

## MEMORANDUM

Date: May 29, 2019  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: Fourth Quarter 2018 Financial Report

Another year is almost in the books. The Town's auditors are reviewing the Town's books and will have the final audit report in June or July 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 \$79,000 from the General Fund (increases expenditures) to the improvement fund (increases revenue) for the Town's share of the 2018 sealcoat project. 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	3,878,932.00	4,038,505.80	104.11%	4,043,491.00	4,273,546.00	105.69%
Debt Service Funds	791,369.00	732,765.56	92.59%	228,648.00	215,042.92	94.05%
Capital Project Funds	1,059,112.00	653,136.25	61.67%	1,175,257.00	1,044,553.97	88.88%
Enterprise Funds	3,682,132.00	4,033,592.41	109.55%	4,168,812.00	4,674,455.38	112.13%
Internal Service Fds	574,765.00	582,874.33	101.41%	816,247.00	601,572.18	73.70%
<b>Total</b>	<b>9,986,310.00</b>	<b>10,040,874.35</b>	<b>100.55%</b>	<b>10,432,455.00</b>	<b>10,809,170.45</b>	<b>103.61%</b>

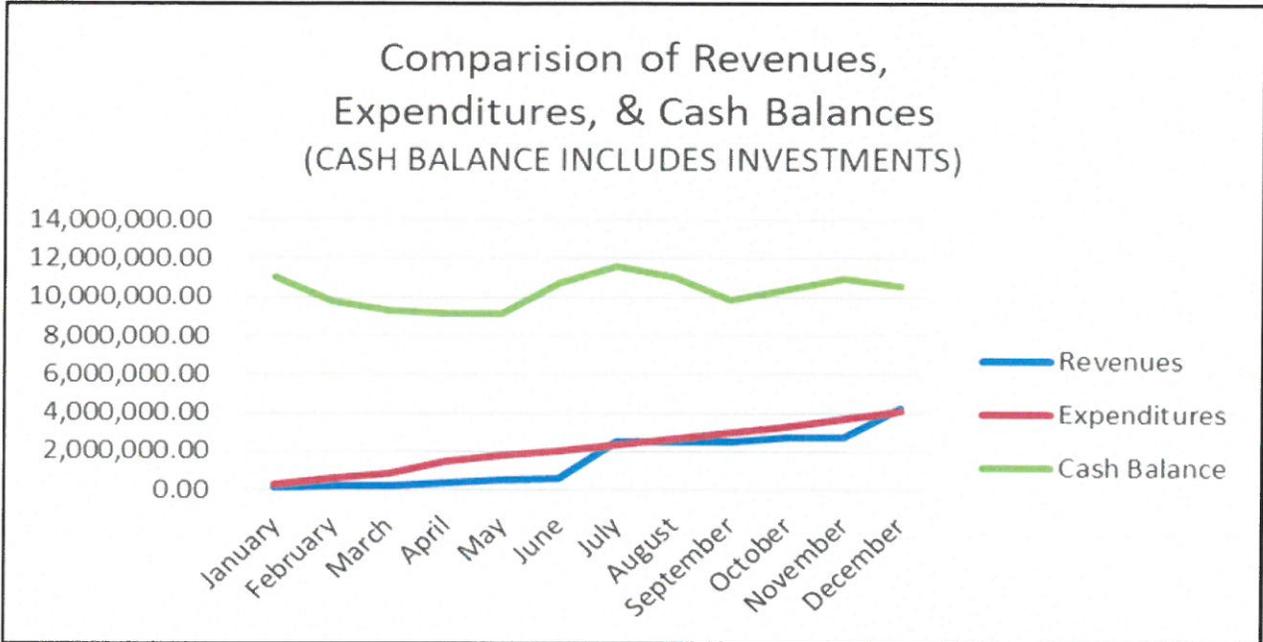
  

Expenditures	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Fund	3,878,932.00	3,818,236.08	98.44%	4,043,491.00	4,059,782.57	100.40%
Debt Service Funds	935,397.00	759,423.53	81.19%	340,351.00	341,492.82	100.34%
Capital Project Funds	1,428,727.00	788,328.41	55.18%	1,159,933.00	1,486,852.57	128.18%
Enterprise Funds	7,643,416.00	4,962,336.82	64.92%	4,926,447.00	3,466,171.44	70.36%
Internal Service Fds	496,575.00	271,008.59	54.58%	937,585.00	347,212.89	37.03%
<b>Total</b>	<b>14,383,047.00</b>	<b>10,599,333.43</b>	<b>73.69%</b>	<b>11,407,807.00</b>	<b>9,701,512.29</b>	<b>85.04%</b>

