

DATE: April 19, 2010
 TO: Terry S. Fedorchak
 FROM: Brian McCloskey 
 RE: Finance Director's Report

As planned, here is the quarterly Finance Director's report, highlighting various financial data within both the governmental and business operations of the Township.

Overall Summary

For the quarter ending March 31, 2010, total Revenues and Expenses were as follows, in thousands, as compared to their respective budget:

<u>TOWNSHIP TOTALS</u>	<u>Actual</u> <u>3/31/10</u>	<u>Budget</u> <u>FY2010</u>	<u>Available</u>	<u>Percentage</u> <u>Used</u>
Revenues	\$3,964	\$22,216	\$ 18,252	17.84%
Expenses	\$4,143	\$24,212	\$ 20,069	17.11%

While revenues are recognized at almost 18%, it is important to note that the 1st quarter of the Township's fiscal year is always light on revenues and expenses. Due to the cyclical nature of our operations we would never recognize 25% in each quarter. In March of this year the township did receive our Liquid Fuels allocation as opposed to April (as is the norm) as the Governor released these funds early to assist local governments with expenses related to the winter storms of 2010. Revenues are budgeted .005% lower than last year in totality, but are greater than actual revenues received at the same point in the prior year. A large part of this year to year increase is the Liquid Fuels allocation and also within the township's business operations, more detail on that to follow. Expenses are tracking significantly higher than last year on a percentage basis, and can be explained as follows: Winter Storm Costs (\$300k), Sewer Transmission Fees (\$325k – due to a timing issue versus prior year), Golf Course activity is higher than last year, so expenses are up here as well (\$50k). Total expenditures are budgeted over \$600,00 less than the prior year, or by 2.5%. We would normally expect expenses to exceed revenues in the 1st quarter each year.

Despite the increased winter storm costs we do expect to remain within the budget for fiscal year 2010.

A comparison of the current and prior fiscal years yields the following:

<u>TOWNSHIP TOTALS</u>	<u>Actual</u> <u>3/31/10</u>	<u>Actual</u> <u>3/31/09</u>	<u>Amount</u> <u>Changed</u>	<u>Percentage</u> <u>Changed</u>
Revenues	\$3,964	\$3,035	\$ 929	+ 30.61%
Expenses	\$4,143	\$3,403	\$ 740	+ 21.75%

We continue to monitor both revenues and expenses very closely, and it should be noted that the economic climate, while showing signs of stability, is very volatile. We have seen stabilizing in the Real Estate Deed Transfer tax for both February and March of 2010 when compared to 2009, and we will know more about the revenue from the newly enacted Local Services Tax in the 2nd quarter report. Interest rates continue to be at historic lows, and while this hurts us on the interest revenue side, it helps us to a greater extent on the interest expense side.

A Further analysis by classification is as follows:

<u>GOVERNMENTAL</u>	<u>Actual</u> <u>3/31/10</u>	<u>Budget</u> <u>FY2010</u>	<u>Available</u>	<u>Percentage</u> <u>Used</u>
Revenues	\$2,273	\$13,865	\$ 11,592	16.39%
Expenses	\$2,696	\$15,026	\$ 12,330	17.94%

The primary reason for our expenses exceeding our revenues is two-fold, the first being the increased costs for the winter storms of 2010 and the second is simply timing, a large portion of our real estate tax revenue is received in April each year.

A comparison of the current and prior fiscal years yields the following:

<u>GOVERNMENT</u>	<u>Actual</u> <u>3/31/10</u>	<u>Actual</u> <u>3/31/09</u>	<u>Amount</u> <u>Changed</u>	<u>Percentage</u> <u>Changed</u>
Revenues	\$2,273	\$1,670	\$ 603	36.10%
Expenses	\$2,696	\$2,455	\$ 241	9.08%

A review of our business funds yields the following:

<u>BUSINESS</u>	<u>Actual</u> <u>3/31/10</u>	<u>Budget</u> <u>FY2010</u>	<u>Available</u>	<u>Percentage</u> <u>Used</u>
Revenues	\$1,691	\$8,351	\$ 6,660	20.24%
Expenses	\$1,447	\$9,187	\$ 7,740	15.75%

The Township's business enterprises are comprised of the Community Pool, the Sewer System and Makefield Highlands Golf Course. At this point in our fiscal year, the pool is performing ahead of last years figures, by almost 6%. Membership numbers are trending higher than the previous year, another sign which we hope is pointing towards a stabilizing economy. You can review the attached pool report (**Exhibit D**) for further details. We expect revenues in the current fiscal year to meet budget and exceed last year, as the pool has been a consistent performer for the township. The sewer system is performing as expected, revenues and collections are running as planned. Expenses for the sewer system have increased when compared to last year, most notably in transmission fees. Our vendors are more timely in their billing to us, and we in turn have paid the expenses when invoiced. The sewer system did create in 2009 a Sewer Capital Reserve fund and it has \$500,000 currently in it, and the plan is to add another \$500,000 from 2010 sewer operations. The goal is to build this fund up to at least \$2.5 million to be proactive in any unforeseen sewer emergencies or capital needs. Makefield Highlands has experienced a better start in 2010 than in 2009 thanks in part to adequate weather in the latter part of March. The course was closed for the majority of January and February to play, but in March when the snows finally melted we made budget for the month. In April it appears the course is on its way to making budget again thanks in part to the weather being more conducive to playing. In 2009 we did not have back to back months make budget in large part due to the weather. The new management company began in January of this year and our expenses have been slightly less than

last year and this year's budget. Please review the attached report (**Exhibit E**) on the golf course for more details.

