

MEMORANDUM

Date: April 9, 2018
 To: Town Board
 From: Tom Kelly, Finance Officer
 Re: Fourth Quarter 2017 Financial Report

Another year has flown by. The Town's auditors will be reviewing the Town's books the week of April 16th and will have the final audit report in June for the Board to review. Therefore, this report is based on unaudited financial records. The Town's revenues are higher than expected, while expenditures are below budget. Both revenues and expenditures reflect the operating transfer of \$90,000 from the General Fund (increases expenditures) to other funds (increases revenue) to reduce the General Fund's reserves to 45% of the 2018-operating budget. Below is a chart comparing budget to actual revenue and expenditures for the years 2016 and 2017.

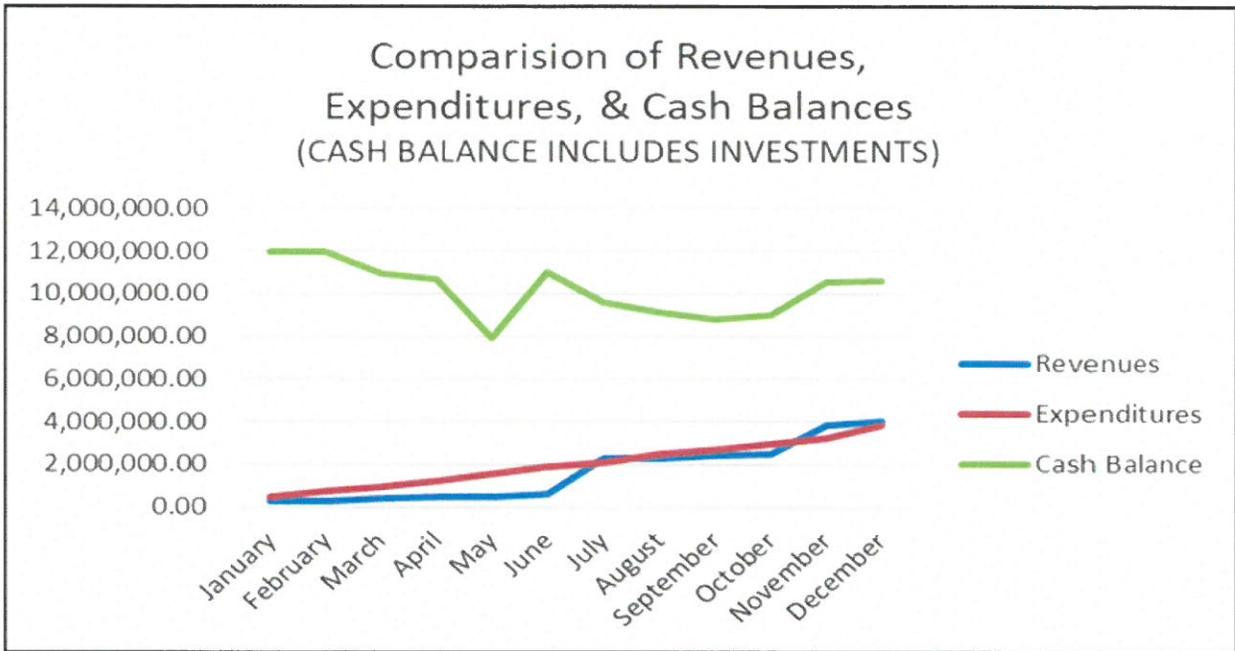
Revenues	2016 Budget	2016 Actual	% Received	2017 Budget	2017 Actual	% Received
General Fund	3,724,485.00	2,294,130.31	61.60%	3,878,932.00	4,038,505.80	104.11%
Special Revenue Fds	39,026.00	2,754.56	7.06%	0.00	0.00	0.00%
Debt Service Funds	335,099.00	246,711.53	73.62%	791,369.00	732,765.56	92.59%
Capital Project Funds	1,013,215.00	598,971.18	59.12%	1,059,112.00	653,136.25	61.67%
Enterprise Funds	4,514,170.00	2,065,426.23	45.75%	3,682,132.00	4,033,592.41	109.55%
Internal Service Fds	504,301.00	564,054.06	111.85%	574,765.00	582,874.33	101.41%
Total	10,130,296.00	5,772,047.87	56.98%	9,986,310.00	10,040,874.35	100.55%

