

## MEMORANDUM

Date: August 23, 2017  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: Second Quarter 2017 Financial Report

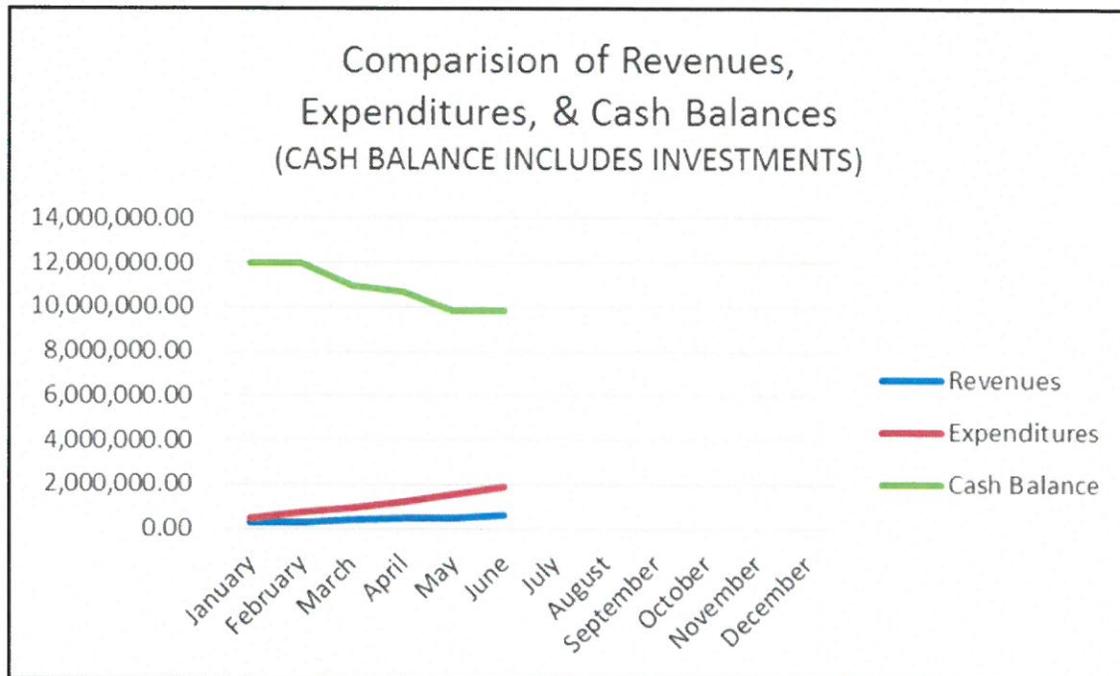
In June, the Town received a positive report from the Town's auditors on the Town's 2016 audit, which has been submitted to GFOA for the Certificate of Achievement award and used to generate the Annual Town Popular Report, which will be mailed with the next utility billing cycle. If the Town is awarded the Certificate of Achievement award, it will be the 21<sup>th</sup> consecutive year the Town has received the award. Now that the second quarter is complete, it is time to update the Board on the Town's year-to-date finances. The key to the Town's finances are that even though we are 50% 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, 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. In addition, 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 2016 and 2017.

