

## MEMORANDUM

Date: May 20, 2020  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: Fourth Quarter 2019 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 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 \$81,500 from the General Fund (increases expenditures) to the improvement fund (increases revenue) for the Town's share of the 2019 sealcoat project and the \$200,000 transfer from the park maintenance activity to the park improvement fund for park improvements. 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	4,043,491.00	4,273,546.00	105.69%	4,231,356.00	4,339,677.30	102.56%
Debt Service Funds	228,648.00	215,042.92	94.05%	238,545.00	686,143.87	287.64%
Capital Project Funds	1,175,257.00	1,044,553.97	88.88%	1,119,799.00	2,488,237.57	222.20%
Enterprise Funds	4,168,812.00	4,674,455.38	112.13%	4,534,015.00	4,441,663.41	97.96%
Internal Service Fds	816,247.00	601,572.18	73.70%	627,488.00	727,850.48	115.99%
<b>Total</b>	<b>10,432,455.00</b>	<b>10,809,170.45</b>	<b>103.61%</b>	<b>10,751,203.00</b>	<b>12,683,572.63</b>	<b>117.97%</b>

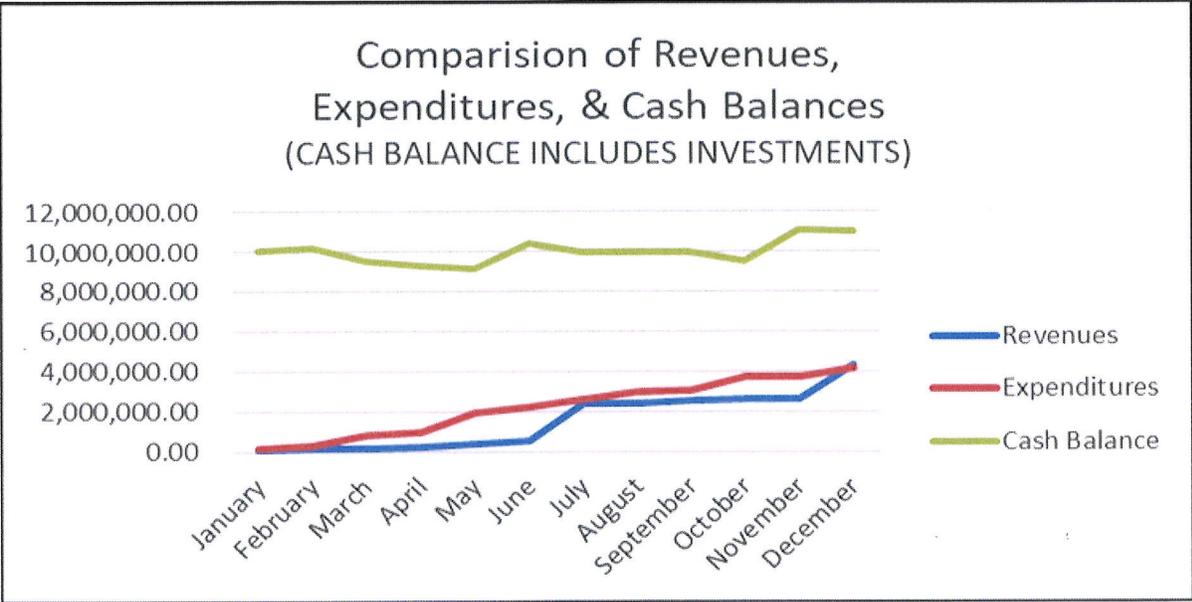
  

Expenditures	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
General Fund	4,043,491.00	4,059,782.57	100.40%	4,231,356.00	4,168,006.12	98.50%
Debt Service Funds	340,351.00	341,492.82	100.34%	339,154.00	339,198.60	100.01%
Capital Project Funds	1,269,933.00	1,486,852.57	117.08%	5,069,023.00	1,991,678.00	39.29%
Enterprise Funds	4,926,447.00	3,466,171.44	70.36%	7,580,901.00	5,400,746.98	71.24%
Internal Service Fds	937,585.00	347,212.89	37.03%	771,826.00	579,793.74	75.12%
<b>Total</b>	<b>11,517,807.00</b>	<b>9,701,512.29</b>	<b>84.23%</b>	<b>17,992,260.00</b>	<b>12,479,423.44</b>	<b>69.36%</b>

