

## MEMORANDUM

Date: September 4, 2019,  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: Second Quarter 2019 Financial Report

Last month the auditors finally presented a positive report on the Town's 2018 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 23<sup>rd</sup> consecutive year the Town has received the award and the 5<sup>th</sup> consecutive year for the Popular Report 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. Below is a chart comparing budget to actual revenue and expenditures for the years 2018 and 2019.

Revenues	2018 Budget	2018 Actual	% Received	2019 Budget	2019 Actual	% Received
General Fund	408,396.00	590,916.51	144.69%	414,150.00	540,203.13	130.44%
Debt Service Funds	114,324.00	98,824.23	86.44%	119,272.50	106,681.40	89.44%
Capital Project Funds	587,628.50	341,709.14	58.15%	559,899.50	379,225.29	67.73%
Enterprise Funds	2,084,406.00	686,592.83	32.94%	2,267,007.50	959,515.19	42.33%
Internal Service Fds	408,123.50	564,546.83	138.33%	313,744.00	580,812.40	185.12%
<b>Total</b>	<b>3,602,878.00</b>	<b>2,282,589.54</b>	<b>63.35%</b>	<b>3,674,073.50</b>	<b>2,566,437.41</b>	<b>69.85%</b>

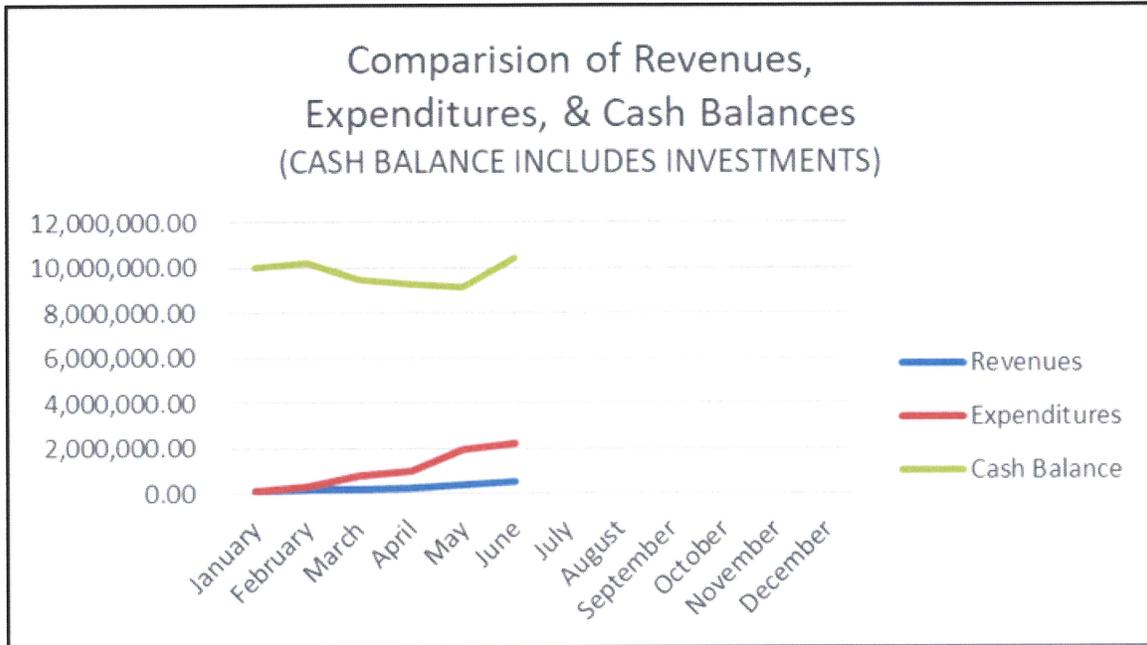
Expenditures	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
General Fund	2,021,742.00	2,044,446.00	101.12%	2,115,678.00	2,225,415.80	105.19%
Debt Service Funds	170,175.50	330,164.35	194.01%	169,577.00	331,299.85	195.37%
Capital Project Funds	634,966.50	367,959.11	57.95%	2,534,511.50	146,435.93	5.78%
Enterprise Funds	2,463,223.50	419,116.90	17.01%	3,790,450.50	1,685,449.89	44.47%
Internal Service Fds	468,792.50	82,132.21	17.52%	385,913.00	188,354.92	48.81%
<b>Total</b>	<b>5,758,900.00</b>	<b>3,243,818.57</b>	<b>56.33%</b>	<b>8,996,130.00</b>	<b>4,576,956.39</b>	<b>50.88%</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.

