

## MEMORANDUM

Date: April 14, 2016  
 To: Town Board  
 From: Tom Kelly, Finance Officer  
 Re: First Quarter 2016 Financial Report

It's already April and the auditors will be here beginning April 18<sup>th</sup> to finish out 2015, but in the meantime it's time to review 1<sup>st</sup> quarter 2016 Town finances. The Town's revenues and expenditures are where they should be at this point in time. The key to the Town's finances are that even though we are 25% through the year, revenues and expenditures don't 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 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. Also utility billing revenues are only received once a quarter. Below is a chart comparing budget to actual revenue and expenditures for the years 2015 and 2016.

Revenues	2015 Budget	2015 Actual	% Received	2016 Budget	2016 Actual	% Received
General Fund	3,549,609.00	286,027.65	8.06%	3,724,485.00	233,796.34	6.28%
Special Revenue Fds	39,425.00	0.00	0.00%	39,026.00	630.00	1.61%
Debt Service Funds	508,936.00	233,873.00	45.95%	335,099.00	151,562.00	45.23%
Capital Project Funds	1,128,155.00	71,151.98	6.31%	1,013,215.00	82,236.65	8.12%
Enterprise Funds	2,881,956.00	428,499.85	14.87%	4,514,170.00	206,637.96	4.58%
Internal Service Fds	447,167.00	414,729.84	92.75%	504,301.00	571,765.96	113.38%
<b>Total</b>	<b>8,555,248.00</b>	<b>1,434,282.32</b>	<b>16.76%</b>	<b>10,130,296.00</b>	<b>1,246,628.91</b>	<b>12.31%</b>