Expenditures	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
General Fund	3,724,485.00	2,614,257.32	70.19%	3,878,932.00	3,818,236.08	98.44%
Special Revenue Fds	26,000.00	16,027.34	61.64%	0.00	0.00	0.00%
Debt Service Funds	419,846.00	419,745.98	99.98%	935,397.00	759,423.53	81.19%
Capital Project Funds	2,188,380.00	1,218,805.25	55.69%	1,428,727.00	788,328.41	55.18%
Enterprise Funds	6,159,620.00	2,442,593.99	39.65%	7,643,416.00	4,962,336.82	64.92%
Internal Service Fds	646,810.00	495,937.77	76.67%	496,575.00	271,008.59	54.58%
Total	13,165,141.00	7,207,367.65	54.75%	14,383,047.00	10,599,333.43	73.69%

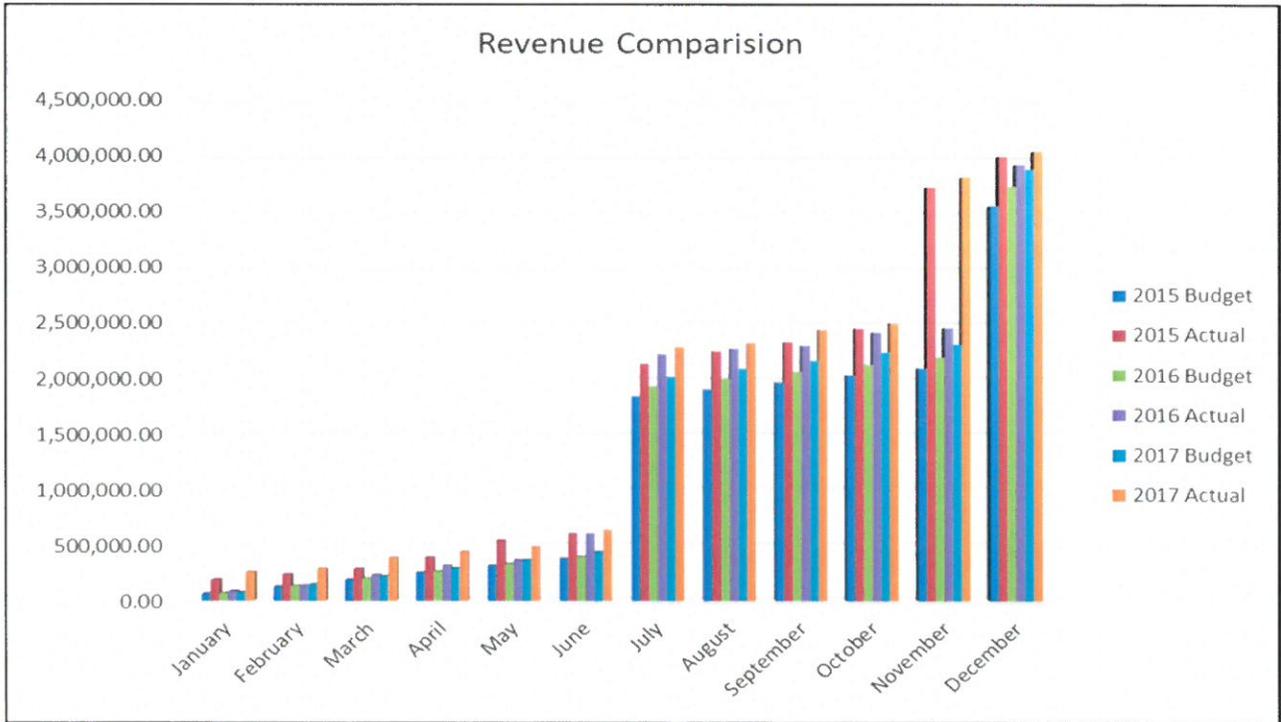
The rest of the report will detail the revenues and expenditures of each of six fund types.

GENEARL FUND

Revenues are above budget projections and expenditures would be below budget. 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.