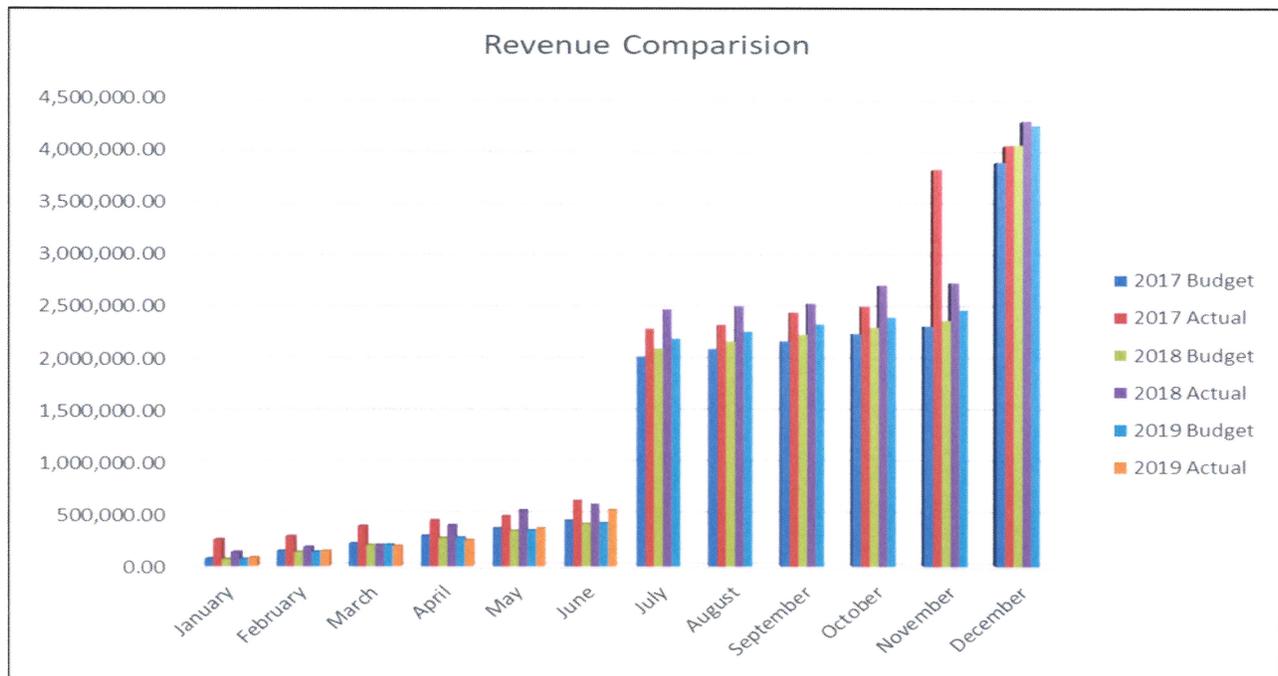
### GENERAL FUND

Through the second quarter, revenues and expenditures are above budget projections, which is shown in future charts. However, the chart on the following page 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 receiving an advance payment of the July tax settlement, not from revenues.