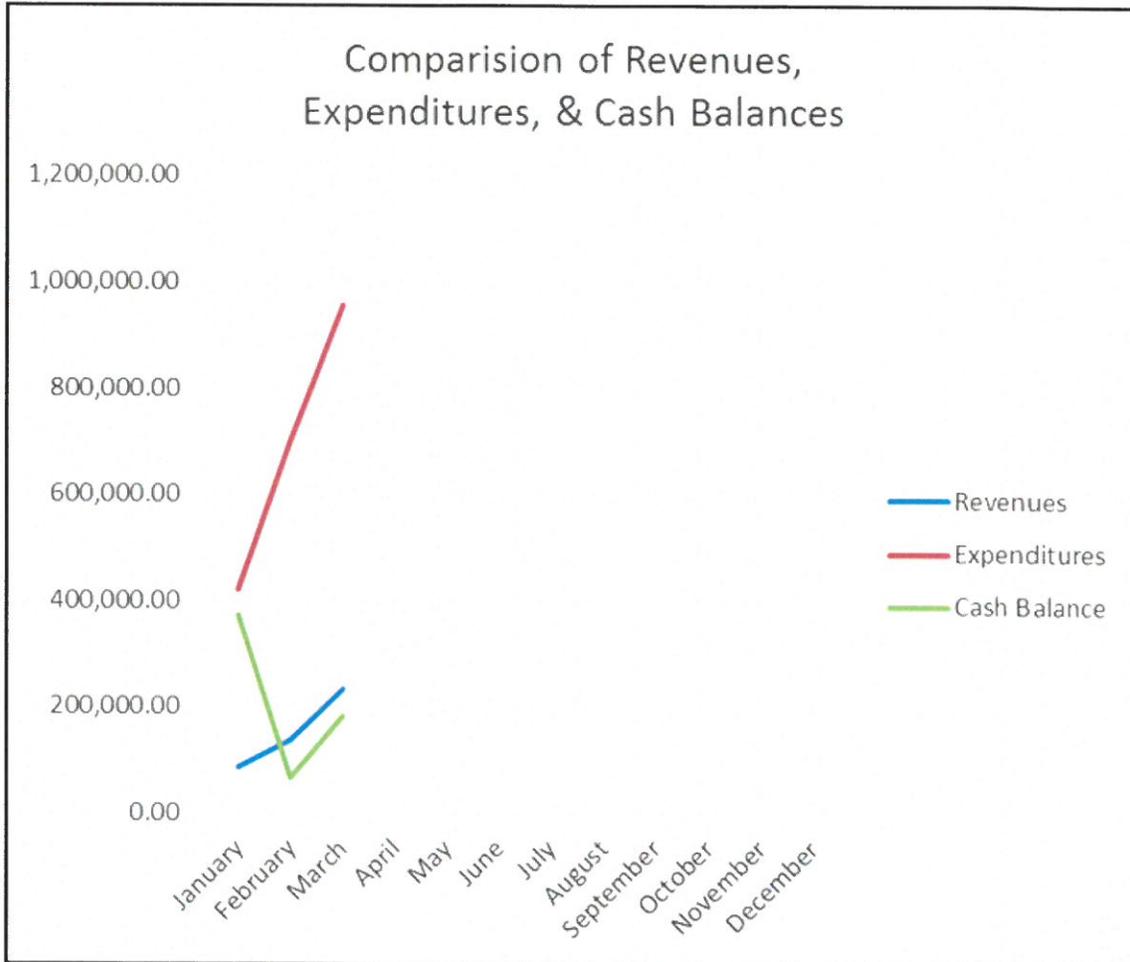
  

Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Fund	3,549,609.00	814,480.00	22.95%	3,724,485.00	955,020.92	25.64%
Special Revenue Fds	26,000.00	625.00	2.40%	26,000.00	1,014.50	3.90%
Debt Service Funds	1,569,877.00	1,545,353.19	98.44%	419,846.00	394,342.81	93.93%
Capital Project Funds	2,201,480.00	111,595.86	5.07%	2,188,380.00	234,814.90	10.73%
Enterprise Funds	7,116,839.00	849,826.34	11.94%	6,159,620.00	906,902.63	14.72%
Internal Service Fds	449,700.00	96,870.13	21.54%	646,810.00	73,945.31	11.43%
<b>Total</b>	<b>14,913,505.00</b>	<b>3,418,750.52</b>	<b>22.92%</b>	<b>13,165,141.00</b>	<b>2,566,041.07</b>	<b>19.49%</b>