Revenues	2016 Budget	2016 Actual	% Received	2017 Budget	2017 Actual	% Received
General Fund	3,724,485.00	595,456.75	15.99%	439,465.98	628,198.59	142.95%
Special Revenue Fds	39,026.00	0.00	0.00%	0.00	0.00	0.00%
Debt Service Funds	335,099.00	146,275.43	43.65%	395,684.50	645,995.87	163.26%
Capital Project Funds	1,013,215.00	67,751.24	6.69%	529,556.00	220,656.63	41.67%
Enterprise Funds	4,514,170.00	891,954.24	19.76%	1,841,066.00	1,600,523.89	86.93%
Internal Service Fds	504,301.00	550,974.00	109.25%	287,382.50	549,405.54	191.18%
<b>Total</b>	<b>10,130,296.00</b>	<b>2,252,411.66</b>	<b>22.23%</b>	<b>3,493,154.98</b>	<b>3,644,780.52</b>	<b>104.34%</b>
Expenditures	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
General Fund	3,724,485.00	1,752,946.16	47.07%	1,939,465.98	1,880,580.97	96.96%
Special Revenue Fds	26,000.00	3,240.60	12.46%	0.00	0.00	0.00%
Debt Service Funds	419,846.00	394,342.81	93.93%	467,698.50	746,394.18	159.59%
Capital Project Funds	2,188,380.00	303,521.56	13.87%	714,363.50	579,181.42	81.08%
Enterprise Funds	6,159,620.00	1,759,100.01	28.56%	3,821,708.00	2,367,555.59	61.95%
Internal Service Fds	646,810.00	243,387.30	37.63%	248,287.50	192,039.17	77.35%
<b>Total</b>	<b>13,165,141.00</b>	<b>4,456,538.44</b>	<b>33.85%</b>	<b>7,191,523.48</b>	<b>5,765,751.33</b>	<b>80.17%</b>

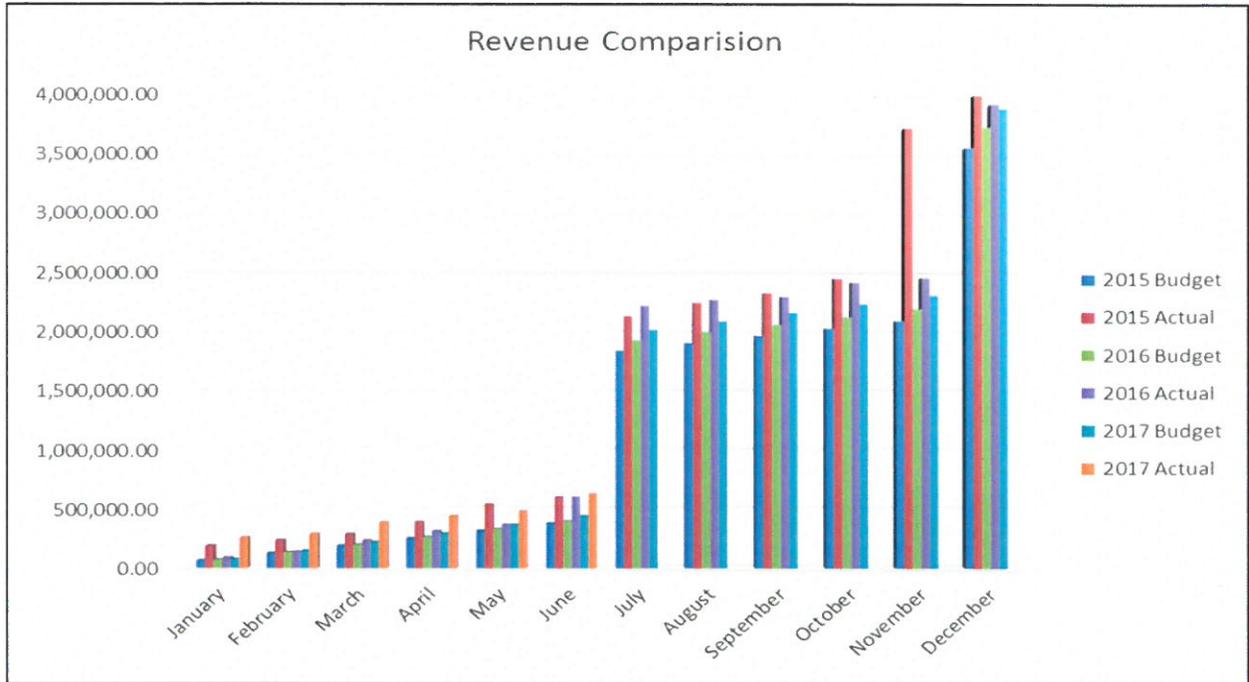
It should be noted that the budget amounts are for half the fiscal year and the actual is year to date. The rest of the report will detail the revenues and expenditures of each of the fund types.

