

MEMORANDUM

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

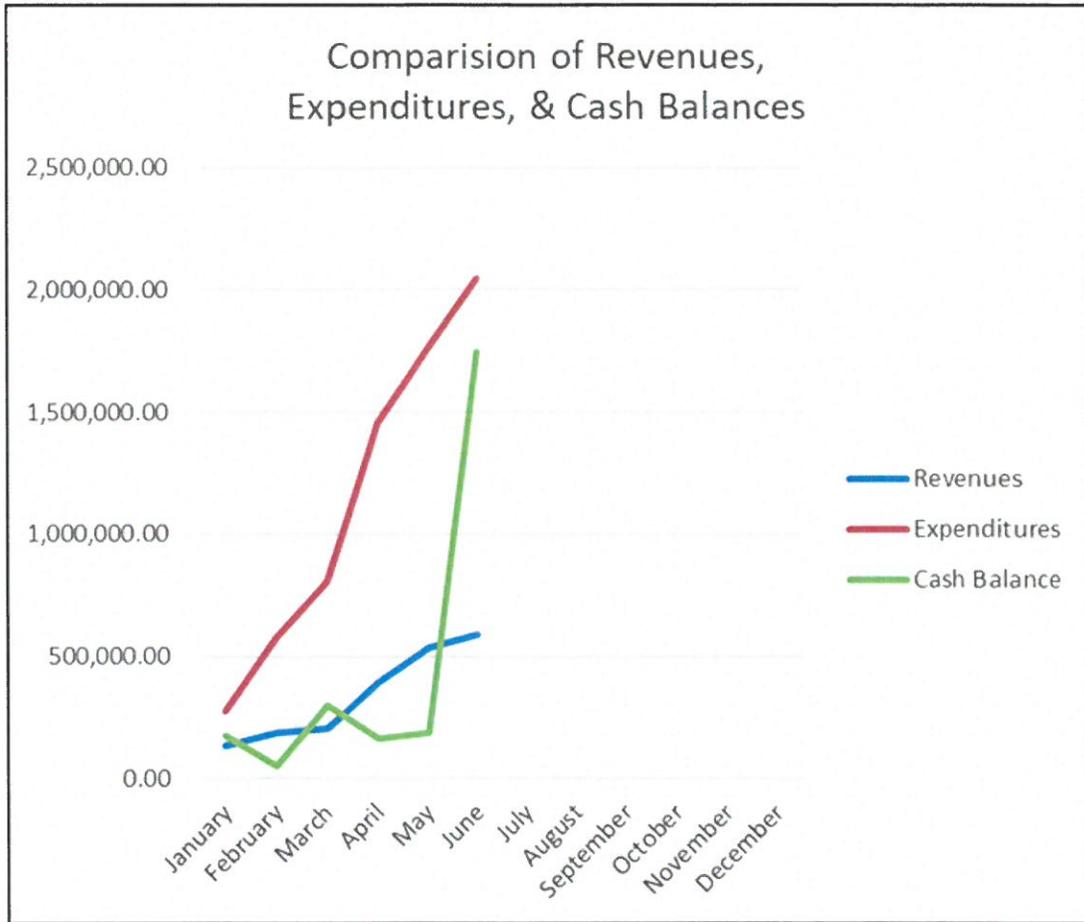
In June, the Town received a positive report from the Town's auditors on the Town's 2017 audit, which has been submitted to GFOA for the Certificate of Achievement award and used to generate the Annual Town Popular Report, which will be mailed with the next utility billing cycle. If the Town is awarded the Certificate of Achievement award, it will be the 22nd consecutive year the Town has received the award and the 4th 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 though 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 163% due to one-time transfers to fund debt retirements. 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	439,465.98	628,198.59	142.95%	408,396.00	590,916.51	144.69%
Debt Service Funds	395,684.50	645,995.87	163.26%	114,324.00	98,824.23	86.44%
Capital Project Funds	529,556.00	220,656.63	41.67%	587,628.50	341,709.14	58.15%
Enterprise Funds	1,841,066.00	1,600,523.89	86.93%	2,084,406.00	1,744,311.25	83.68%
Internal Service Fds	287,382.50	549,405.54	191.18%	408,123.50	564,546.83	138.33%
Total	3,493,154.98	3,644,780.52	104.34%	3,602,878.00	3,340,307.96	92.71%
Expenditures	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Fund	1,939,465.98	1,880,580.97	96.96%	2,021,742.00	2,044,446.00	101.12%
Debt Service Funds	467,698.50	746,394.18	159.59%	170,175.50	330,164.35	194.01%
Capital Project Funds	714,363.50	579,181.42	81.08%	634,966.50	367,959.11	57.95%
Enterprise Funds	3,821,708.00	2,367,555.59	61.95%	2,463,223.50	1,546,952.60	62.80%
Internal Service Fds	248,287.50	192,039.17	77.35%	468,792.50	82,132.21	17.52%
Total	7,191,523.48	5,765,751.33	80.17%	5,758,900.00	4,371,654.27	75.91%