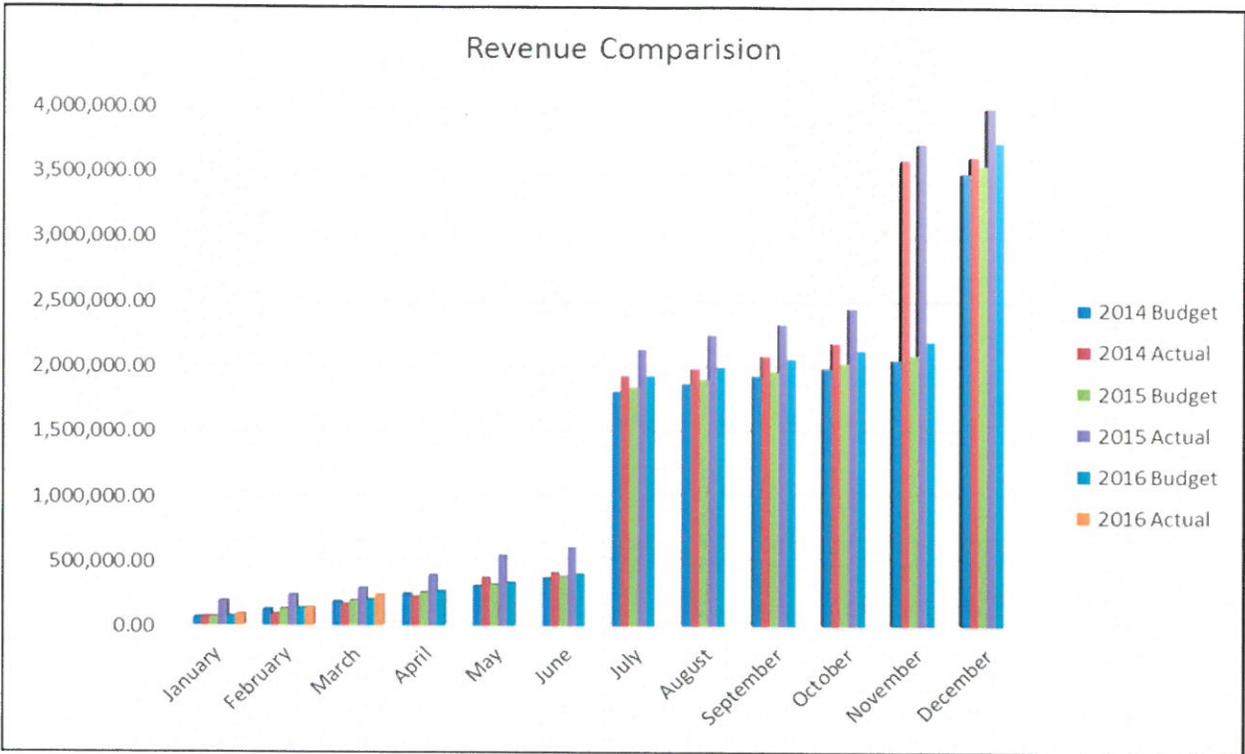
It should be noted that the budget amounts are for the fiscal year and the actual is year to date actual revenues collected or funds spent. One item to note from the table above is the Town has retired a number of its debt issues. This results in the budget for Debt Services Funds to be significantly less in 2016 compared to 2015 and the operating transfers which supported the debt payments to also be less, which affects both revenues and expenditures. You can see this reduction in both revenues and expenditures when comparing 2015 to 2016 actual revenues and expenditures. The rest of the report will detail the revenues and expenditures of each of six fund types.