## 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. In addition, 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.

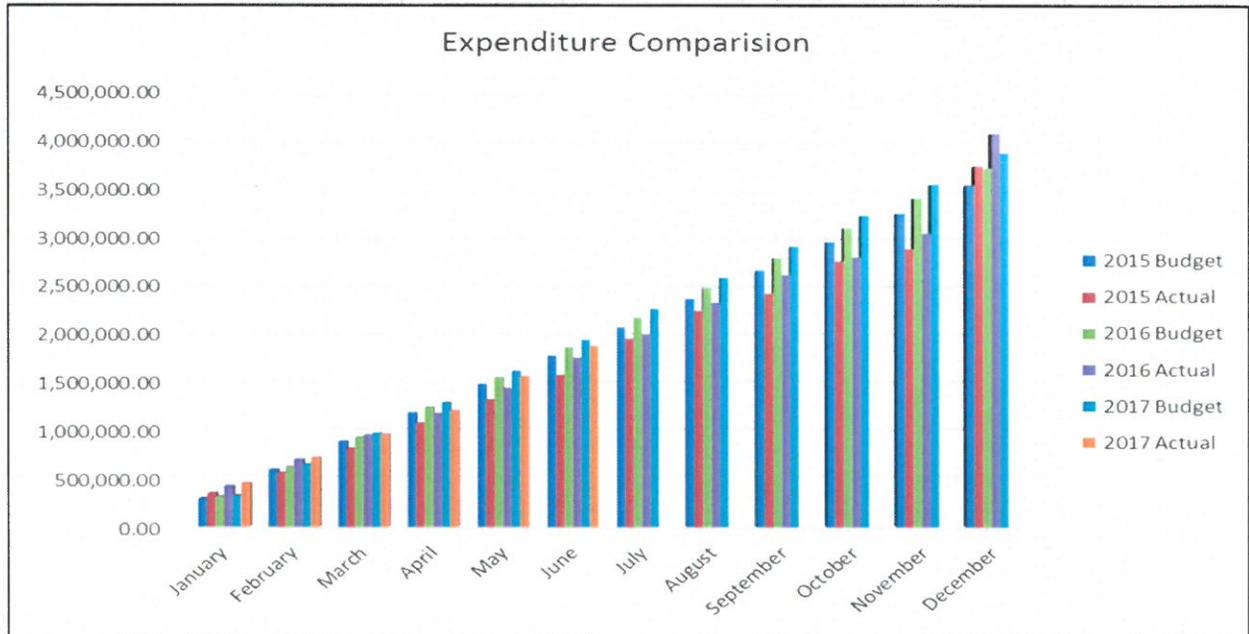


For the year, the Town has received 16.20% of the budgeted revenue through the end of June, which is a bit ahead of last year at this time. Licenses and permits have collected 69.85% of their budgets so far. Also as shown in the code enforcement reports building permit revenue is down slightly. Also in 2016 rental and dog licenses were renewed, which generated \$28,461.00 in revenue in 2016 compared to \$1,222.00 in 2017. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter for \$129,461.30 when only \$138,846 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.