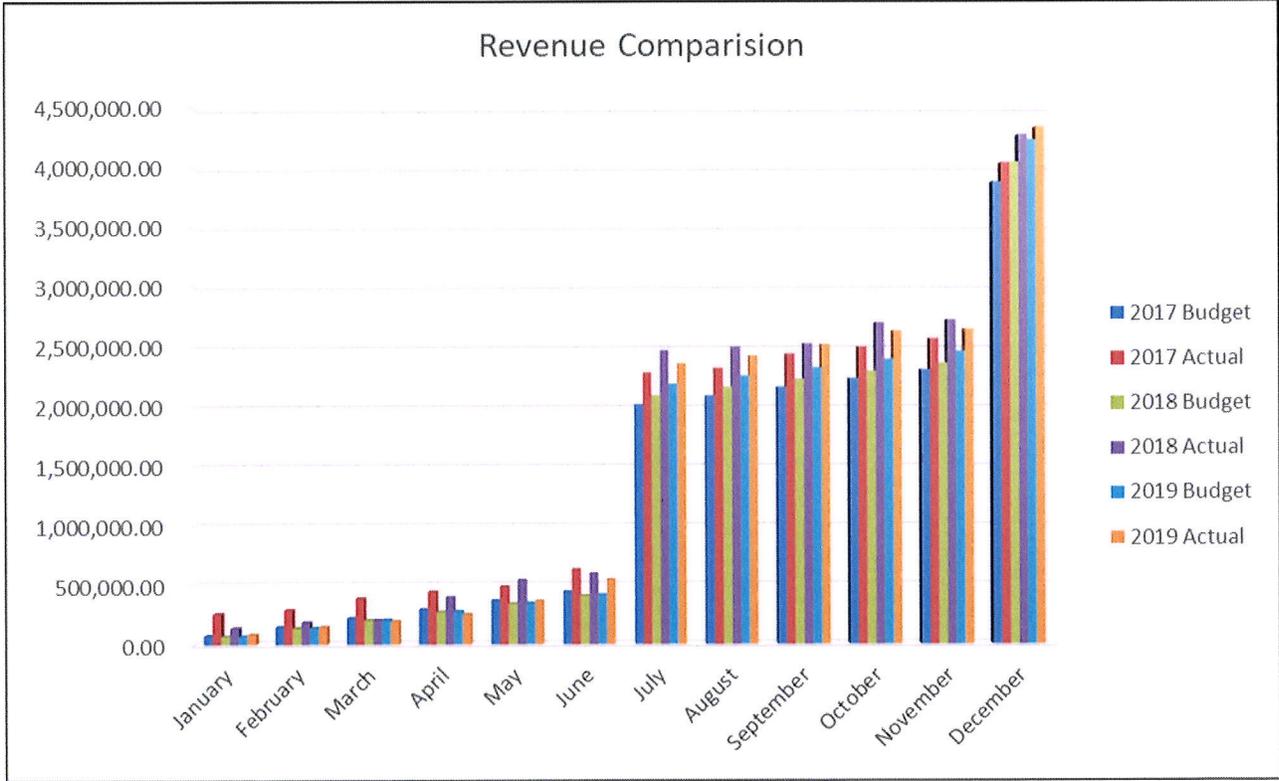
The rest of the report will detail the revenues and expenditures of each fund type.

### GENEARL FUND

Revenues are above budget projections and expenditures are under budget. Revenues exceeded budget by almost 2.6% and exceeded 2018 revenues. Meanwhile expenditures were below budget by 2.5%, but are above 2018 expenditures by \$108,223.55. 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.