## GENEARL FUND

For the first quarter, revenues are above budget projections as are expenditures, which is shown in future charts. However the chart below shows how revenues are below expenditures levels for the first quarter which is typical until the Town receives its first half property tax payment in July. Also one can see how the Town depends on reserves (cash balances) until that tax payment is received.

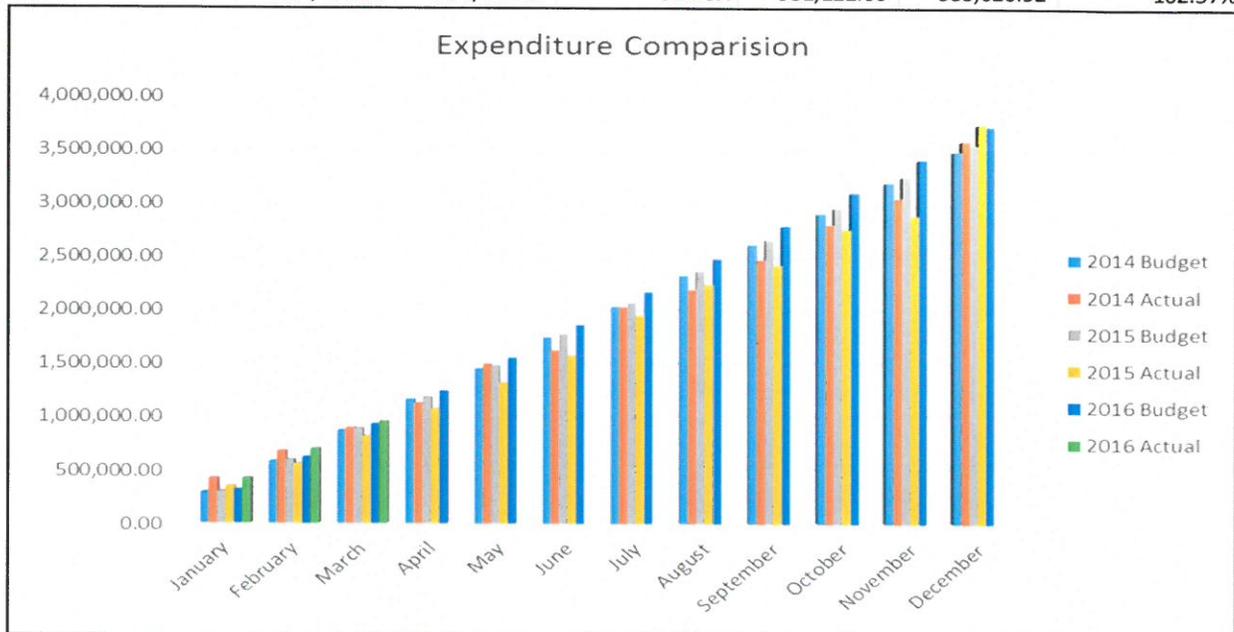


For the year the Town has received 6.28% of the budgeted revenue through the end of the first quarter, which is below last year at this time. Business, liquor, and tobacco licenses which are renewed at the beginning of each year with only liquor license exceeded their budgeted amounts by \$75.00 compare to 2015 when all three revenue sources had exceeded the budget by a total of \$1,770.00. Also as shown in the code enforcement reports building permit revenue is up slightly and the rental dwelling licenses, which are two year licenses collected in even year, have exceeded their budget by \$5,140.00. In the past most of the intergovernmental revenues are received in the second or third quarter of the year, however the Town has received both the 2015 and 2016 highway aid from the County in March of 2016 which is why the Town has collected \$49,813.99 or 30% of Intergovernmental Revenues already in 2016. Also as the weather warms up so does permit activity resulting in increases in those revenue sources. The chart on the following page compares budget to actual revenues for the last three years. For this chart the monthly revenues are 1/12<sup>th</sup> of the total revenue budget with the exception of property taxes which are included in the July and December budget numbers only.



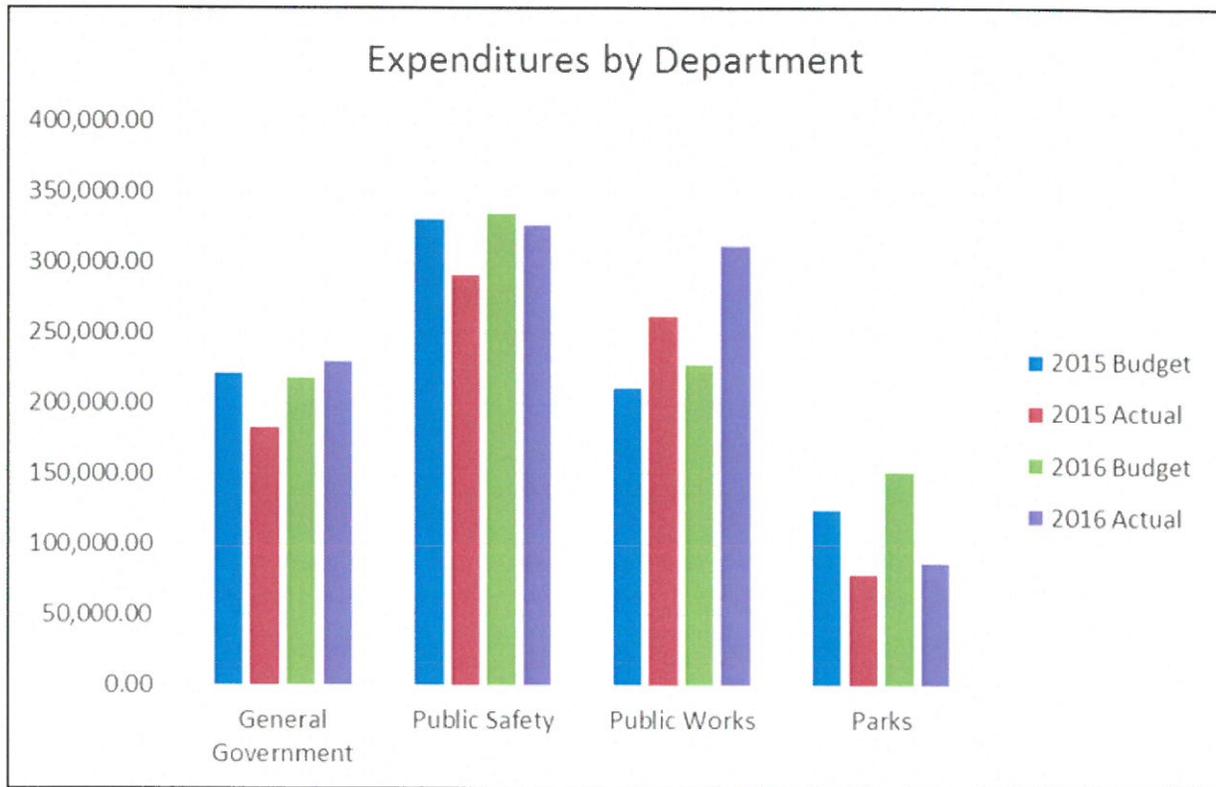
Actual expenditures for the quarter are slightly above the 2016 budget and both the 2015 budget and actual amounts as shown in the charts below:

	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
General Government	221,225.00	182,885.28	82.67%	218,282.00	229,549.98	105.16%
Public Safety	330,305.75	290,872.79	88.06%	334,886.00	326,648.42	97.54%
Public Works	211,228.50	261,889.55	123.98%	227,039.00	312,326.65	137.57%
Parks	124,643.25	78,832.38	63.25%	150,914.00	86,495.87	57.31%
<b>Total</b>	<b>887,402.50</b>	<b>814,480.00</b>	<b>91.78%</b>	<b>931,121.00</b>	<b>955,020.92</b>	<b>102.57%</b>



If expenditures were spent evenly throughout the year the Town should have spent 25% of its budget, which is the budget amounts in the previous charts. The only activities over 25% spent of their budgets after the 1<sup>st</sup> quarter is the general government and public works activities. The general government activity is over 25% spent due to the timing of the payment for the Northeast Youth and Family Services payment. In 2016 the Town paid this once a year expenditure in March, where as in 2015 it was paid in May. The public works activity is due to one-time expenditures for their equipment rental and insurance fees being paid to the Town's Capital Equipment and Risk Management Funds and a one-time transfer to the Capital Projects Funds for the Town's annual sealcoat project.

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. In addition public works is in the process of hiring two maintenance workers which will increase expenditures for the remainder of the year. However since one of these hires is to replace a maintenance worker that left the Township, which was not anticipated in the budget, expenditures for personnel services in public works should finish the year under budget. As the summer months progress staff will monitor these department to keep within budget levels.



Overall the General Fund appears to be in good shape through the first quarter of the year. If revenues and expenditures follow previous year collections and expenditure patters revenues should finish the year near budget amounts while expenditures finish below budgeted amounts.

**SPECIAL REVENUE FUNDS**

The Town has two Special Revenue Funds, the Park Acquisition Fund and Township Day's Festival. So far the only activity in the two funds is payment to the Township Day event planner

for \$1,014.50 and the collection of vendor rental fees of \$630.00 which is typical for the first quarter of the year.

**DEBT SERVICE FUNDS**

On February 1<sup>st</sup> the Town paid its 2016 debt obligations of \$720,000.00 in principal and \$53,357.50 of interest, compared to \$840,000.00 of principal and \$81,721.25 of interest in 2015. The Town now has \$3,375,000.00 in outstanding debt. The next scheduled debt payment is the interest only payment of \$45,125.00 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 2016 property tax settlement in July. The \$151,562.00 in revenues received in the first quarter are from the budgeted transfers from other Town funds for their share of the debt payments.

**CAPITAL PROJECT FUNDS**

Revenues received in the first quarter are from the billboard lease in the Community Park Fund, 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 2016 bond payments, some professional services related to new developments, and costs for the Town Hall relocation. Again this is typical, except for the Town Hall expenditures of \$73,383.70, for the first quarter of the year for the Capital Project Funds.

**ENTERPRISE FUNDS**

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

Revenues	2015 Budget	2015 Actual	% Received	2016 Budget	2016 Actual	% Received
Water Fund	1,423,997.00	177,240.69	12.45%	1,724,984.00	173,829.61	10.08%
Sanitary Sewer Fund	1,301,162.00	204,022.00	15.68%	2,371,086.00	161,157.88	6.80%
Storm Water Fund	156,797.00	47,237.16	30.13%	418,100.00	63,354.33	15.15%
<b>Total</b>	<b>2,881,956.00</b>	<b>428,499.85</b>	<b>14.87%</b>	<b>4,514,170.00</b>	<b>398,341.82</b>	<b>8.82%</b>

