

MEMORANDUM

Date: October 29, 2019
 To: Town Board
 From: Tom Kelly, Finance Officer
 Re: Third Quarter 2019 Financial Report

The third quarter is in the books. The Town's revenues are slightly higher than expected and expenditures are much lower than they normally have been at this point in the year. The key to the Town's finances are that even though we are 75% through the year, revenues and expenditures do not flow evenly through the year. Even with some one time expenditures spent at the beginning of the year and the Town having paid all of its 2019 debt payments, expenditures are only 44% spent compared to budget compared to 57% last year at this time. 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. Debt Service Fund revenue is 66% due to onetime transfers to fund debt retirements, of which puts revenue collect at 58% of budget compared to 67% in 2018. Below is a chart comparing budget to actual revenue and expenditures for the years 2019 and 2018.

Revenues	2018	2018	%	2019	2019	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	2,225,940.00	2,522,994.80	113.35%	2,322,752.00	2,517,406.95	108.38%
Debt Service Funds	171,486.00	170,769.47	99.58%	178,908.75	158,396.31	88.53%
Capital Project Funds	881,442.75	698,123.17	79.20%	839,849.25	723,385.98	86.13%
Enterprise Funds	3,126,609.00	3,035,195.95	97.08%	3,400,511.25	2,174,624.38	63.95%
Internal Service Fds	612,185.25	597,030.52	97.52%	470,616.00	612,758.97	130.20%
Total	7,017,663.00	7,024,113.91	100.09%	7,212,637.25	6,186,572.59	85.77%

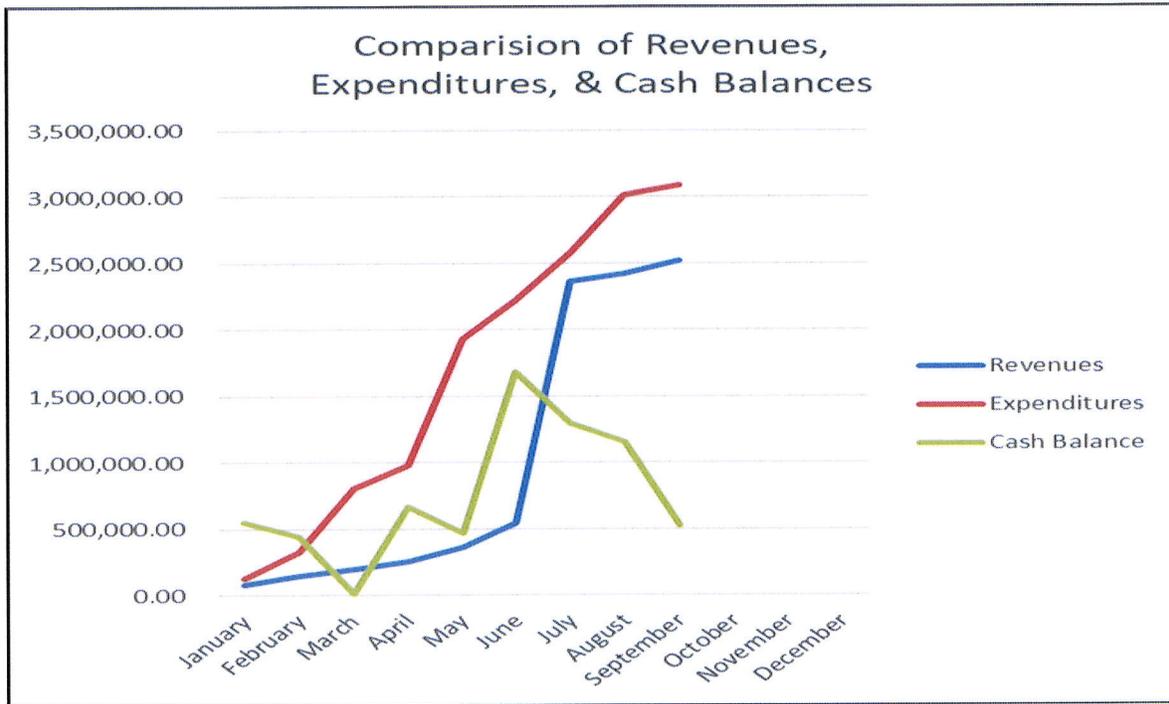
Expenditures	2018	2018	%	2019	2019	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	3,032,613.00	3,008,679.05	99.21%	3,173,517.00	3,086,875.17	97.27%
Debt Service Funds	255,263.25	339,549.50	133.02%	254,365.50	337,248.60	132.58%
Capital Project Funds	952,449.75	681,168.58	71.52%	3,801,767.25	641,239.27	16.87%
Enterprise Funds	3,694,835.25	2,342,538.28	63.40%	5,685,675.75	3,658,953.46	64.35%
Internal Service Fds	703,188.75	159,499.13	22.68%	578,869.50	279,443.41	48.27%
Total	8,638,350.00	6,531,434.54	75.61%	13,494,195.00	8,003,759.91	59.31%