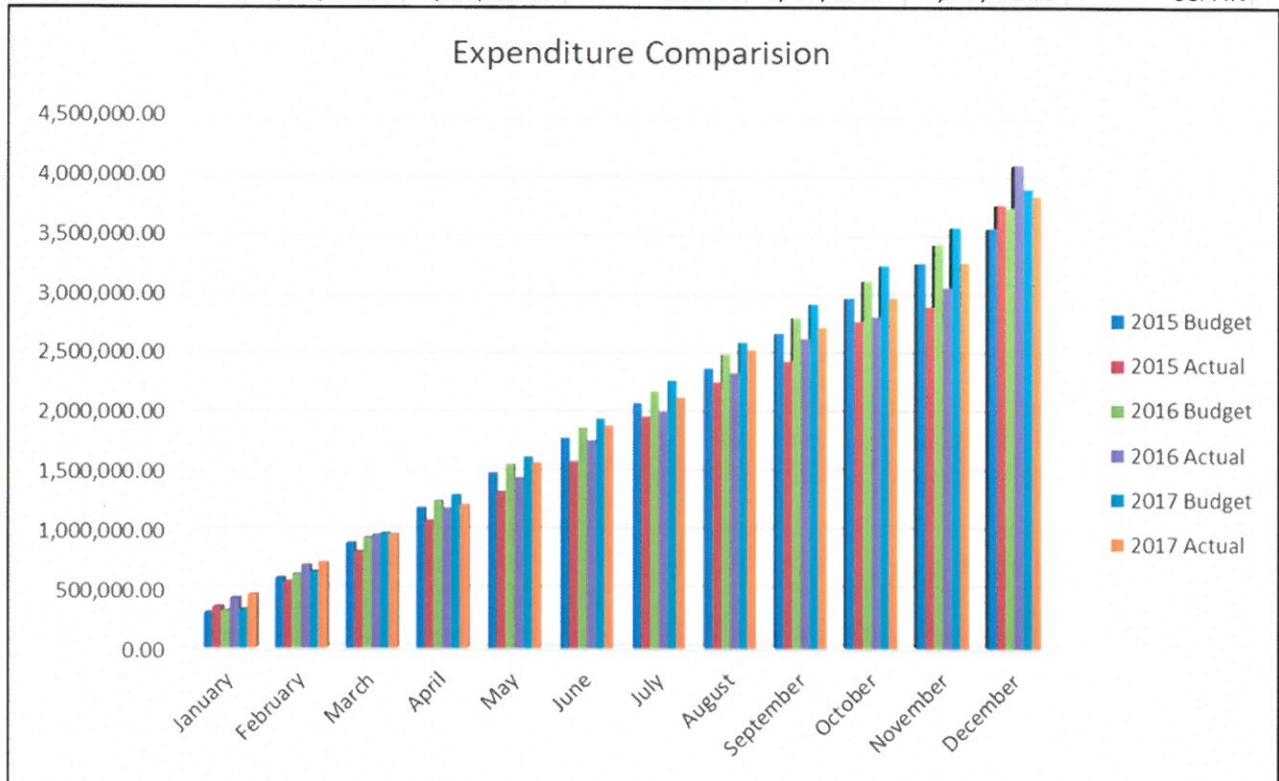


For the year, the Town has received 104% of the budgeted revenue. All revenue categories exceeded their budgets. Licenses and permits have exceeded their budget and collected 144.7% of their budgets. All most of the line items under the licenses & permits category have exceeded their budget amounts for the year led by building permit revenue, which totaled \$141,959.18 or 157.7% of budget. The Town has received 100.6% of its property tax revenue for the year due to the payment of delinquent taxes and the sale of tax forfeited property. The Town only collected only 95.1% of antenna lease revenues, which reflects the reduced lease revenue on the northeast water tower due to the repainting. The chart on the following page compares budget to actual revenues for the last three years.