Expenditures	2015 Budget	2015 Actual	% Spent	2016 Budget	2016 Actual	% Spent
Water Fund	3,187,350.00	335,428.48	10.52%	1,682,926.00	375,053.50	22.29%
Sanitary Sewer Fund	3,484,825.00	442,047.78	12.68%	3,481,738.00	461,234.17	13.25%
Storm Water Fund	444,664.00	72,350.08	16.27%	994,955.00	70,614.96	7.10%
<b>Total</b>	<b>7,116,839.00</b>	<b>849,826.34</b>	<b>11.94%</b>	<b>6,159,619.00</b>	<b>906,902.63</b>	<b>14.72%</b>

Revenues for the first quarter are similar to last year revenues with the exception of the Storm Water Fund which is significantly higher than last year’s revenue due to the rate increase. Expenses for the year are near or above last year’s expenses. Keeping in mind that the expense budget for these Enterprise Funds have increased over last year and all three are below 25% spent. Also expenses includes depreciation which is not recorded until year-end, so by the end of the year expenses should be close to budget amounts. The 2016 expense budget for the Storm Water Fund is significantly higher than 2015 budget due to capital expenditures. Again, nothing is unusual for the first quarter of the year for the Enterprise Funds.

### INTERNAL SERVICE FUNDS

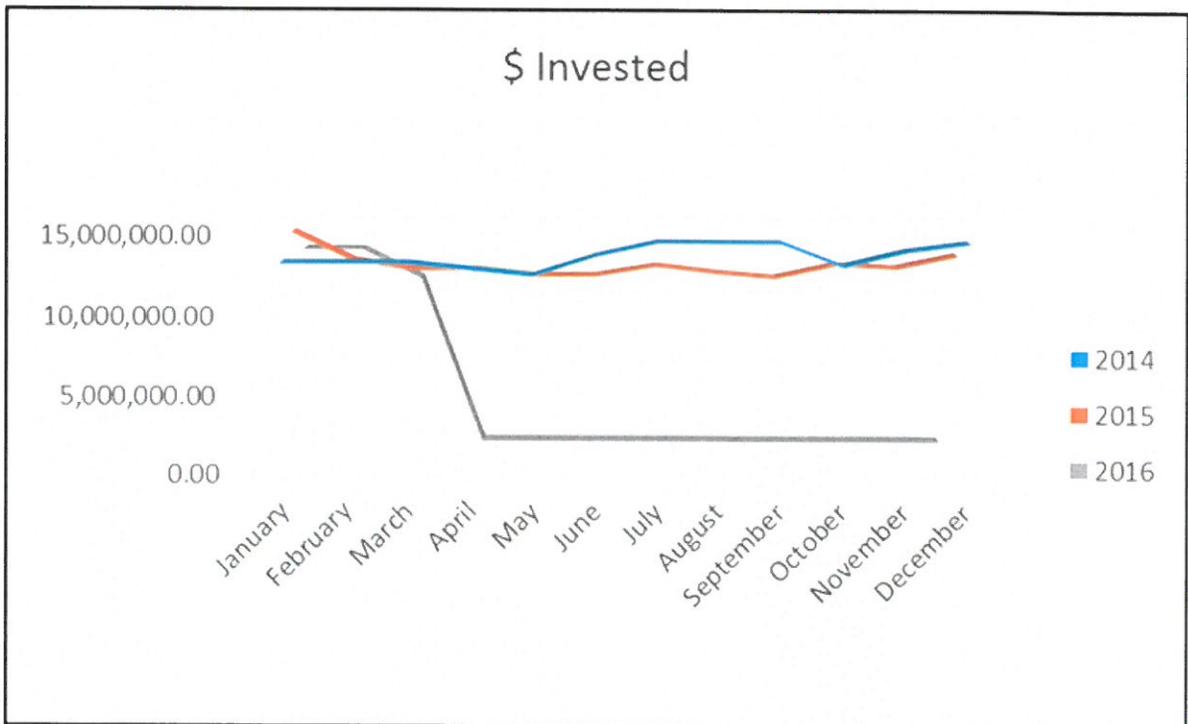
The Town's Town Building, Capital Equipment, and Risk Management Funds have collected their one-time fees from the General Fund and Enterprise Funds, thus they have collected 100% of their revenues, other than interest earnings, for 2016.