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

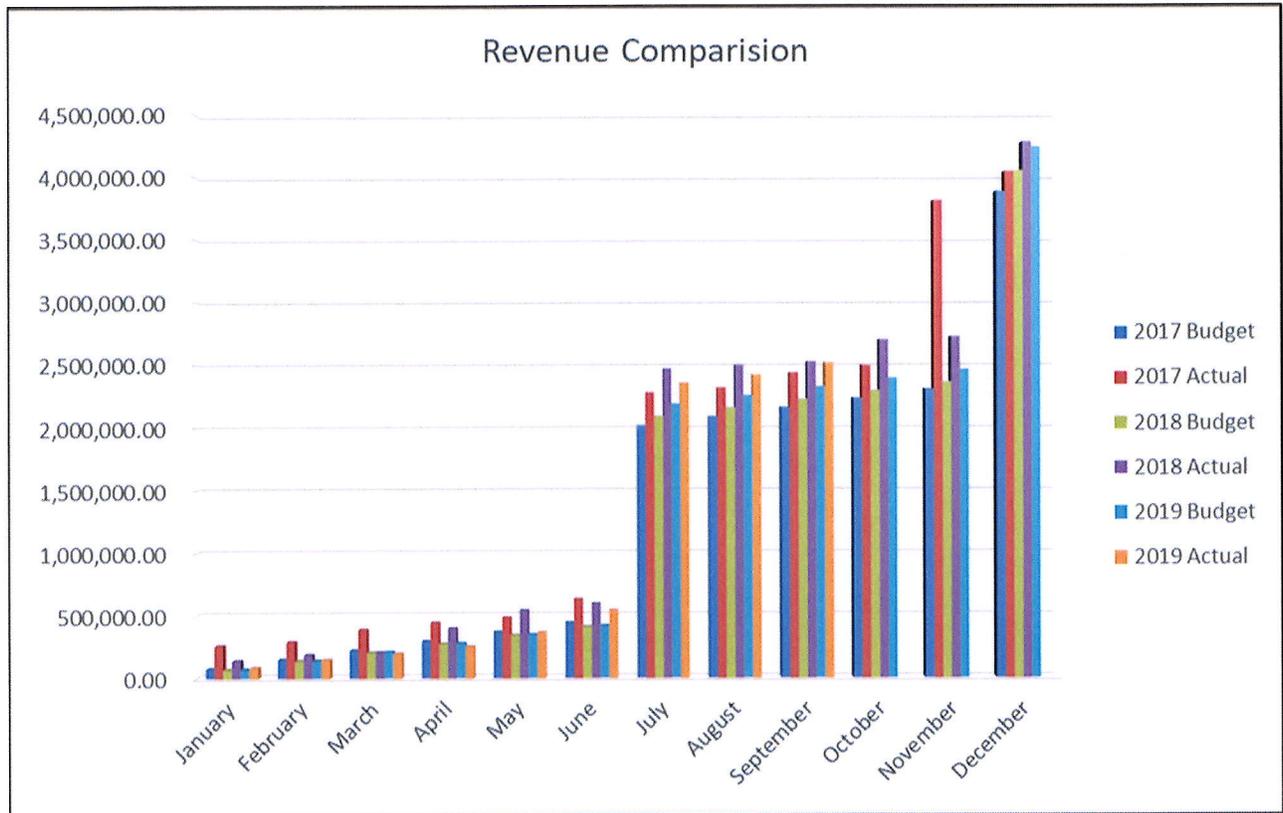
GENEARL FUND

Through the third quarter, revenues are above budget projections and expenditures are below budget, which is demonstrated in future charts. However, the chart on the following page shows how revenues are below expenditures levels for the first three quarters of the year, which is

typical. In addition, one can see how the Town depends on reserves (cash balances) until the tax payments are received in December.