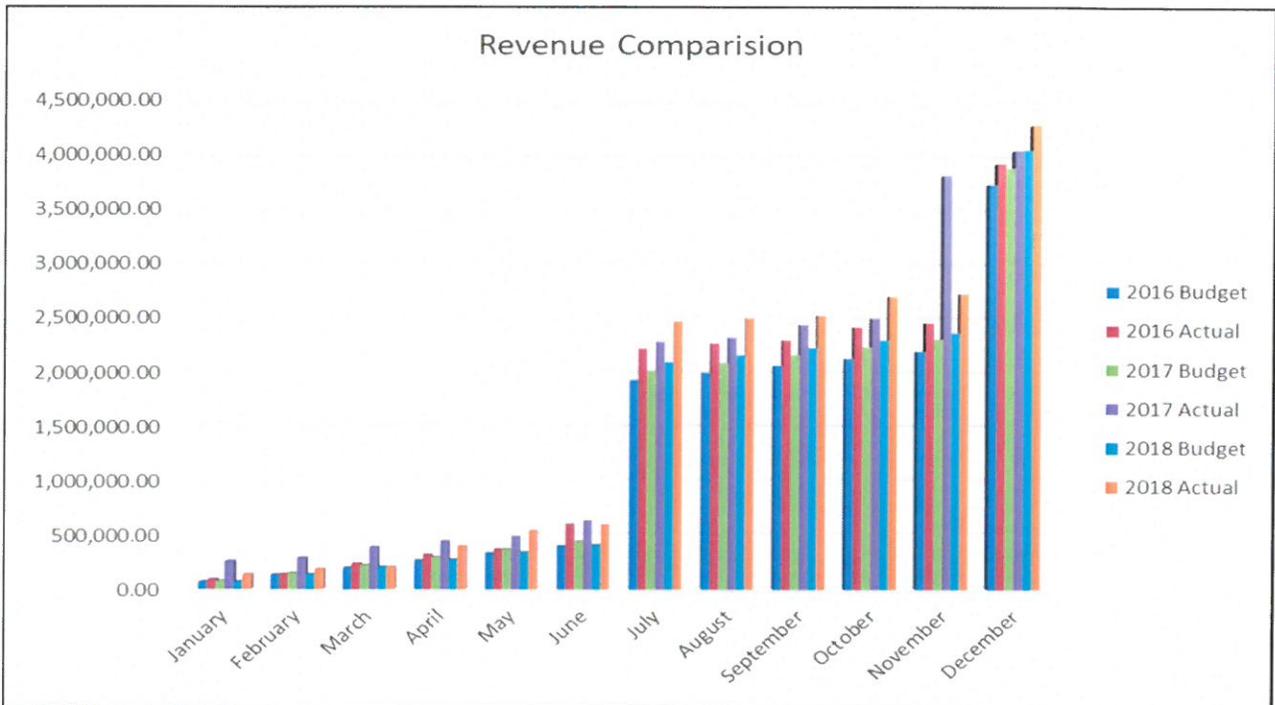
The rest of the report will detail the revenues and expenditures of each fund type.

### GENEARL FUND

Revenues are above budget projections as are expenditures. Revenues exceeded budget by almost 6% and exceeded 2017 revenues. Meanwhile expenditures exceeded budget by less than a ½% and are above 2017 expenditures by \$241,500.00. 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.