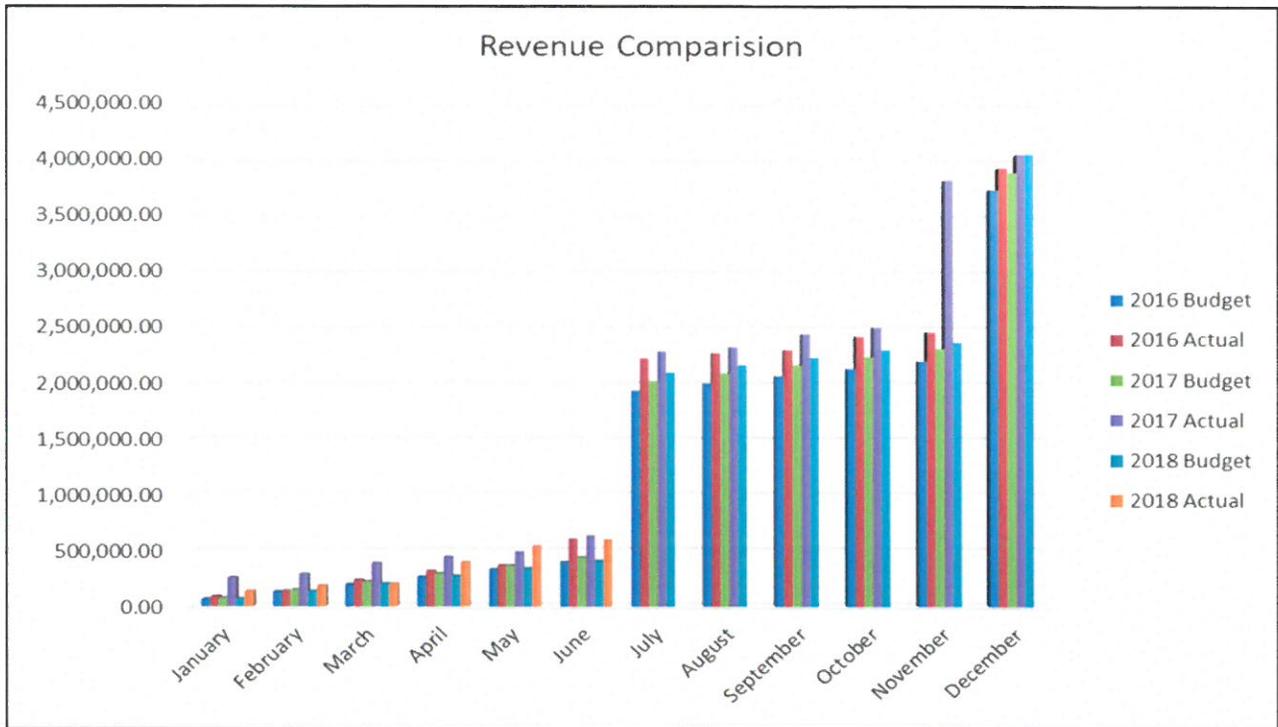
It should be noted that the budget amounts are for half the fiscal year and the actual is year to date. The rest of the report will detail the revenues and expenditures of each of the fund types.