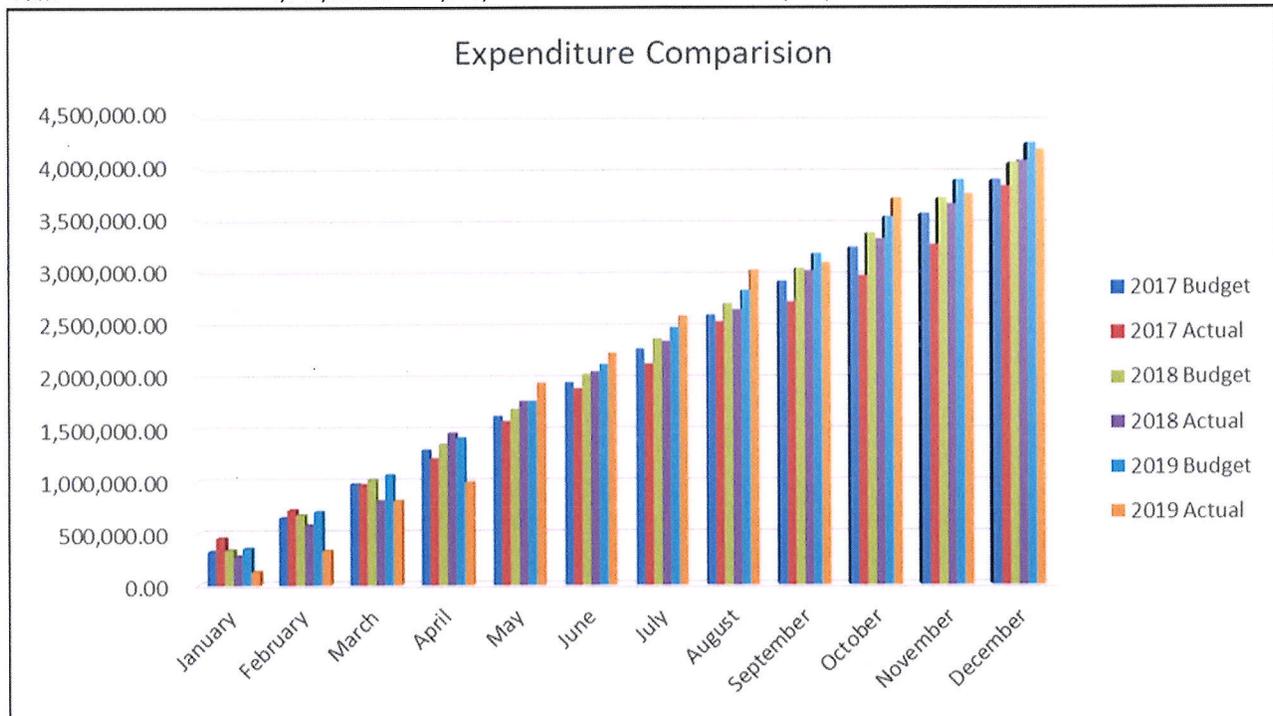


For the year, the Town has received 102% of the budgeted revenue. All revenue categories exceeded their budgets, except property taxes (98.1%). Licenses and permits have exceeded their budget and collected 107.22% of their budgets. All of the line items under the licenses & permits category have exceeded their budget amounts for the year led by building permit revenue, which totaled \$112,929.80 or 102.7% of budget. The Town has received 98.1% of its property tax revenue for the year due to the payment of current and delinquent taxes. The Town collected 100.6% 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.