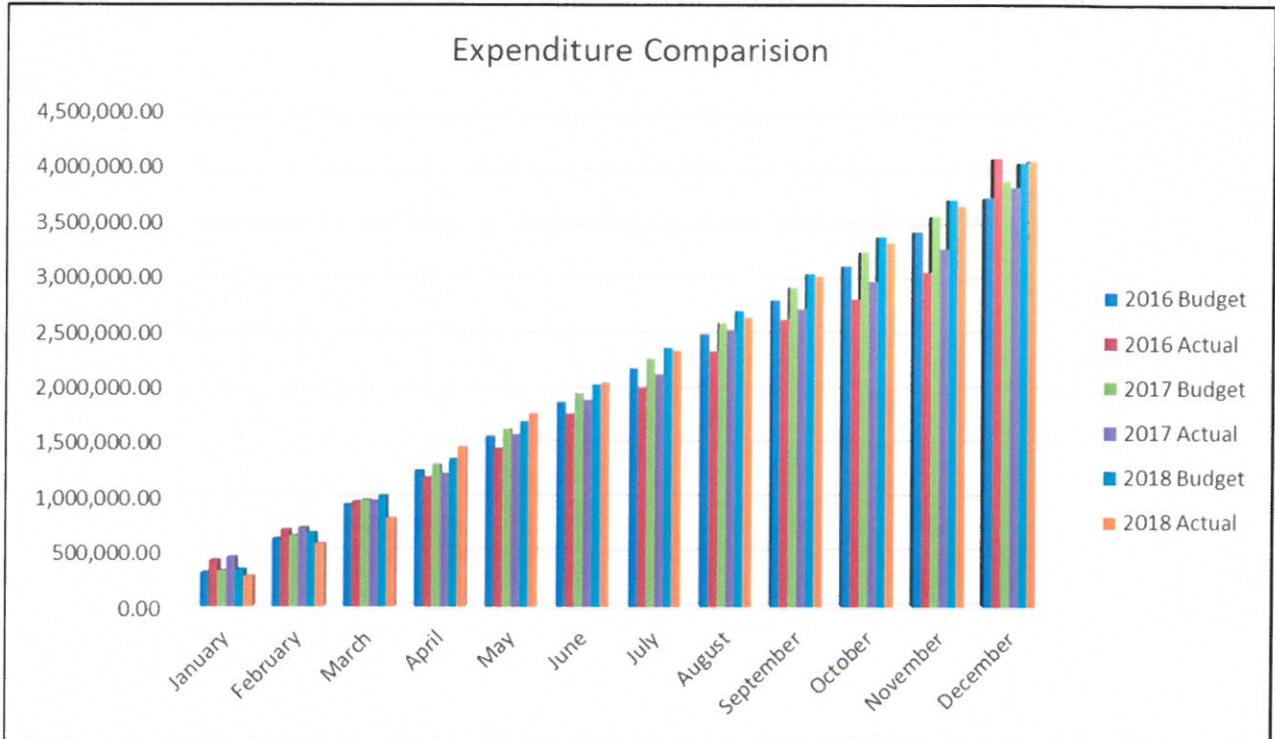


For the year, the Town has received 104% of the budgeted revenue. All revenue categories exceeded their budgets, except property taxes (99.9%) and other financing sources (75.2%). Licenses and permits have exceeded their budget and collected 139.9% of their budgets. All of the line items under the licenses & permits category have exceeded their budget amounts for the year led by building permit revenue, which totaled \$128,012.94 or 142.2% of budget. The Town has received 99.9% of its property tax revenue for the year due to the payment of current and delinquent taxes. The Town collected 100.8% of antenna lease revenues, which reflects the reduced lease revenue on the northeast water tower due to the repainting. The chart below compares budget to actual revenues for the last three years.

