9,308,465.51 invested as of March 31<sup>st</sup>. This compares to \$10,974,947.49 invested last year at this time. The investments had an average interest rate of 2.78% compared to 3.07% last year. The amount invested has decreased from previous years due to the cost of projects (water tower painting and sewer lining projects) that were funded internally. The chart on the following page 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 is not unusual for the Town to have a large amount of cash available in those months with the funds being drawn down in the preceding months. Depending on expenditures and other revenues collect the Town may draw on its investments to help meet its cash needs. The chart below demonstrates the cash flow for the Township over the last four years.



## **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 and expenditures may also end the year at budgeted amounts. Staff will be monitoring expenditures over the summer month to keep expenditures within budget 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 2018.