GENERAL FUND

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

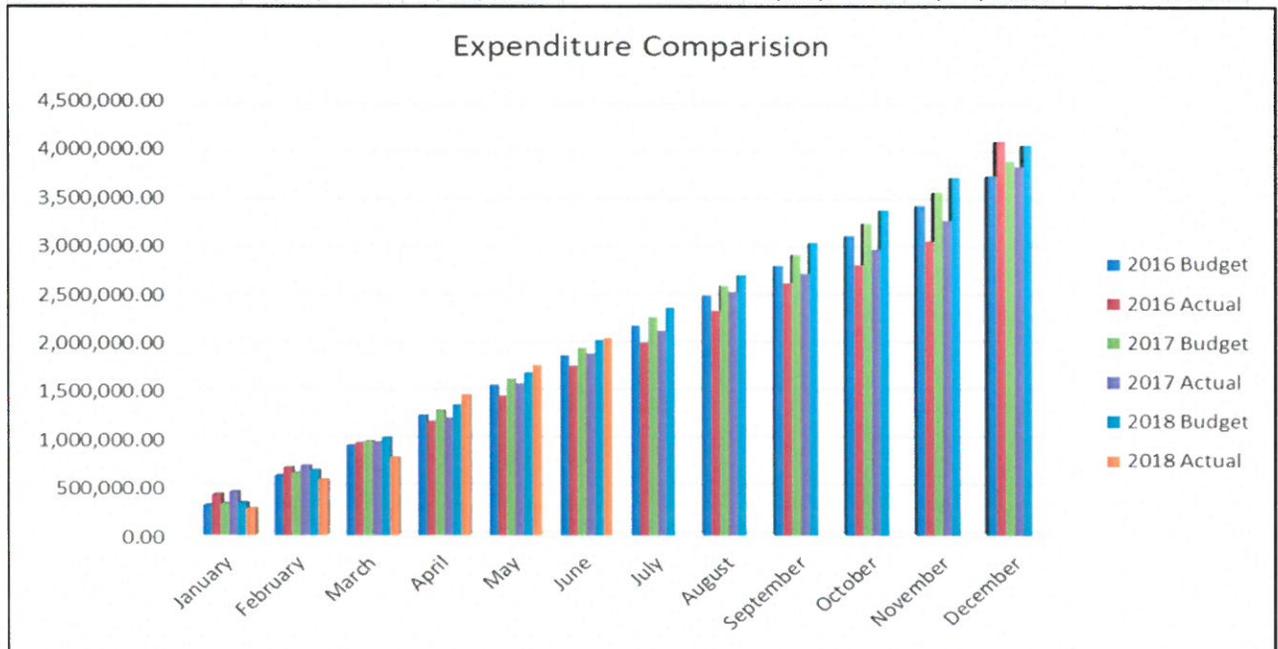


For the year, the Town has received 14.61% of the budgeted revenue through the end of June, which is a bit behind last year at this time. Revenues are below 2017 revenues due to the loss of antenna lease revenues. Licenses and permits have collected 73.65% of their budgets so far, which is ahead of 2017. Also in 2018 rental and dog licenses were renewed, which generated \$16,717.00 in revenue in 2018 compared to \$1,222.00 in 2017. Intergovernmental revenues include cable TV Franchise Fees, which were collected during the second quarter for \$105,789 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.