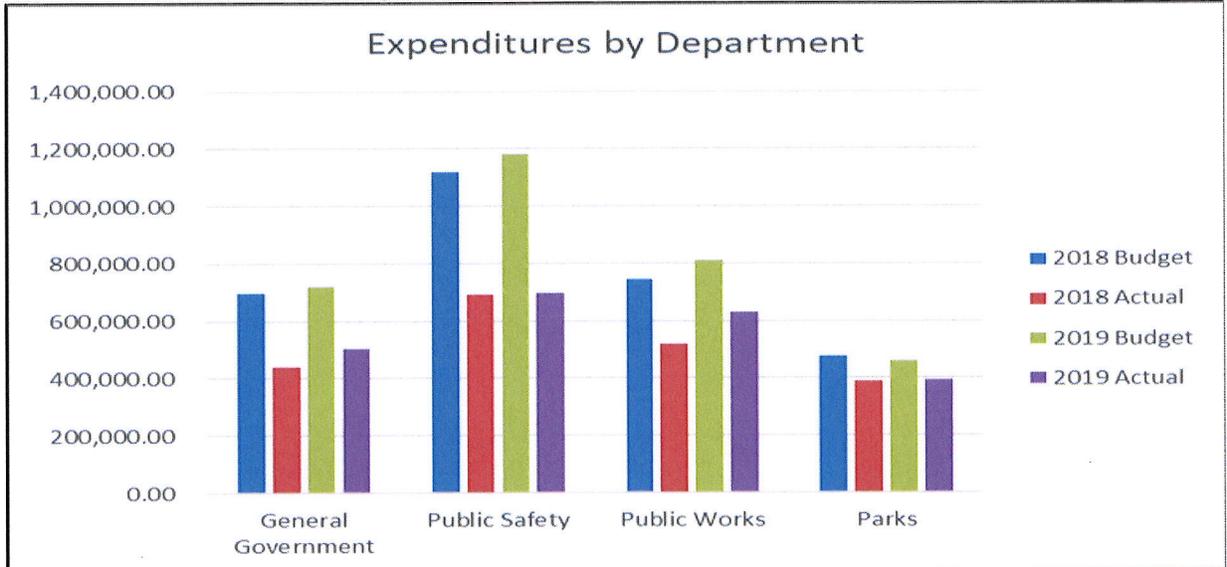


For the year, the Town has received 59.49% of the budgeted revenue through the end of September, which is almost the same as last year at this time (62.40%). No revenue categories have exceeded their budgets through the third quarter of the year. A few individual line items have exceeded their budget amounts for the year, but for the most part the major revenue sources are below budget so far. Fine revenue has already collected all but \$97.44 of its budget due to stronger than anticipated administrative fines. The Town has collected 76% of the licenses and permit revenues and trials last year collections, which were 117% of budget. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter for \$123,435.50 when \$82,000.00 was budgeted. The chart on the following page compares budget to actual revenues for the last two years. For this chart, the monthly revenues are $\frac{3}{4}$ of the total revenue budget with the exception of property taxes, which are included in the July, and December budget numbers only.