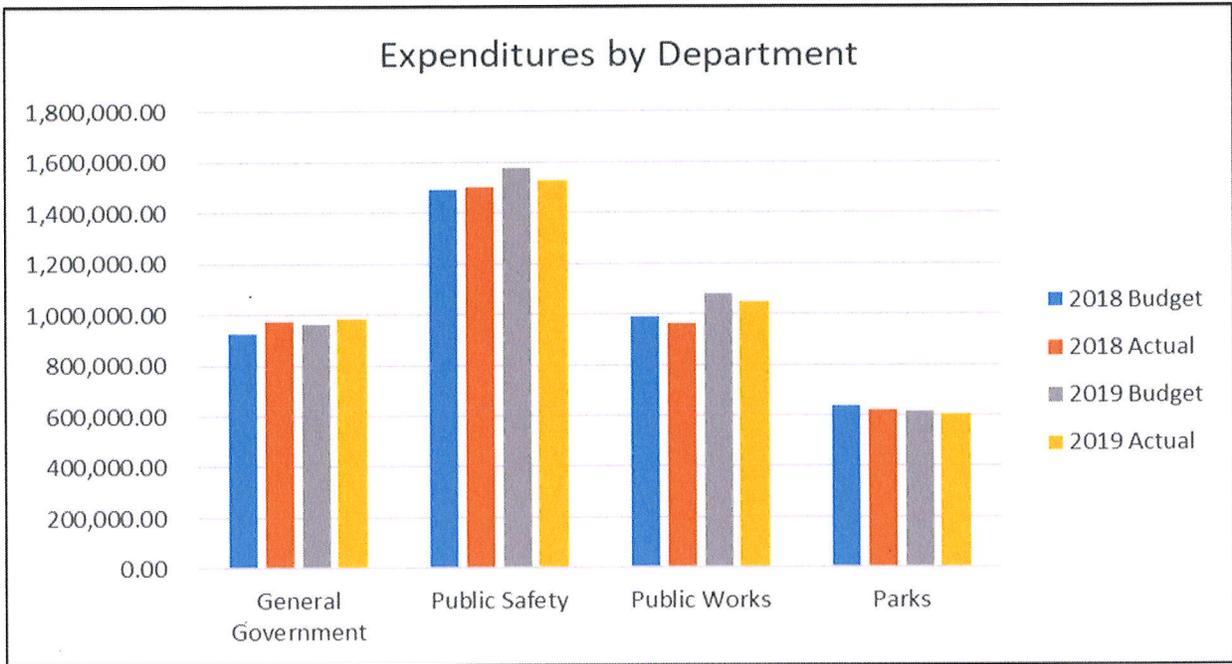


Actual expenditures for the year as state previously are just under the 2019 budget, but over the 2018 actual amounts. The charts below compare 2018 and 2019 budgets and expenditures:

	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
General Government	928,249.00	972,525.10	104.77%	961,254.00	983,569.47	102.32%
Public Safety	1,489,263.00	1,504,119.41	101.00%	1,574,787.00	1,527,389.16	96.99%
Public Works	990,504.00	963,399.75	97.26%	1,080,080.00	1,050,673.38	97.28%
Parks	635,475.00	619,738.31	97.52%	615,235.00	606,374.11	98.56%
Total	4,043,491.00	4,059,782.57	100.40%	4,231,356.00	4,168,006.12	98.50%



The only activities over 100% spent of their budgets for the year are General Government (101%), Administration (107%), Community Development (105%), Code Enforcement (108%), Public Works (109%), and Township Day (105%). The general government activity is over budget for 2019 by \$3,950 and is from the expenditures related to the compensation study. Administration is over budget from the hiring of interns to scan documents, which was not included in the 2019 budget. Community Development is over budget for work done by the consultants on the Town's comp plan update (\$12,524.21) and Public Works is over budget by \$24,807.24 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 \$171,671.18 and the General Fund's fund balance is just over 50% of the 2020 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 \$339,198.60. The Town issued debt of \$1,210,000.00 for the 2019 street project and now has \$2,170,000.00 in outstanding debt as of 12/31/19 compared to \$1,640,000.00 in 2018. Funding or revenues, which totals \$339,198.60, 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. The big revenue source was bond proceeds for the 2019 street project. The expenditures are transfers from the Town's EDA Fund to the Debt Service Funds for their share of 2019 bond payments and cost for the 2019 street project, Pine Hill and Three Oaks Improvement projects. In total revenues were 222.2% of budget at \$2,488,237.57 with expenditures at \$1,991,678.00 or 39.29% of budget.