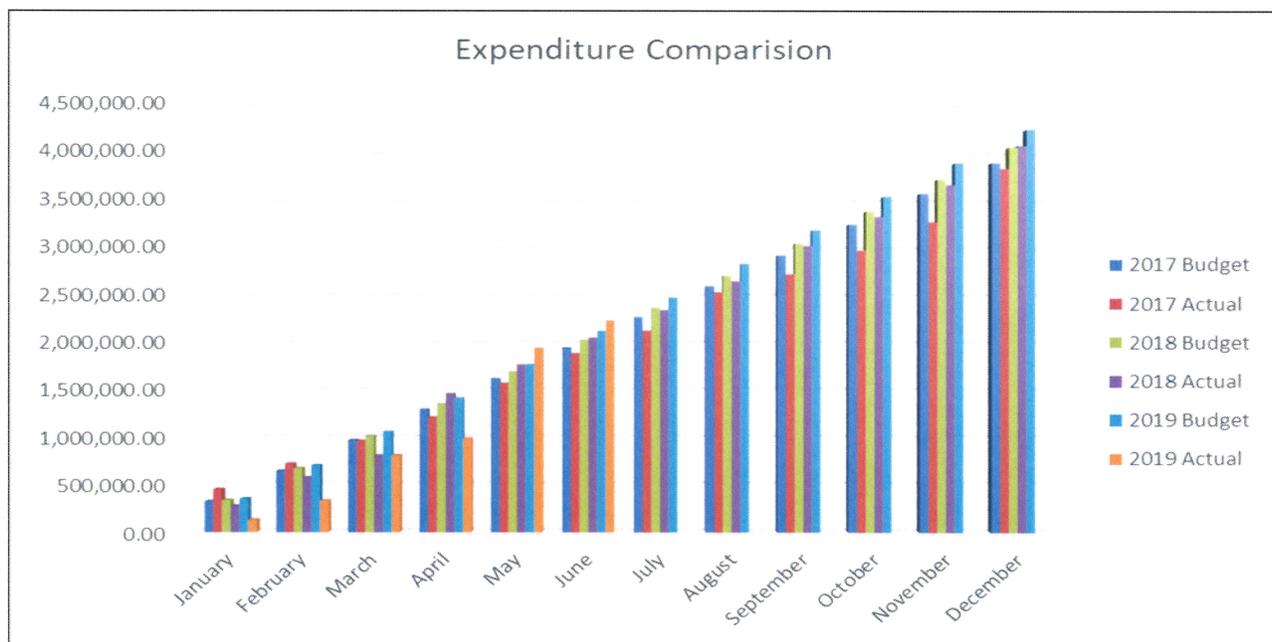


For the year, the Town has received 12.77% of the budgeted revenue through the end of June, which is a bit behind last year at this time. Revenues are below 2018 revenues due to less permit and intergovernmental revenues and less antenna lease revenues. Licenses and permits have collected 53.77% of their budgets so far, which is behind 2018 revenues by \$35,019.55. Also in 2018 rental and dog licenses were renewed, which generated \$16,717.00 in revenue in 2018 compared to \$1,350.00 in 2019. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter for \$122,760.50 when only \$82,000 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.



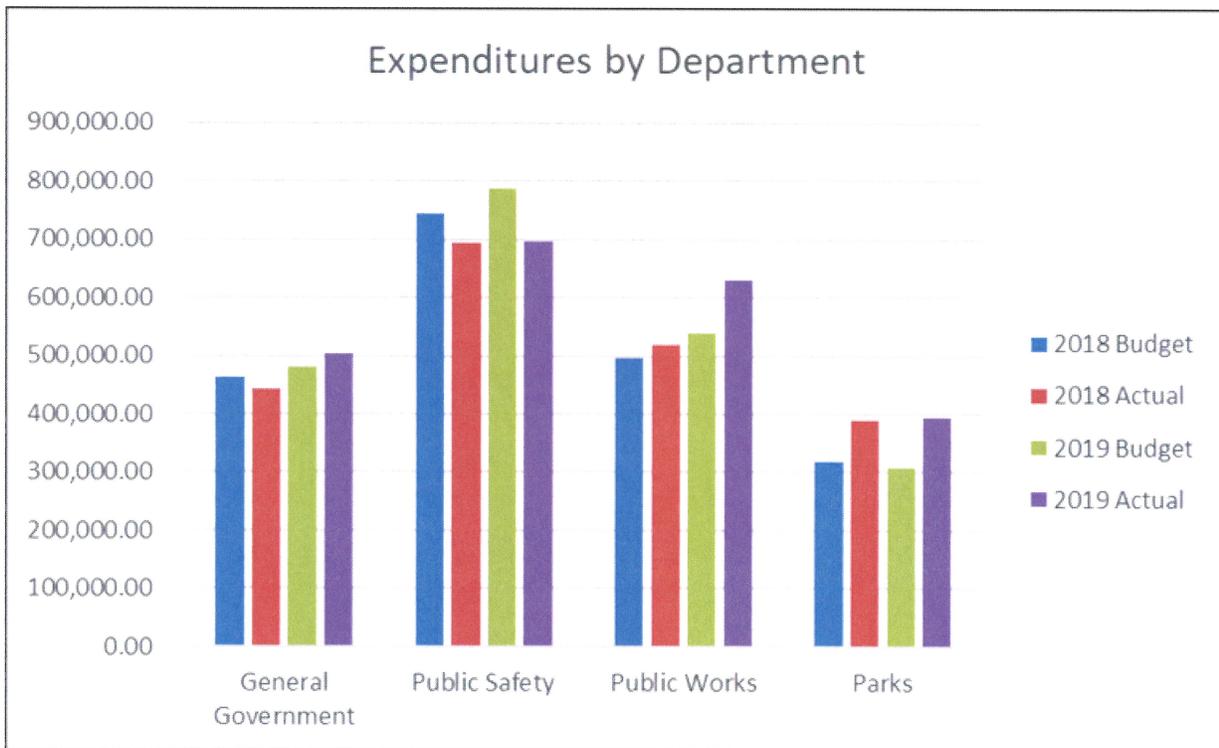
Actual expenditures for the quarter are above the 2019 and 2018 budget and actual amounts as shown in the charts below:

	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
General Government	464,121.00	442,881.88	95.42%	480,627.00	502,912.34	104.64%
Public Safety	744,631.50	693,268.78	93.10%	787,393.50	697,359.97	88.57%
Public Works	495,252.00	518,106.47	104.61%	540,040.00	631,351.34	116.91%
Parks	317,737.50	390,188.87	122.80%	307,617.50	393,792.15	128.01%
<b>Total</b>	<b>2,021,742.00</b>	<b>2,044,446.00</b>	<b>101.12%</b>	<b>2,115,678.00</b>	<b>2,225,415.80</b>	<b>105.19%</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 activities not over 50% spent of their budgets after the 2<sup>nd</sup> quarter are recycling (12.67%), police (41.53%), fire protection (49.85%), and township day (22.99%). Most activities are over spent due to the one-time expenditures for equipment and facility rentals, which are recorded at the beginning of the year. In addition, public works seasonal summer help is being expensed now through August and the Town hired two part-time temporary employees for the summer to scan documents to electronic storage. These two positions were not included in the budget. Finally, beach operations also began in the 2<sup>nd</sup> quarter and will continue into the 3<sup>rd</sup> quarter. All these temporary positions and beach expenditures are show in the budget as if they occur all year long but for actual expenditures, they only happen May through August.

The chart below compares actual expenditures to budget for 2018 and 2019. 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, we will need to watch some expenditures as we progress through 2019. Based on 1<sup>st</sup> half performance of revenues may fall short of projections and expenditures should finish the year near budget amounts.

**DEBT SERVICE FUNDS**

On February 1<sup>st</sup>, the Town paid its 2019 debt obligations of \$680,000.00 in principal and \$18,747.50 of interest. The Town now has \$960,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$9,527.50 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 2019 property tax settlement in

July. The \$106,681.40 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 and park improvements. The expenditures are transfers from the Town's EDA Fund to the Debt Service Funds for their share of 2019 bond payments and some engineering for the 2019 street reconstruction project. The Town will have expenditures for the sealcoating and street reconstruction projects in the 3<sup>rd</sup> quarter.

### **ENTERPRISE FUNDS**

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

Revenues	2018	2018	%	2019	2019	%
	Budget	Actual	Received	Budget	Actual	Received
Water Fund	1,648,241.00	255,752.91	15.52%	1,689,345.00	222,939.38	13.20%
Sanitary Sewer Fund	1,969,845.00	334,587.90	16.99%	2,258,810.00	570,849.05	25.27%
Storm Water Fund	550,726.00	96,252.02	17.48%	585,860.00	165,726.76	28.29%
Total	4,168,812.00	686,592.83	16.47%	4,534,015.00	959,515.19	21.16%

Expenses	2018	2018	%	2019	2019	%
	Budget	Actual	Spent	Budget	Actual	Spent
Water Fund	1,766,378.00	188,192.73	10.65%	4,066,790.00	547,111.47	13.45%
Sanitary Sewer Fund	2,394,814.00	206,684.72	8.63%	2,544,514.00	1,004,002.19	39.46%
Storm Water Fund	765,255.00	24,239.45	3.17%	969,597.00	134,336.23	13.85%
Total	4,926,447.00	419,116.90	8.51%	7,580,901.00	1,685,449.89	22.23%

Revenues for the first half of the year are above last year revenues due to the rate increases in all but the Water Fund. Revenues are down in the Water Fund due to water usage. Expenses in all funds are higher than in the past due to improvement projects, such as, the water tower painting, the infiltration project and various storm water projects. 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 92.56% of their revenues, with only interest earnings for the last half of year to be recorded.

