



TOWN OF RAMAPO
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John Lynch
Director of Finance

October 30, 2019

Director of Finance – Year End Message – 2018

I am pleased to announce the completion of our 2018 Audited Financial Statements for the Town and the Ramapo Local Development Corporation along with the audited reports for 2017. Our auditors, BST and Co., have issued clean opinions on all the financial statements.

With this, we are up to date with our audited financial reporting and we are now immediately filing all required reports to achieve compliance with all reporting obligations.

Highlights of the 2018 Audited Financial Report

Under the leadership of Supervisor Michael Specht and our new Town Board, we have been able to make significant progress in improving the overall financial strength of the Town as well as invoking best practices into every aspect of financial management.

For the first time in five years, the operations of the General Fund resulted in a surplus – in fact, a significant surplus:

- The amount of the operating surplus in 2018 is \$3.1 million, all of which goes to reversing the accumulated negative fund balance in the General Fund, thereby improving it from a negative \$13.9 million to a negative \$10.7 million.
- The operating surplus resulted from the combination of actual revenues that were greater than budgeted and actual expenditures that were less than budgeted.
- We achieved this surplus through our commitment to realistic budgeting for 2018 and highly effective management control over spending during the year.

Restoration of the General Fund negative fund balance remains a key focus:

- An additional \$3.3 million improvement to the General Fund balance was achieved in March of 2019 with the Board's strategic decision to levy additional funds for this purpose.

- This recovery will continue as the Supervisor has provided an additional inflow of \$2 million in the budget for 2020 solely to restore the General Fund balance.

Despite the need for a continued turn-around in the General Fund, the aggregate December 31, 2018 financial position of the Town at the fund level is solid:

- Aggregate liquidity of \$ 18 million.
- Additional funds of \$7 million available for capital projects.
- Aggregate positive fund balance of \$15.4 million.
- Cost reductions and economy and efficiency initiatives have been implemented in each fund and special district.

Expenditure reductions are being achieved without compromising service levels or community resources:

- Expansive parks and recreation facilities including pools, youth programs, golf and tennis, senior citizen programs and cultural arts programs.
- Extensive road repair and replacement program.
- Quality of life improvements via active community engagement by the newly formed environmental services team.

Economies and efficiencies are driving cost reductions:

- Cost efficient municipal vehicle fleet lease program brings substantial savings in operating and repair cost, as well as improved safety, which is forecasted to save more than \$500,000.
- Licensing the operation of the golf course results in a savings of approximately \$1.1 million each year.
- The Town street lights have been purchased from the utility company and the conversion to LED lights is now underway; this will lead to additional cost savings, as well as neighborhood safety enhancements.
- Continued retirement incentives and a deliberate attrition policy have led to staff reductions.
- Department managers are taking on more responsibilities in lieu of replacing managers who retire or otherwise leave our employment.
- Reduction in the cost of digital and voice communication networks with improved security.

Government-wide Financial Statements

Fund level financial statements include only current assets, current liabilities and current operations of the Town. The Government-wide financial statements aggregate the fund level information and then add the long-term assets and long-term liabilities. The Ramapo Local Development Corporation, a component unit of the Town, is also included to present a comprehensive view of the financial position of the entire government operation.

Highlights at December 31, 2018 are as follow:

- Capital assets, which include land, buildings, equipment and infrastructure total \$201 million, net of accumulated depreciation.
- Long term bonds payable are \$118 million, which is less than 17% of the Town's constitutional debt limit.
- The government-wide net position is a negative \$132 million; this negative net position results primarily from the required recognition of the actuarially calculated long-term post-employment benefit liability of \$181 million and long term deferred pension contributions payable of \$16 million.
- The implementation of Government Accounting Standards Board Statement no. 75 ("Accounting and Financial Reporting for Postemployment Benefits other than Pensions") applies to all government entities that offer postemployment benefits with the effect that most report a negative net position due to the actuarial estimation of these costs to be paid in future reporting periods.

Looking to the Future

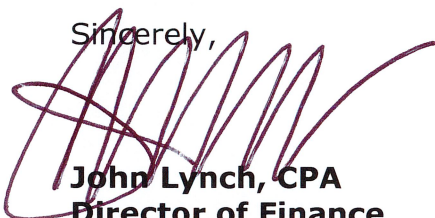
I am convinced that our turnaround is well in hand and we have a clear road map to a full recovery. We are committed to continuing to improve the financial stability of the town by carrying out the strategies and initiatives set out by the Town Board.

Now that financial reporting is up to date, our immediate financial management objectives are:

- Maintain timely and complete compliance with all financial reporting requirements.
- Update and document all financial policies and procedures to be ratified by the Board and updated each year or earlier as required.
- Seek to earn an investment grade rating from a municipal rating agency that would allow us to reduce our current cost of borrowing and provide the funding for future capital requirements.

I want to thank our Town Supervisor, Michael Specht, and all members of the Town Board for giving me the support needed to implement best practices in all aspects of financial management and transparent reporting. We are committed to maintaining your mandate in this regard.

Sincerely,



John Lynch, CPA
Director of Finance
Town of Ramapo