**ENTERPRISE FUNDS**

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

Revenues	2018 Budget	2018 Actual	% Received	2019 Budget	2019 Actual	% Received
Water Fund	1,648,241.00	1,934,410.69	117.36%	1,689,345.00	1,578,220.99	93.42%
Sanitary Sewer Fund	1,969,845.00	2,160,296.55	109.67%	2,258,810.00	2,186,323.84	96.79%
Storm Water Fund	550,726.00	579,748.14	105.27%	585,860.00	677,118.58	115.58%
<b>Total</b>	<b>4,168,812.00</b>	<b>4,674,455.38</b>	<b>112.13%</b>	<b>4,534,015.00</b>	<b>4,441,663.41</b>	<b>97.96%</b>

Expenses	2018 Budget	2018 Actual	% Spent	2019 Budget	2019 Actual	% Spent
Water Fund	1,766,378.00	1,436,528.98	81.33%	4,066,790.00	3,102,556.65	76.29%
Sanitary Sewer Fund	2,394,814.00	1,787,649.10	74.65%	2,544,514.00	2,011,249.43	79.04%
Storm Water Fund	765,255.00	241,993.36	31.62%	969,597.00	286,940.90	29.59%
<b>Total</b>	<b>4,926,447.00</b>	<b>3,466,171.44</b>	<b>70.36%</b>	<b>7,580,901.00</b>	<b>5,400,746.98</b>	<b>71.24%</b>

Revenues for the year are below last year revenues due to 2018 having one extra month of revenues due to the change in billing quarters and decreased water consumption. Expenses for the year are below budget and are higher than prior year expenses due to the water tower painting and other improvements. 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**

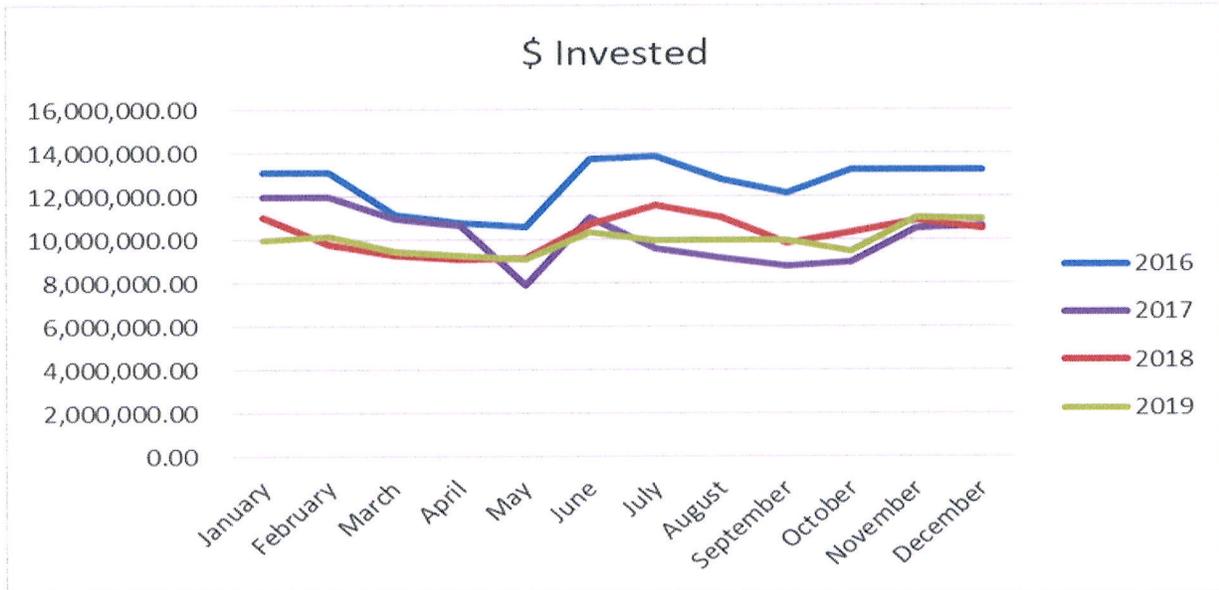
The Town’s Town Building, Capital Equipment, and Risk Management Funds collect one-time fees from the General Fund and Enterprise Funds and in the past had received some of the operating transfers from the General Fund to maintain reserves at the proper level.