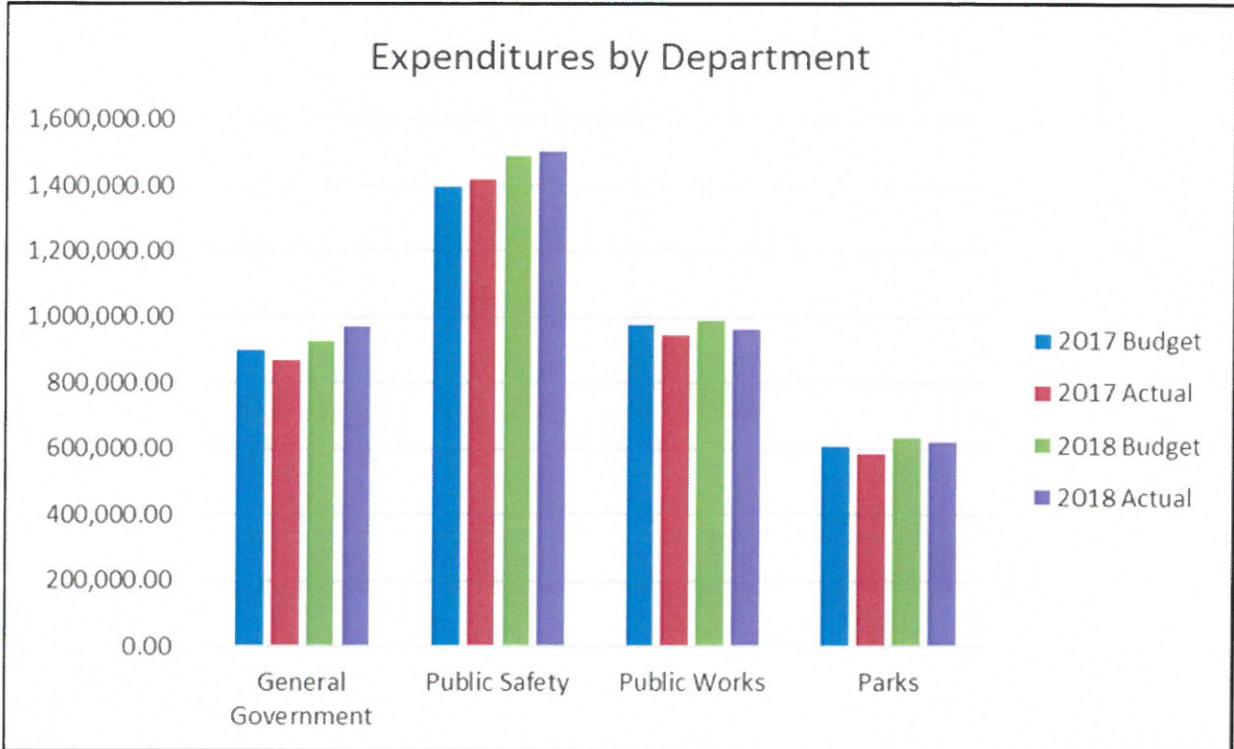


Actual expenditures for the year as state previously are just over the 2018 budget and the 2017 actual amounts. The charts below compare 2017 and 2018 budgets and expenditures:

	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
General Government	900,400.00	868,278.55	96.43%	928,249.00	972,525.10	104.77%
Public Safety	1,396,778.00	1,417,958.75	101.52%	1,489,263.00	1,504,119.41	101.00%
Public Works	975,084.00	945,205.68	96.94%	990,504.00	963,399.75	97.26%
Parks	606,670.00	586,793.10	96.72%	635,475.00	619,738.31	97.52%
<b>Total</b>	<b>3,878,932.00</b>	<b>3,818,236.08</b>	<b>98.44%</b>	<b>4,043,491.00</b>	<b>4,059,782.57</b>	<b>100.40%</b>



The only activities over 100% spent of their budgets for the year are General Government (108%), Community Development (119%), and Public Works (110%). The general government activity is over budget for 2018 by \$23,579.42 and is from the expenditures related to the replacement of the Town's Clerk-Treasurer. Community Development is over budget for work done by the consultants on the Town's comp plan update (\$40,888.34) and Public Works is over budget by \$24,142.39 due to fuel costs and equipment repairs. 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. Revenues exceeded expenditures by just over \$213,000.00 and the General Fund's fund balance is at 50% of the 2019 budget, which is where the Town's reserve policy states it should be.

**DEBT SERVICE FUNDS**

The Town Debt Service expenditure activity is completed for the year with both the February and August 1<sup>st</sup> bond payments being made totaling \$341,492.82. The Town now has \$1,640,000.00 in outstanding debt. Funding or revenues, which totals \$215042.92, 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 Town's EDA Fund to the Debt Service Funds for their share of 2018 bond payments and cost for the Pine Hill and Three Oaks Improvement projects. In total revenues were 88.9% of budget at \$1,044,553.97 with expenditures at \$1,486,852.57 or 128.9% of budget.