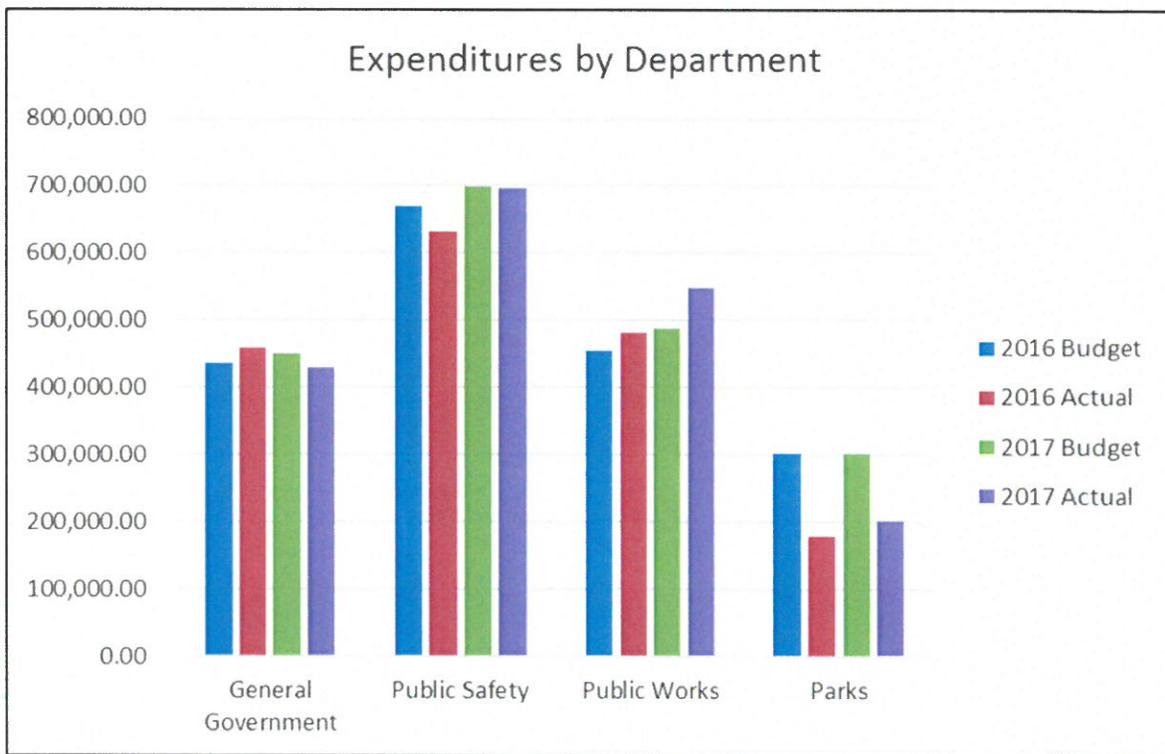
Actual expenditures for the quarter are below the 2017 budget but above 2016 budget and actual amounts as shown in the charts below:

	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
General Government	436,564.00	459,221.78	105.19%	450,200.00	430,500.83	95.62%
Public Safety	669,772.00	632,398.43	94.42%	698,389.00	697,491.13	99.87%
Public Works	454,078.00	481,042.96	105.94%	487,542.00	549,300.36	112.67%
Parks	301,828.00	180,282.99	59.73%	303,335.00	203,288.65	67.02%
<b>Total</b>	<b>1,862,242.00</b>	<b>1,752,946.16</b>	<b>94.13%</b>	<b>1,939,466.00</b>	<b>1,880,580.97</b>	<b>96.96%</b>



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 only activity over 50% spent of their budgets after the 2<sup>nd</sup> quarter was public works, which 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. In addition, an intern temporary secretarial help was hired in the third quarter, which will increase the General Government department. As the year progresses, 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. However, due to the loss revenue of some of the antenna leases and the added intern expenditures, revenues and expenditures finish the year near budget amounts.

### **SPECIAL REVENUE FUNDS**

The Town has moved the two Special Revenue Funds, the Park Acquisition Fund and Township Day's Festival to the Capital Project Funds and General Fund respectively. Therefore, there are no revenues or expenditures for these in 2017.

### **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. 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 2016 property tax settlement in July. The \$645,995.87 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 Town's EDA Fund to the Debt Service Funds for their share of 2017 bond payments.