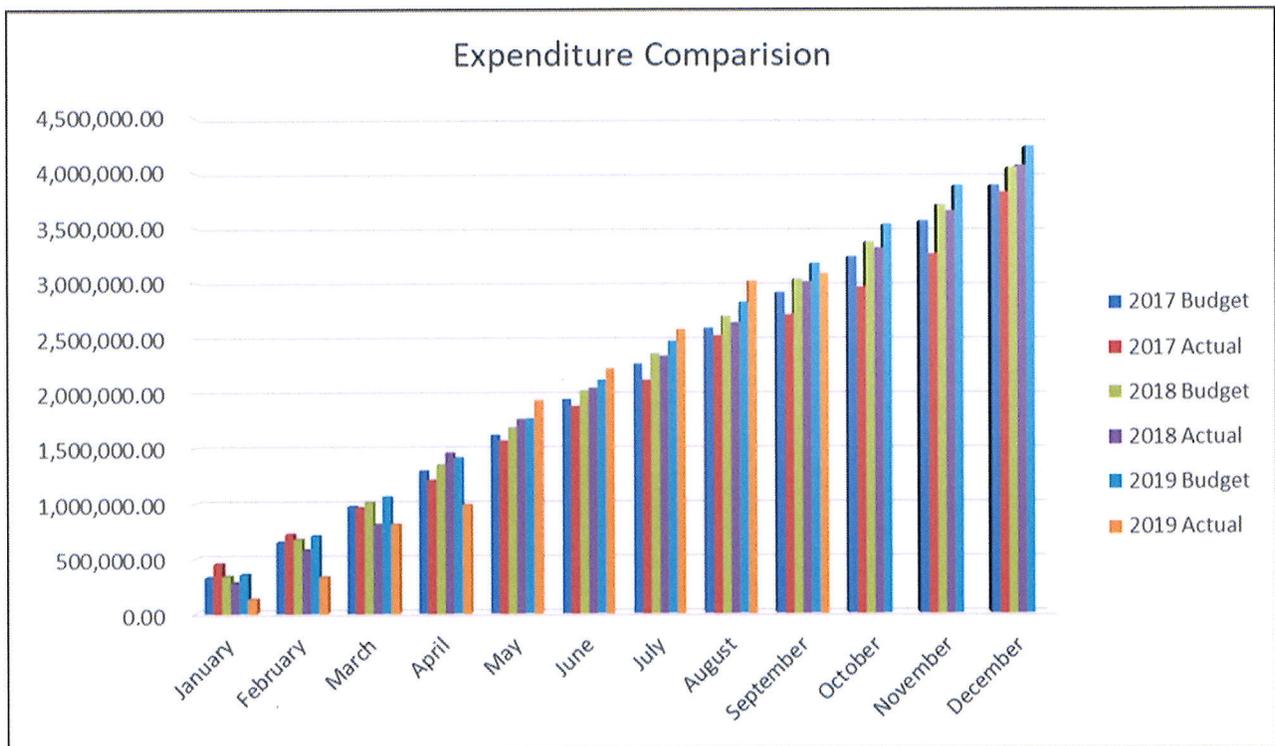
Actual expenditures for the quarter are below the 2019 budget and below the 2018 budget, but higher than 2018 actual amounts as shown in the charts below:

	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
General Government	696,181.50	442,881.88	63.62%	720,940.50	502,912.34	69.76%
Public Safety	1,116,947.25	693,268.78	62.07%	1,181,090.25	697,359.97	59.04%
Public Works	742,878.00	518,106.47	69.74%	810,060.00	631,351.34	77.94%
Parks	476,606.25	390,188.87	81.87%	461,426.25	393,792.15	85.34%
Total	3,032,613.00	2,044,446.00	67.42%	3,173,517.00	2,225,415.80	70.12%



If expenditures were spent evenly throughout the year, the Town should have spent 75% of its budget, which is the budget amounts in the previous charts. Only one activities is over 75% spent of their budgets after the 3rd quarter are Public Works and Park Maintenance, which is mainly due to one-time expenditures for their equipment rental fee paid to the Town's Capital Equipment Fund, equipment repairs and summer expenditures related to temporary summer help, which have been completed for the year.

The bad news is that there are expenditures for snow plowing or sanding activities, which most likely will begin before the end of the year. This could increase the road and bridge activity which is currently 76% spent closer to 100% or more.



Overall, General Fund expenditures in good shape through the first three quarters of the year and appear will end the year below budget. However, revenues appear they will be under budget, but near expenditure levels. This means for 2019 the Town may draw down some of its fund balance to cover 2019 expenditures or may slightly add to the fund balance but it will all depend on revenue collections over the next month and the December property tax collections.

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 \$708,275.00. The Town now has \$960,000.00 in outstanding debt as of September 30, 2019. However, the Town issued debt of \$1,210,000.00 in October. Funding or revenues, which currently totals \$158,398.31, comes from Water Utility Fund revenues as well as property taxes, special assessments, and tax increments of which, the Town received the first half property tax settlement in July and will receive the 2nd half in December.

CAPITAL PROJECT FUNDS

Revenues received are from first half (tax settlement) special assessments, 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 Towns EDA Fund to the Debt Service Funds for their share of 2018 bond payments, some park and infrastructure improvements, totaling \$371,691.59, which is below budget with the majority of expenditures for the 2019 street project coming in October. As a result, the Capital Project Funds expenditures will increase during the 4th quarter but should still be under budget.