**ENTERPRISE FUNDS**

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

Revenues	2017 Budget	2017 Actual	% Received	2018 Budget	2018 Actual	% Received
Water Fund	1,568,845.00	1,602,449.54	102.14%	1,648,241.00	1,934,410.69	117.36%
Sanitary Sewer Fund	1,716,760.00	1,851,380.79	107.84%	1,969,845.00	2,160,296.55	109.67%
Storm Water Fund	396,527.00	579,762.08	146.21%	550,726.00	579,748.14	105.27%
<b>Total</b>	<b>3,682,132.00</b>	<b>4,033,592.41</b>	<b>109.55%</b>	<b>4,168,812.00</b>	<b>4,674,455.38</b>	<b>112.13%</b>

Expenses	2017 Budget	2017 Actual	% Spent	2018 Budget	2018 Actual	% Spent
Water Fund	3,029,456.00	2,680,837.61	88.49%	1,766,378.00	1,436,528.98	81.33%
Sanitary Sewer Fund	3,538,897.00	2,040,403.77	57.66%	2,394,814.00	1,787,649.10	74.65%
Storm Water Fund	1,075,063.00	241,095.44	22.43%	765,255.00	241,993.36	31.62%
<b>Total</b>	<b>7,643,416.00</b>	<b>4,962,336.82</b>	<b>64.92%</b>	<b>4,926,447.00</b>	<b>3,466,171.44</b>	<b>70.36%</b>

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 in the past had received some of the operating transfers from the General Fund to maintain reserves at the proper level.

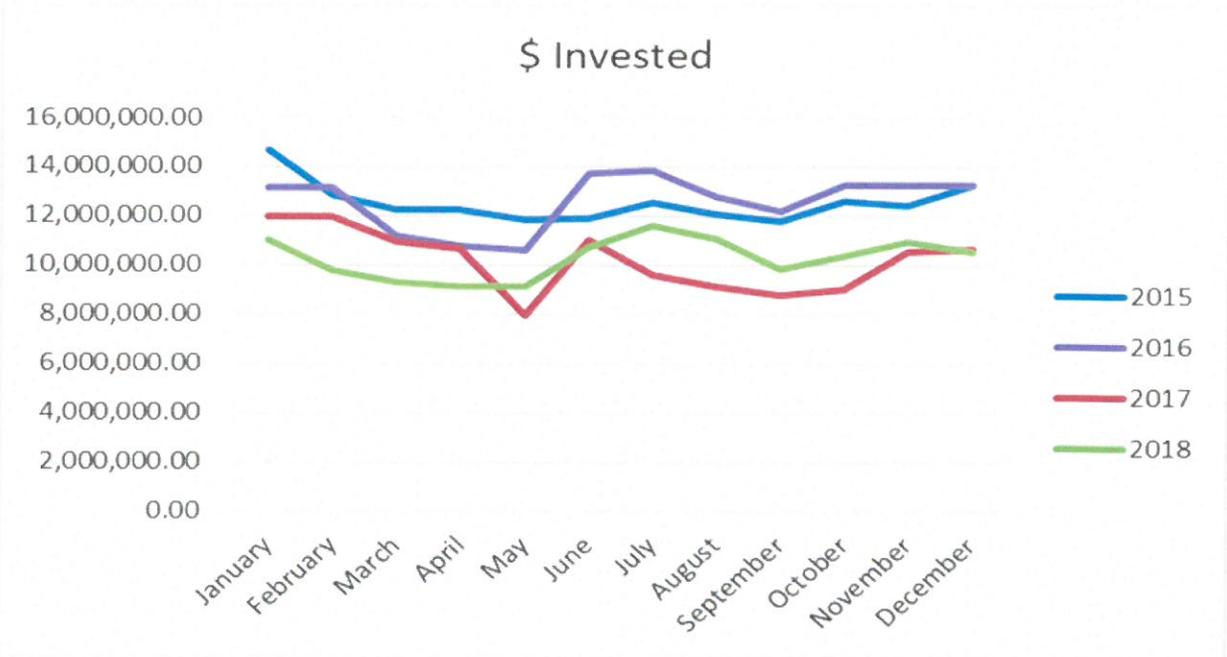
The Town Building Fund has spent only 7.08% of their budgeted items as some of the larger items budgeted have been delayed until sometime in the future and the funds were not spent in 2018. The majority of the expenditure is for adding dormers over the doors at the public works facility. The Capital Equipment Fund has spent 49.66% of their budget for small tools, furniture, two trucks in public works, computer equipment and software, and miscellaneous equipment.