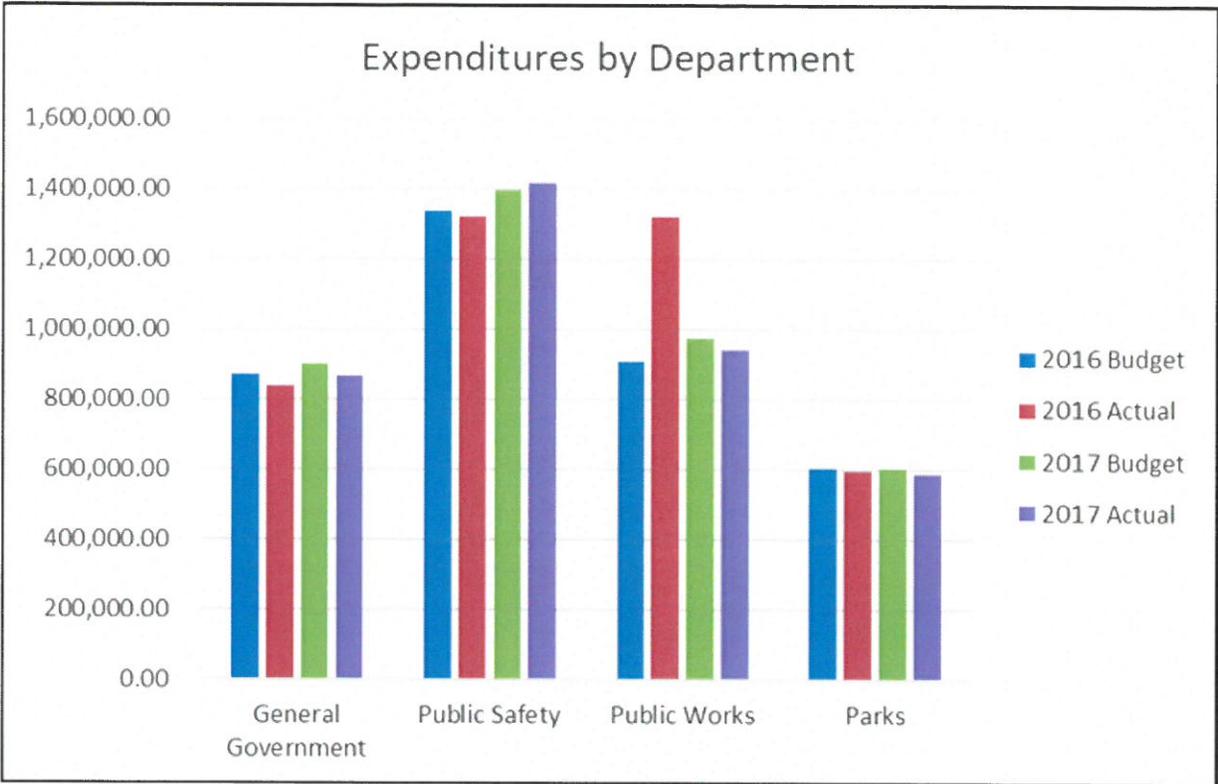


Actual expenditures for the year as state previously are below the 2017 budget and below the 2016 actual amounts, however, the 2016 expenditures include \$600,000 in operating transfers compared to \$90,000 in 2017. The charts below compare 2016 and 2017 budgets and expenditures:

	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
General Government	873,129.00	840,032.86	96.21%	900,400.00	868,278.55	96.43%
Public Safety	1,339,545.00	1,323,294.88	98.79%	1,396,778.00	1,417,958.75	101.52%
Public Works	908,155.00	1,321,141.41	145.48%	975,084.00	945,205.68	96.94%
Parks	603,656.00	598,950.93	99.22%	606,670.00	586,793.10	96.72%
Total	3,724,485.00	4,083,420.08	109.64%	3,878,932.00	3,818,236.08	98.44%



The only activities over 100% spent of their budgets for the year are elections (103%), Community Development (105%), and Code Enforcement (114%). The election activity over budget for 2017 by \$904.45 and is from the contract with Ramsey County. Community Development is over budget for work done by the consultants on the Town's comp plan update and Code Enforcement is over budget from \$18,122.52 in property cleanup costs, which were billed to the property owner. The chart on the following page shows budget to actual comparison by department for the last two years.



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

SPECIAL REVENUE FUNDS

In the past, the Town had two Special Revenue Funds, the Park Acquisition Fund and Township Day’s Festival. Based on GASB redefining what can be classified as a Special Revenue Fund, the Park Acquisition Fund has been moved to the Capital Project Funds and the Township Day’s Festival Fund has been moved into the General Fund.