The Town Building Fund has spent only 55.59% 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 2019. The majority of the expenditure is for the new landscaping around the administration and public works buildings. The Capital Equipment Fund has spent 89.22% of their budget for small tools, furniture, two trucks in public works, computer equipment and software, and miscellaneous equipment.

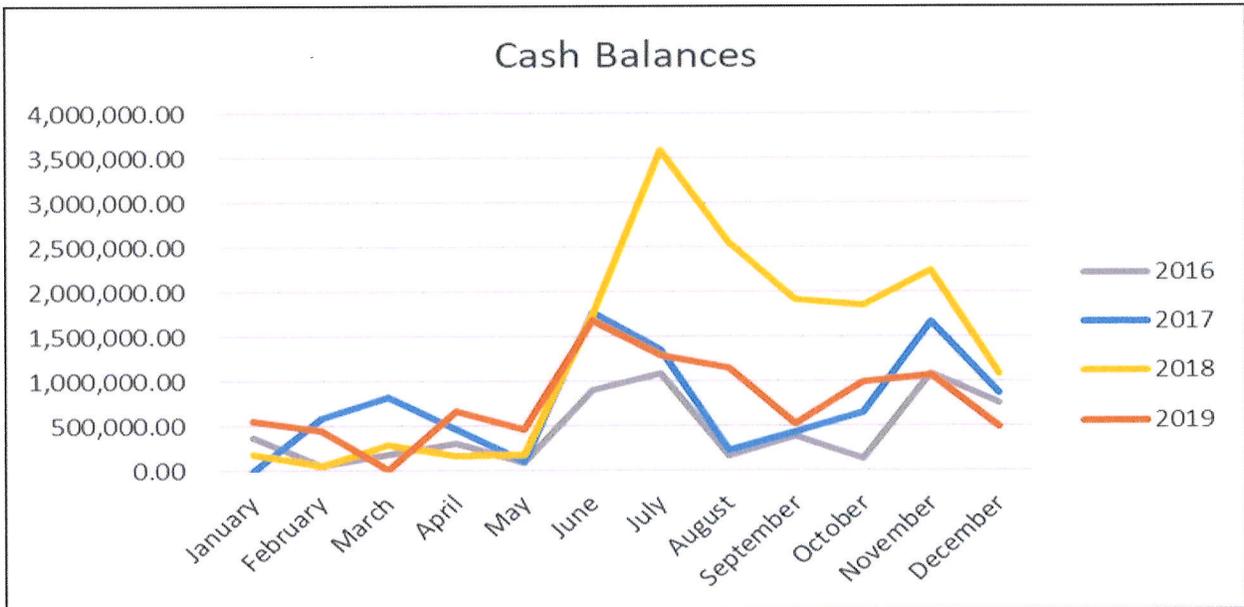
The Risk Management Fund has paid the 2019 worker’s compensation premiums and other insurance premiums through October of 2020. Premiums cost the Town \$128,199.13. All of 2019 the worker’s compensation premiums were paid for \$40,947.00 compared to \$40,225.98 in 2018. The Town’s other insurance policies were under budget, because of increasing deductibles. Overall, the Risk Management fund has spent 96.3% of its 2019 budget.

**CASH AND INVESTMENTS**

Finally, the Town had \$10,988,760.37 invested as compared to \$10,555,202.16 invested last year at this time. Having more funds invested compared to last year is due to the bond issue, revenues exceeding their budgets, and the utility rate increase. 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 2.282% compared to 2.765% last year. Again because of the premiums paid the Town’s yield to maturity is only 1.916% compared to 2.483% in 2018. 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 2019. 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 below budgeted amounts, but this was due to capital projects. The rate increases in the utility funds has increased revenues to help pay for improvement projects and build reserves for future projects, but water usage is down. The General Fund which has revenues above budget amounts and expenditures below budget amounts would ended the year with a surplus resulting in the Town's fund balance increasing to meet the 50% of 2020 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 2019. The auditors will be available for the June Executive Meeting to present their findings on the Town's 2019 finances, which may result in some minor changes to the information provided above.