### **ENTERPRISE FUNDS**

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

Enterprise Funds	2016	2016	%	2017	2017	%
Revenues	Budget	Actual	Received	Budget	Actual	Received
Water Fund	1,724,984.00	399,192.35	23.14%	1,568,845.00	640,471.00	40.82%
Sanitary Sewer Fund	2,371,086.00	377,904.74	15.94%	1,716,760.00	711,260.67	41.43%
Storm Water Fund	418,100.00	114,857.15	27.47%	396,527.00	248,792.22	62.74%
Total	4,514,170.00	891,954.24	19.76%	3,682,132.00	1,600,523.89	43.47%
Expenses	2016	2016	%	2017	2017	%
	Budget	Actual	Spent	Budget	Actual	Spent
Water Fund	1,682,926.00	773,558.76	45.97%	3,029,456.00	1,019,648.55	33.66%
Sanitary Sewer Fund	3,481,739.00	887,873.85	25.50%	3,538,897.00	1,239,996.46	35.04%
Storm Water Fund	994,955.00	97,667.40	9.82%	1,075,063.00	107,910.58	10.04%
Total	6,159,620.00	1,759,100.01	28.56%	7,643,416.00	2,367,555.59	30.98%

Revenues for the first half of the year are above last year revenues due to the rate increases in all utilities. Expenses for the year are similar to prior year expenses, except the water tower painting and sewer-lining project have increased expenses compared to 2016. Keeping in mind that the expense budget for the Enterprise Funds includes depreciation which is not recorded until year-end. Again, nothing is unusual from the budget through 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 95.59% of their revenues, with only interest earnings for the year to be recorded.

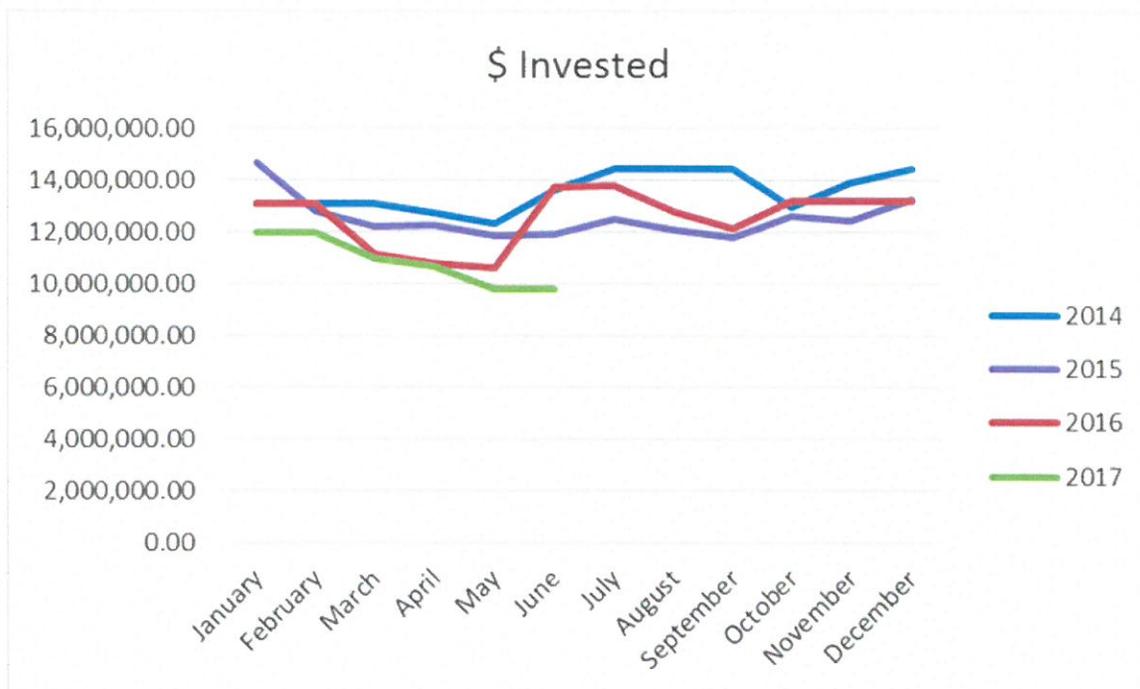
The Town Building Fund has not spent any of their budget so far while the Capital Equipment Fund has spent \$84,030.27 or 45.37% of their budget so far.