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 \$759,423.53. The Town now has \$2,290,000.00 in outstanding debt. Funding or revenues, which totals \$732,765.56, 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 2017 bond payments and cost for the Pine Hill Improvement project. In total revenues were 61.7% of budget at \$653,136.25 with expenditures at \$788,328.41 or 55.2% of budget.

ENTERPRISE FUNDS

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

Revenues	2016 Budget	2016 Actual	% Received	2017 Budget	2017 Actual	% Received
Water Fund	1,724,984.00	1,034,794.54	59.99%	1,568,845.00	1,602,449.54	102.14%
Sanitary Sewer Fund	2,371,086.00	799,772.03	33.73%	1,716,760.00	1,851,380.79	107.84%
Storm Water Fund	418,100.00	230,859.66	55.22%	396,527.00	579,762.08	146.21%
Total	4,514,170.00	2,065,426.23	45.75%	3,682,132.00	4,033,592.41	109.55%
Expenses	2016 Budget	2016 Actual	% Spent	2017 Budget	2017 Actual	% Spent
Water Fund	1,682,926.00	1,049,577.86	62.37%	3,029,456.00	2,680,837.61	88.49%
Sanitary Sewer Fund	3,481,739.00	1,260,167.75	36.19%	3,538,897.00	2,040,403.77	57.66%
Storm Water Fund	994,955.00	132,848.38	13.35%	1,075,063.00	241,095.44	22.43%
Total	6,159,620.00	2,442,593.99	39.65%	7,643,416.00	4,962,336.82	64.92%

Revenues for the year are above last year revenues due to new rates. Expenses for the year are below budget and 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

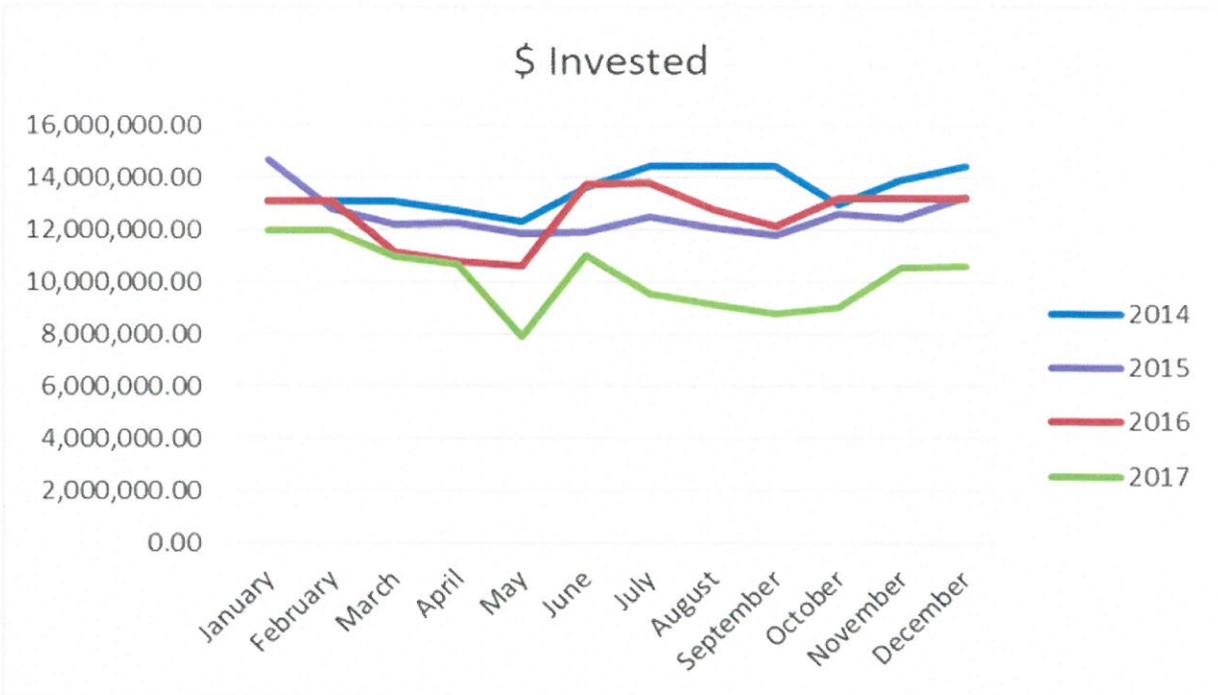
The Town's Town Building, Capital Equipment, and Risk Management Funds collect one-time fees from the General Fund and Enterprise Funds and received some of the operating transfers from the General Fund for 2017.