The Town Building and Risk Management Funds have not spent any of their budgeted items yet as these activities tend to happen more after the first quarter. Some equipment purchase have taken place resulting in expenditures of \$73,945.31 from a budget of \$415,850.00.

The Risk Management Fund paid the worker's compensation premiums and the majority of the 2015 insurance premiums, so its expense activity was almost completed for the year in 2015 at this time. Premiums are anticipated to cost the Town \$140,460.00, which is an increase of \$14,860.00 from 2015. Part of the increase is due to increases in worker's compensation claims which results in a higher experience modification factor. Minor increased in auto and decrease in general liability premiums make up the difference.

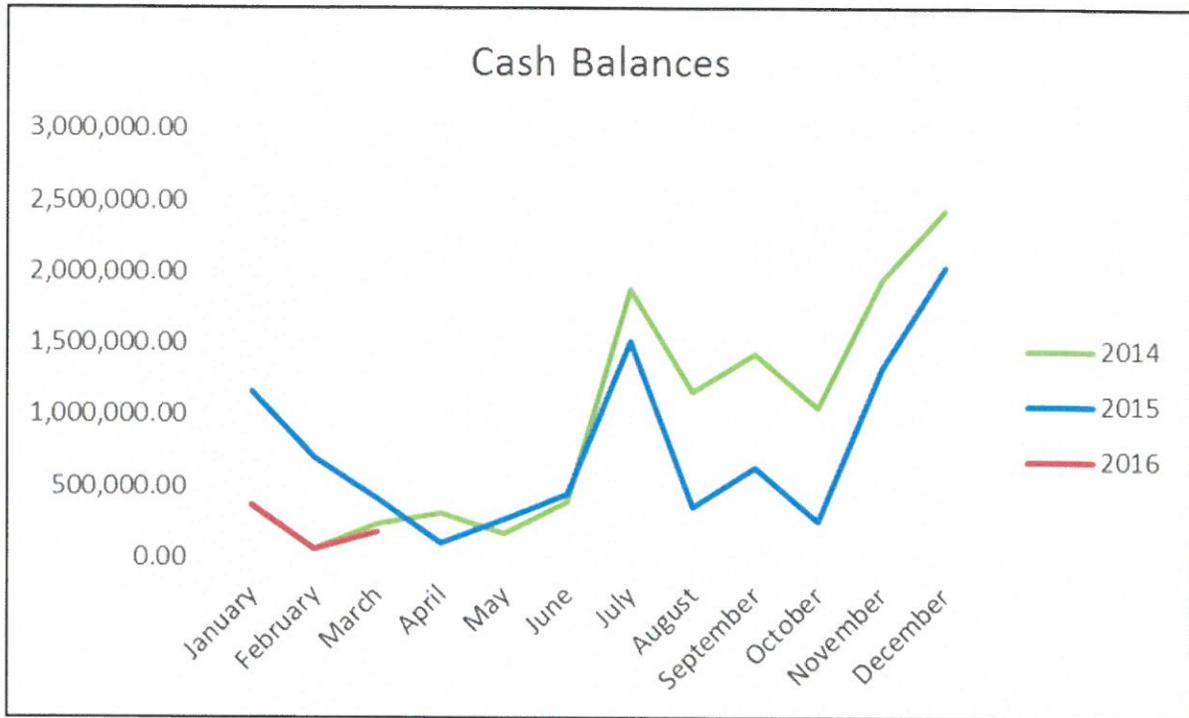
### CASH AND INVESTMENTS

Finally, the Town had \$11,182,773.38 invested as of March 30<sup>st</sup>. This compares to \$12,247,414.03 invested last year at this time. The investments had an average interest rate of 2.53% compared to 1.98% last year. Interest rates still are not the best but have increased since last year. Also the Town has purchased some longer-term, higher interest rate bond at a premium, which increases our interest earnings over time. 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. The chart below demonstrates the cash flow for the Township.



**CONCLUSION**

The Township had a typical first quarter of the year financially. Through the first quarter it appears revenues could finish the year near budgeted amounts for most revenue sources, while expenditures may end near or slightly below budgeted amounts. The Township has sufficient cash and investments to meet its obligations until the Township receives its first tax settlement in July. So it would appear the Township is in good financial shape for 2016.