The Town Building Fund has spent \$45,742.54 on improvements for the public works building canopies and the landscaping around the buildings and the Capital Equipment Fund has spent \$95,922.97 or 33.40% of their budget so far.

The Risk Management Fund has paid the worker's compensation premiums, but not any of the 2019 other insurance premiums, so its expense activity is only 35.06% spent for the year. Premiums are anticipated to cost the Town \$133,166, which is an increase of \$13,031.00 from

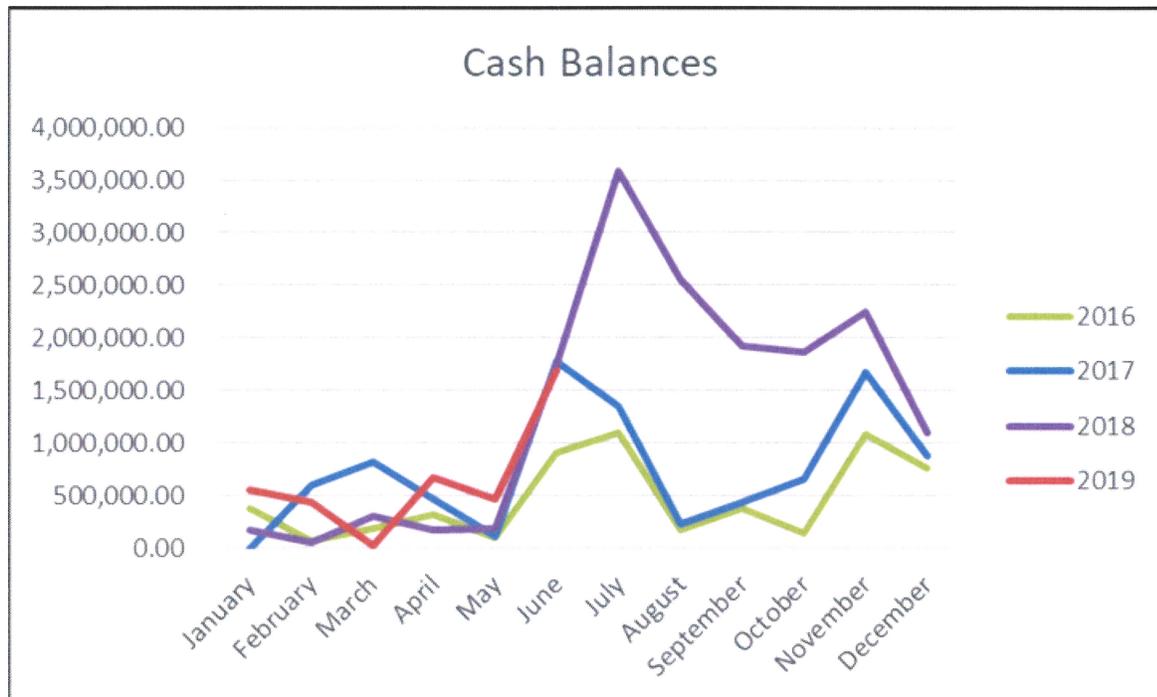
2018. All of 2019 the worker's compensation premiums were paid for \$40,947.00 compared to \$40,226.00 in 2018, \$31,579.00 in 2017, \$51,254.60 in 2016 and \$43,481.00 for 2015. The increase is due to increased wages. Overall, the Risk Management fund has spent 35.06% of its 2019 budget.

**CASH AND INVESTMENTS**

Finally, the Town had \$10,391,357.09 invested as of June 30<sup>st</sup>. This compares to \$10,720,819.38 invested last year at this time. The investments had an average interest rate of 2.978% compared to 2.763% last year. Even though interest rates have move down slightly, the Town has been able to maintain some of our higher rate investments. 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 first half of 2019. The chart on the following page demonstrates the cash flow for the Township.



The increase in cash for June is due to the Town receiving an advance on the July tax settlement at the end of June.

### **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 or slightly below 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 2019.