The Risk Management Fund has paid the worker's compensation premiums and the majority of the 2017 insurance premiums, so its expense activity is almost completed for the year. Premiums are anticipated to cost the Town \$146,375, which is an increase of \$5,915 from 2016. All of 2017 the worker's compensation premiums were paid for \$31,579.00 compared to

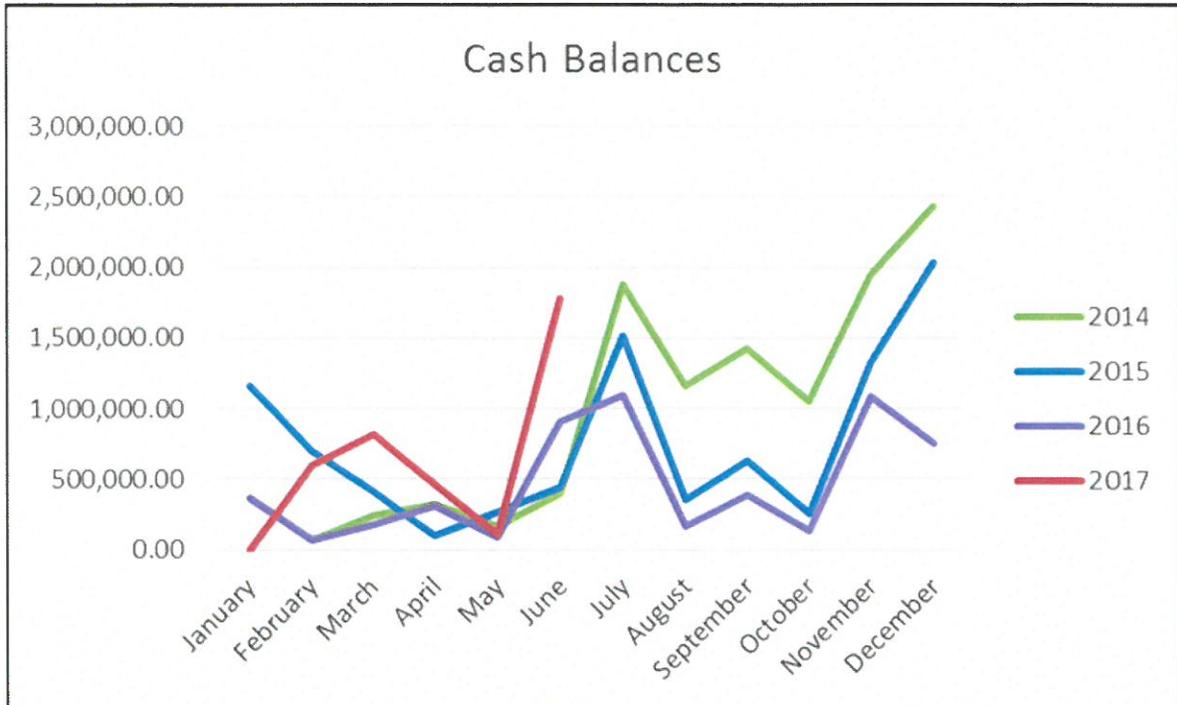
\$51,254.60 in 2016 and \$43,481.00 for 2015. The decrease is due to decreases in claims, which results in a lower experience modification factor, and an increase in the Town's deductible. Overall, the Risk Management fund has spent 73.79% of its 2017 budget.

**CASH AND INVESTMENTS**

Finally, the Town had \$9,796,544.68 invested as of June 30<sup>st</sup>. This compares to \$113,754,226.33 invested last year at this time. The investments had an average interest rate of 3.078% compared to 2.757% last year. Interest rates have move up slightly from last year. 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 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 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 2017 to pay for the water tower painting and sewer lining projects. 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 close to budgeted amounts for most revenue sources, as will expenditures. The exception to this could be the Enterprise Funds where revenues are higher than anticipated due to the rate increases. 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. Therefore, it would appear the Township is in good financial shape for 2017.