The Town Building Fund has spent 35.4% 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 2017. The majority of the expenditure is for replacing the public works fuel tanks. The Capital Equipment Fund has spent 94.37% of their budget for small tools, furniture, truck, computer equipment and software, and miscellaneous equipment.

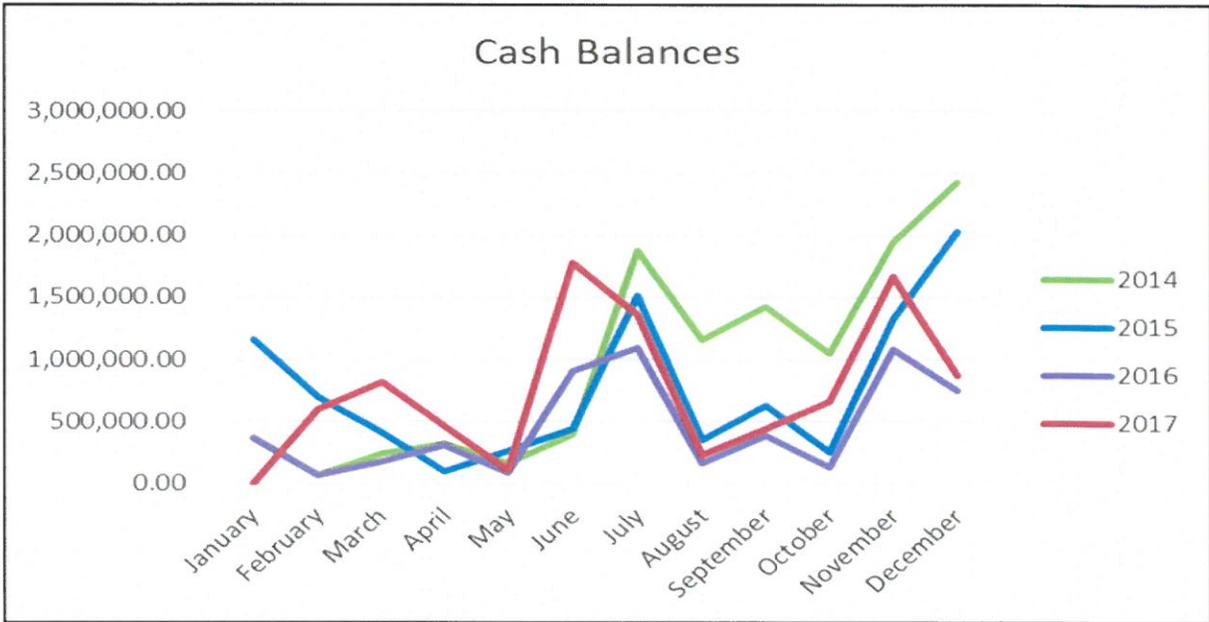
The Risk Management Fund has paid the 2017 worker's compensation premiums and other insurance premiums through October of 2018. Premiums cost the Town \$182,143.90. All of 2017 the worker's compensation premiums were paid for \$31,579.00 compared to \$34,397.00 for all of 2016. The decrease is due to 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 124.4% of its 2017 budget.

CASH AND INVESTMENTS

Finally, the Town had \$10,653,843.87 invested as compared to \$13,236,025.40 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 including the water tower painting and sanitary sewer lining 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 lower interest earning for the year as premium costs are offset against interest. The investments had an average interest rate of 2.974% compared to 2.999% last year. Again because of the premiums paid the Town's yield to maturity is only 2.501% compared to 2.587% in 2016. 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 2017. 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. The rate increases in the utility funds has increased revenues to help pay for improvement projects and build reserves for future projects. The General Fund which has revenues above budget amounts and expenditures below budget amounts would ended the year with a surplus resulting in the transfer of \$90,000 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 2017. The auditors will be at the June Executive Meeting to present their findings on the Town's 2017 finances, which may result in some minor changes to the information provided above.