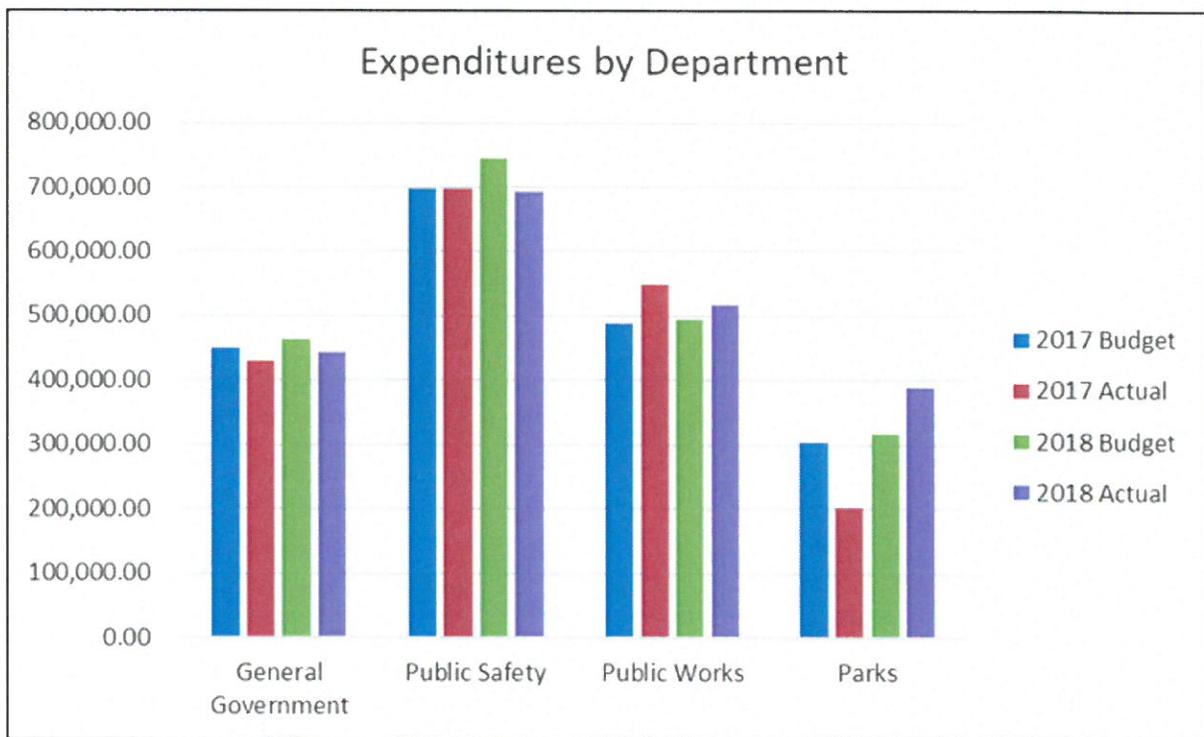
Actual expenditures for the quarter are below the 2018 and 2017 budget but above 2017 actual amounts as shown in the charts below:

	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Government	450,200.00	430,500.83	95.62%	464,121.00	442,881.88	95.42%
Public Safety	698,389.00	697,491.13	99.87%	744,631.50	693,268.78	93.10%
Public Works	487,542.00	549,300.36	112.67%	495,252.00	518,106.47	104.61%
Parks	303,335.00	203,288.65	67.02%	317,737.50	390,188.87	122.80%
Total	1,939,466.00	1,880,580.97	96.96%	2,021,742.00	2,044,446.00	101.12%



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 over 50% spent of their budgets after the 2nd quarter are community development due to the comprehensive Plan update, code enforcement, public works, town buildings, and park maintenance which are all 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 April.

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. As the year progresses, staff will monitor these departments 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 2018. Based on 1st half performance of revenues and expenditures, staff feels both should finish the year near budget amounts.

DEBT SERVICE FUNDS

On February 1st the Town paid its 2018 debt obligations of \$650,000.00 in principal and \$26,842.50 of interest. 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 1st. 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. The \$98,824.23 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 Towns EDA Fund to the Debt Service Funds for their share of 2018 bond payments. The Town will have expenditures for the sealcoating project in the 3rd quarter.