ENTERPRISE FUNDS

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

Revenues	2018 Budget	2018 Actual	% Received	2019 Budget	2019 Actual	% Received
Water Fund	1,648,241.00	1,269,408.62	77.02%	1,689,345.00	670,610.42	39.70%
Sanitary Sewer Fund	1,969,845.00	1,374,224.62	69.76%	2,258,810.00	1,177,320.36	52.12%
Storm Water Fund	550,726.00	391,562.71	71.10%	585,860.00	326,693.60	55.76%
Total	4,168,812.00	3,035,195.95	72.81%	4,534,015.00	2,174,624.38	47.96%

Expenses	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
Water Fund	1,766,378.00	857,999.13	48.57%	4,066,790.00	1,703,992.93	41.90%
Sanitary Sewer Fund	2,394,814.00	1,332,162.09	55.63%	2,544,514.00	1,683,278.56	66.15%
Storm Water Fund	765,255.00	152,377.06	19.91%	969,597.00	271,681.97	28.02%
Total	4,926,447.00	2,342,538.28	47.55%	7,580,901.00	3,658,953.46	48.27%

Due to the timing of the billing quarters, the revenues is only for the first two quarters of the year are above last year. So if you double the revenues, the Water Fund revenues will end the year below budget, while the Sanitary Sewer and Storm Water Funds will be over budget. Expenses for the year are higher than prior year expenses due to the water tower painting in the Water Fund, the lift station rehabilitation project in the Sanitary Sewer Fund and drainage improvement projects in the Storm Water Fund. Also, keeping in mind that the expense budget for the Enterprise Funds includes depreciation, which will not be recorded until the end of the year. Because of the infrastructure projects in these funds, expenses should be above revenues for 2019.

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, except for interest earnings, for 2019.

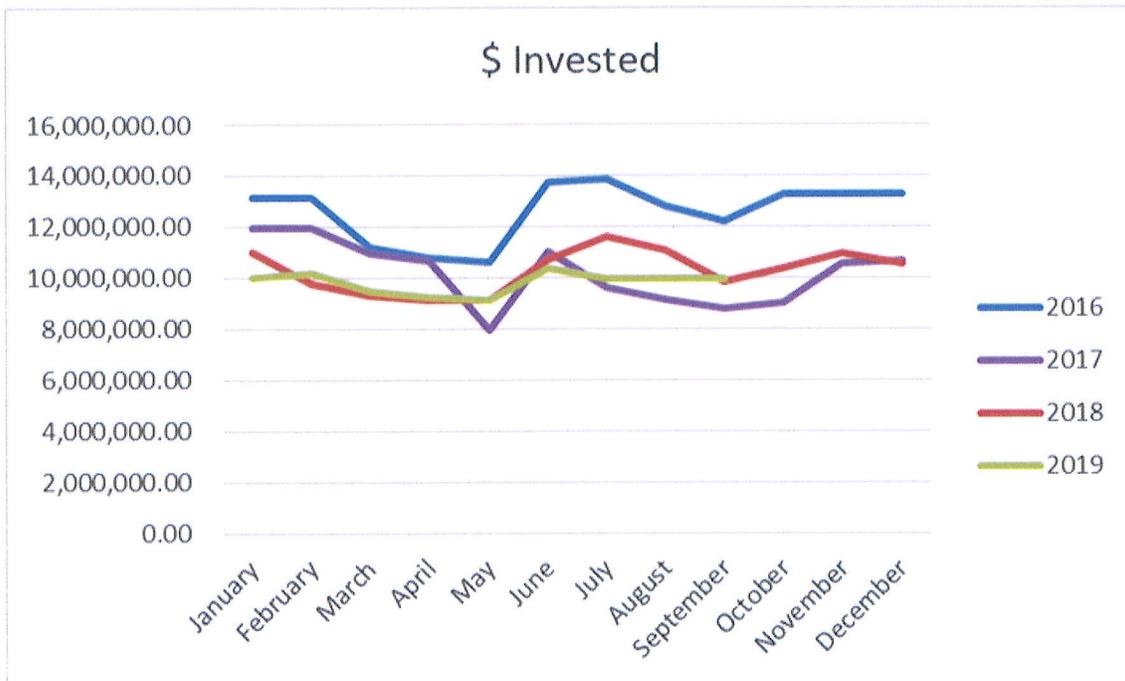
The Town Building Fund has spent only 31% of their budgeted items as the office remodel project has not started and only the landscaping project has been paid. The Capital Equipment Fund has spent 41% of their budget for small tools and the installation of the utility box, compressor, and crane on the 2018 utility truck.