The Risk Management Fund has paid the 2018 worker’s compensation premiums and other insurance premiums through October of 2019. Premiums cost the Town \$121,320.99. All of 2018 the worker’s compensation premiums were paid for \$40,225.98 compared to \$31,579.00 for all of 2017. The increase is due to increases in staff. The Town’s other insurance policies were under budget, because of increasing deductibles. Overall, the Risk Management fund has spent 100.99% of its 2018 budget.

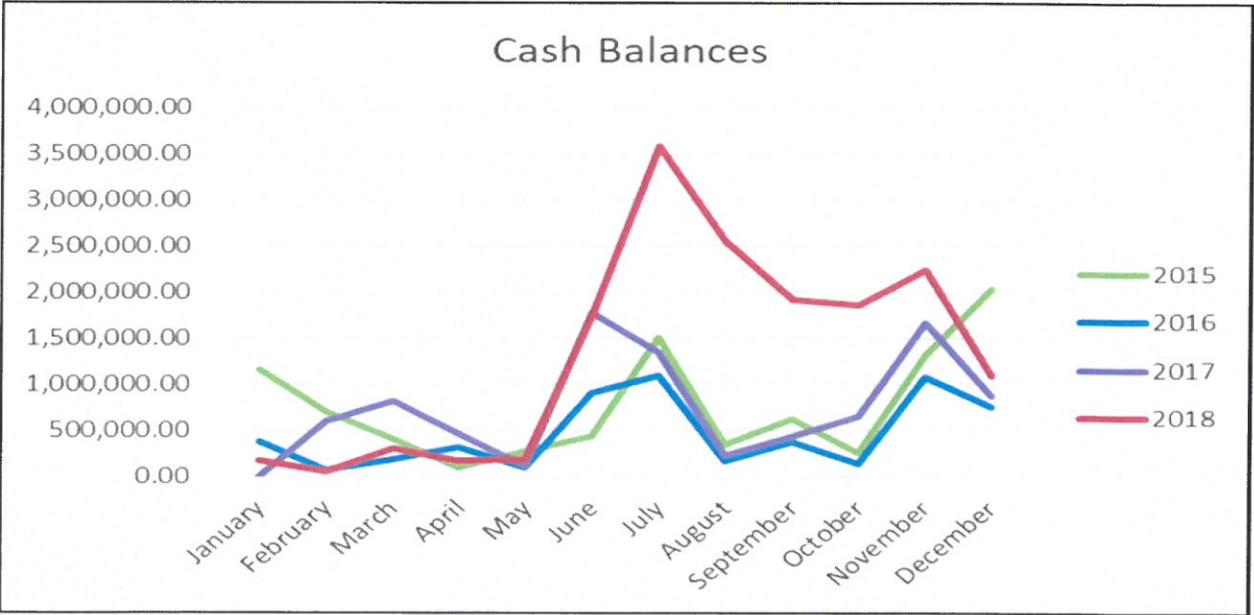
**CASH AND INVESTMENTS**

Finally, the Town had \$10,555,202.16 invested as compared to \$10,653,843.87 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 sanitary sewer lining and storm water 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 2.765% compared to 2.974% last year. Again because of the premiums paid the Town’s yield to maturity is only 2.483%

compared to 2.501% in 2017. The chart below 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 2018. 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. Expenditures were also above budgeted amounts, but this was due to capital projects and other projects, such as the consultant hired to help replace the Clerk-Treasurer. 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 also above budget amounts would ended the year with a surplus resulting in the Town's fund balance increasing to meet the 50% of 2019 budget amount as stated in the Town's reserve policy. 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 2018. The auditors will be at the June or July Executive Meeting to present their findings on the Town's 2018 finances, which may result in some minor changes to the information provided above.