ENTERPRISE FUNDS

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

Enterprise Funds	2017	2017	%	2018	2018	%
Revenues	Budget	Actual	Received	Budget	Actual	Received
Water Fund	1,568,845.00	640,471.00	40.82%	1,648,241.00	674,774.48	40.94%
Sanitary Sewer Fund	1,716,760.00	711,260.67	41.43%	1,969,845.00	829,013.51	42.09%
Storm Water Fund	396,527.00	248,792.22	62.74%	550,726.00	240,523.26	43.67%
Total	3,682,132.00	1,600,523.89	43.47%	4,168,812.00	1,744,311.25	41.84%
Expenses	2017	2017	%	2018	2018	%
	Budget	Actual	Spent	Budget	Actual	Spent
Water Fund	3,029,456.00	1,019,648.55	33.66%	1,766,378.00	606,451.20	34.33%
Sanitary Sewer Fund	3,538,897.00	1,239,996.46	35.04%	2,394,814.00	820,505.89	34.26%
Storm Water Fund	1,075,063.00	107,910.58	10.04%	765,255.00	119,995.51	15.68%
Total	7,643,416.00	2,367,555.59	30.98%	4,926,447.00	1,546,952.60	31.40%

Revenues for the first half of the year are above last year revenues due to the rate increases in all utilities funds. Expenses for the year are similar to prior year expenses, except in 2016 and 2017 when the water tower painting and sewer-lining projects created much higher expenses than in 2018 in the water and sanitary sewer funds. 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 69.16% of their revenues, with only interest earnings for the year to be recorded.

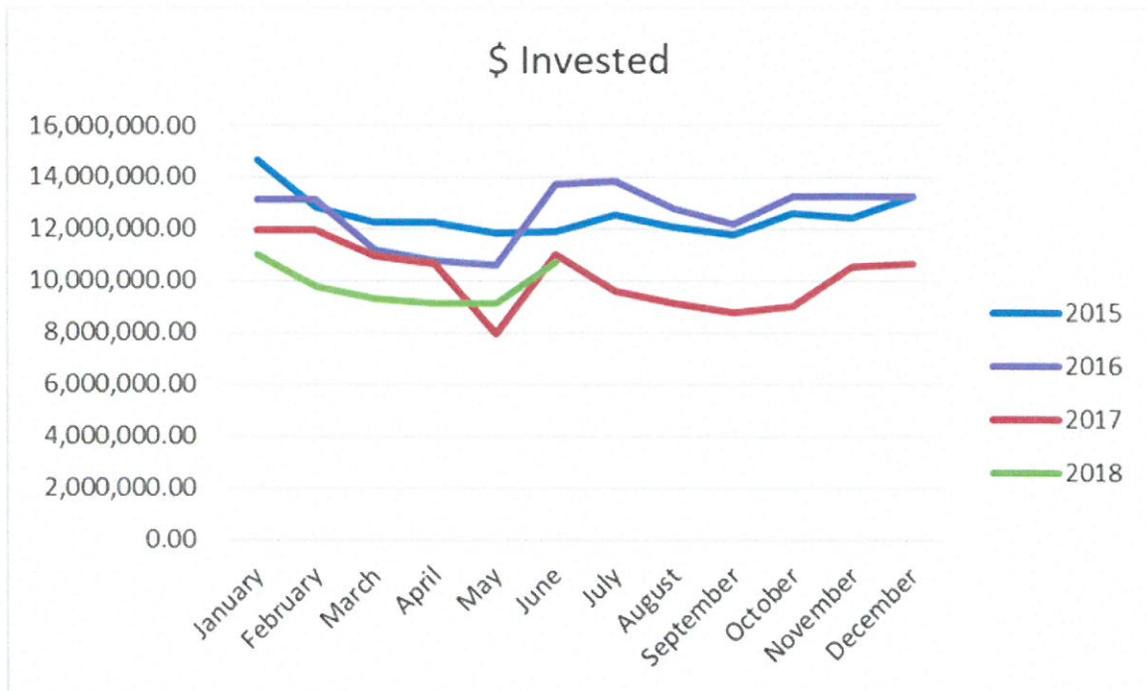
The Town Building Fund has spent some funds on improvements to the fuel storage equipment and the Capital Equipment Fund has spent \$20882.20 or 5.29% of their budget so far.