The Risk Management Fund has paid the worker's compensation premiums for the 2019, so its expense activity for liability and auto insurance will be paid in the 4th quarter of 2019. Premiums are anticipated to cost the Town \$85,166.00, which is a decrease of \$73,031.00 from 2018. All of 2019 the worker's compensation premiums were paid for \$40,947.00 compared to

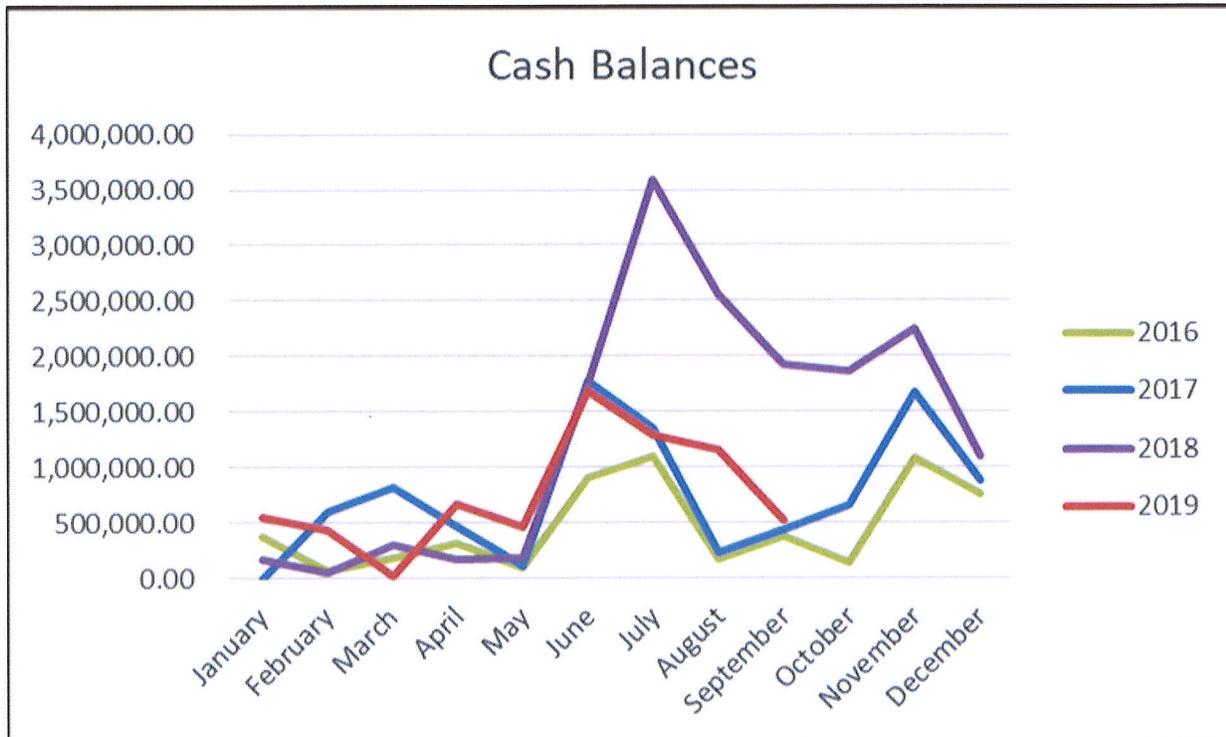
\$40,225.98 for all of 2018. The decrease is due to decreases in personnel costs and claims. Overall, the Risk Management fund has spent 40% of its 2019 budget.

CASH AND INVESTMENTS

Finally, the Town had \$9,983,747.88 invested as of September 30st. This compares to \$9,842,259.89 invested last year at this time. The investments had an average interest rate of 2.978% compared to 2.848% last year. The Town’s yield to maturity is only 2.633% compared to 2.393% in 2018. The increase in average interest rates and yield can be attributed to low rate investments maturing and the Town holding its 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 has been the case during the first three quarters of 2019. The chart following page demonstrates the cash flow for the Township the last four years.



CONCLUSION

Through the third quarter, it appears revenues may finish the year below budgeted amounts for most revenue sources. The good news is expenditures may end near or slightly below budgeted amounts. The Water and Sanitary Sewer Fund have infrastructure expenses that should result in expenses exceeding revenues for the year. The Town issued \$1,210,000.00 in bonds to fund its 2019 street project, which will be reflected in the fourth quarter of this year. The Township has sufficient cash and investments to meet its obligations until the Township receives its second tax settlement in December and investment earnings remain low. While not all the financial news is great, the Town will be fine financially in 2019 and into the future.