The Risk Management Fund has paid the worker’s compensation premiums, but not any of the 2018 other insurance premiums, so its expense activity is only 37.28% spent for the year. Premiums are anticipated to cost the Town \$120,135.00, which is a decrease of \$26,240 from 2017. All of 2018 the worker’s compensation premiums were paid for \$40,226.00 compared to \$31,579.00 in 2017, \$51,254.60 in 2016 and \$43,481.00 for 2015. The increase is due to

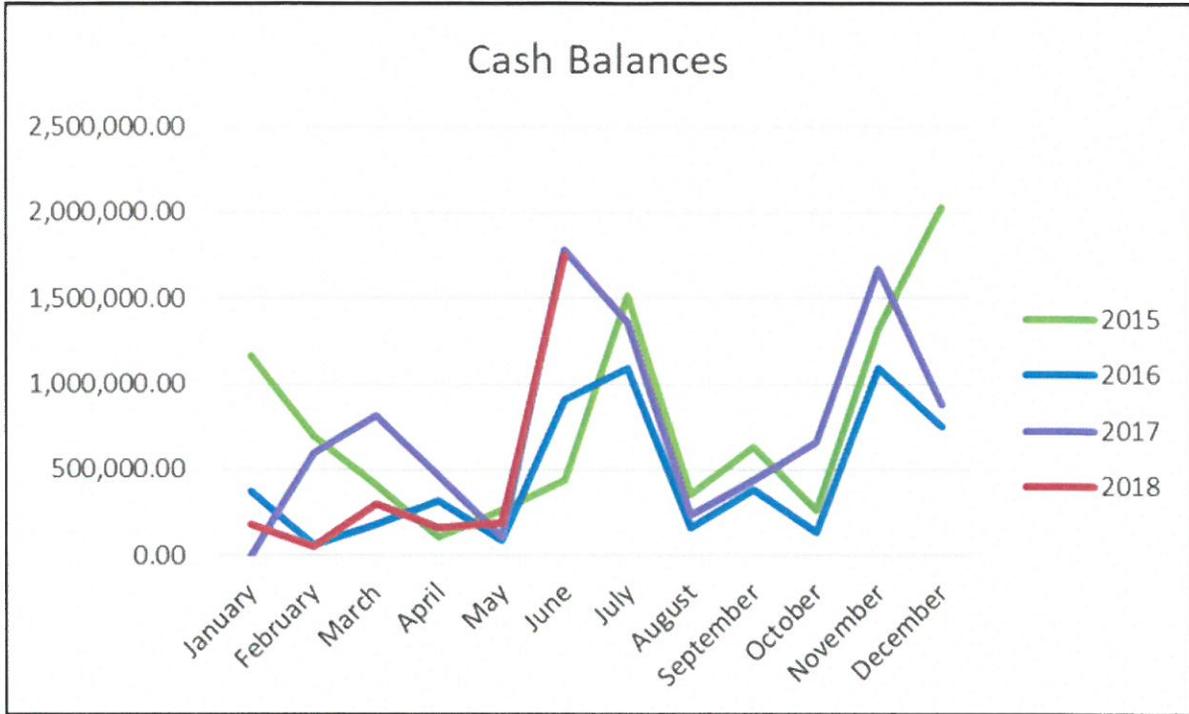
increased wages from adding an additional public works position and reclassifying the accounting clerk position to an accounting analyst position at a higher pay rate. Overall, the Risk Management fund has spent 37.28% of its 2018 budget.

CASH AND INVESTMENTS

Finally, the Town had \$10,720,819.38 invested as of June 30st. This compares to \$11,023,673.43 invested last year at this time. The investments had an average interest rate of 2.763% compared to 3.078% last year. Even though interest rates have move up slightly from last year the Town had some higher rate investments mature resulting in a lower average interest rate so far in 2018. 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 2018. 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 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 2018.