A comparison of the current and prior fiscal years Business Activities yields the following:

<u>TOWNSHIP TOTALS</u>	<u>Actual</u> <u>3/31/10</u>	<u>Actual</u> <u>3/31/09</u>	<u>Amount</u> <u>Changed</u>	<u>Percentage</u> <u>Changed</u>
Revenues	\$1,691	\$1,364	\$ 327	23.97%
Expenses	\$1,447	\$ 948	\$ 499	52.63%

SPECIFIC HIGHLIGHTS

The following are specific items from our General Fund which we are highlighting in our report. *One item of note is that during 2009, general fund revenues exceeded budget by almost \$300,000, as a result our ending fund balance was higher than originally expected, and finished the year with over \$900,000 in our fund balance. This will be highlighted in the township's audited financial statements.*

Real Estate Taxes

There was no tax increase in 2010 from 2009, but we did reallocate a ¼ millage from the Park and Recreation budget to the General Fund. Receipts from real estate taxes totaled \$1,130,000 for the quarter ending March 31, 2010, this is an increase of just under 1% when compared to the same period last year. While there is no increase in the budgeted revenues from real estate taxes, this increase is positive in that the economy is still very volatile and our collections are holding steady at over 98.5% collectively. We fully expect to reach our budgeted numbers. We do not have any significant data on the Local Services Tax, we will know more about this revenue in the next quarter. Real Estate tax receipts are 14.80% of their respective budget, and this is expected since during the first quarter of the new year the billing does not begin until well into March. See **Exhibit C** for an analysis of general fund tax revenues.

Per Capita Taxes

Per Capita taxes are tracking at the same rate as in the prior year, approximately 14.5% of budget. Our budget has remained the same as last year in this area, and while only ¼ through the fiscal year, we fully expect to meet our budgeted numbers.

Real Estate Transfer Tax

Revenues from the Real Estate Transfer tax totaled \$110,000, a decrease of 51%, or over \$114,000 when compared to the prior year. The budget was reduced by 6.5% when compared to the prior year, and while we track this area and related trends closely, the national outlook for housing remains weak, but we do believe through stimulus efforts and the economy starting to improve, that this area will begin to stabilize. The biggest part of the decrease was in January, as February and March of this year when compared to prior years are tracking the same. Please see the attached **Exhibit A** for a graph of the real estate transfer tax trends, and **Exhibit A-1** for the financial detail within this category. What is interesting and displayed in the chart, February and March are the two lowest months for transfer tax collection, and during the next 6 months, we will encounter 4 of the 6 highest grossing months (on average) for this category.

Other Revenues

Other revenues, specifically fees and permits, are within budget and prior year figures, with the 1st quarter of our fiscal year generally being one of the slower quarters. All items appear within budget or slightly behind at this point. We will have to watch this area very closely, if the housing market remains weak, these revenue items could drop proportionately.

General Fund Expenditures

Expenditures within the Townships' general fund are tracking approximately 11% higher than the same period in the prior year, and much is related to the costs related to the winter storms of 2010. Outside of the costs related to the storms and the transfers required to cover Pension Costs, all line items are within budget. The 2010 budget had no wage increases for staff and controllable operating costs were reduced as well, by approximately 2.2%.

Assets and Liabilities

The Township's liquidity position remains fairly strong. Our cash position stands at approximately \$6.8 million as of March 31, 2010 versus \$7.9 million at the same time in the previous year. The decrease, over 12%, is comprised of the following funds: Basin Maintenance (\$150,000 – this fund no longer has a source of revenue), Traffic Impact (\$185,000, no source of revenue here either), Golf (\$200,000) Capital Reserve (\$400,000 – planned spending here and no real source of funds). See **Exhibit B** for a more detailed analysis of our cash position by fund.

Accounts receivable in the current year is higher than the same as the prior year, there is an increase of 16.78% or \$233,000, most of this is due to the PEMA flood grant funds which are expected early in the next quarter.

Current Liabilities have increased by over 26%, or \$240,000 this is due to a timing difference in our sewer payables. As mentioned earlier our vendors are more timely in billing us and as required, we book and pay these bills when due. Long term debt has decreased by almost 3% or approximately \$700,000 million due to expected debt service payments. It should be noted that the volatile interest rate market has had a positive impact on our variable rate debt expense, and while this will be offset by our related investment income, we will see a reduction in this part of debt service. Neither affects the balance sheet.

A final analysis is included as **Exhibit F**, and it details our actual versus budget for the general fund. A Comparative Balance Sheet for this quarter is shown below.

*Lower Makefield Township
Balance Sheet Analysis
Quarter Ending 3/31/10*

		<u>Total Government</u>	
		<u>2010</u>	<u>2009</u>
Assets			
	Cash and Cash Equivalents	6,741,370	8,001,975
	Other Assets	2,132,301	2,508,597
	Capital Assets	115,523,278	116,851,669
	<i>Total Assets</i>	<u>124,396,949</u>	<u>127,362,241</u>
Liabilities			
	Other Liabilities	1,797,752	1,520,907
	Long-Term Debt Outstanding	37,553,346	39,320,938
	<i>Total Liabilities</i>	<u>39,351,098</u>	<u>40,841,845</u>
Net Assets			
	Invested in Capital Assets	77,969,932	77,530,731
	Restricted	3,981,285	4,717,835
	Unrestricted	3,094,634	4,271,830
	<i>Total Net Assets</i>	<u>85,045,851</u>	<u>86,520,396</u>
	<u>Total Net Assets and Liabilities</u>	<u>124,396,949</u>	<u>127,362,241</u>

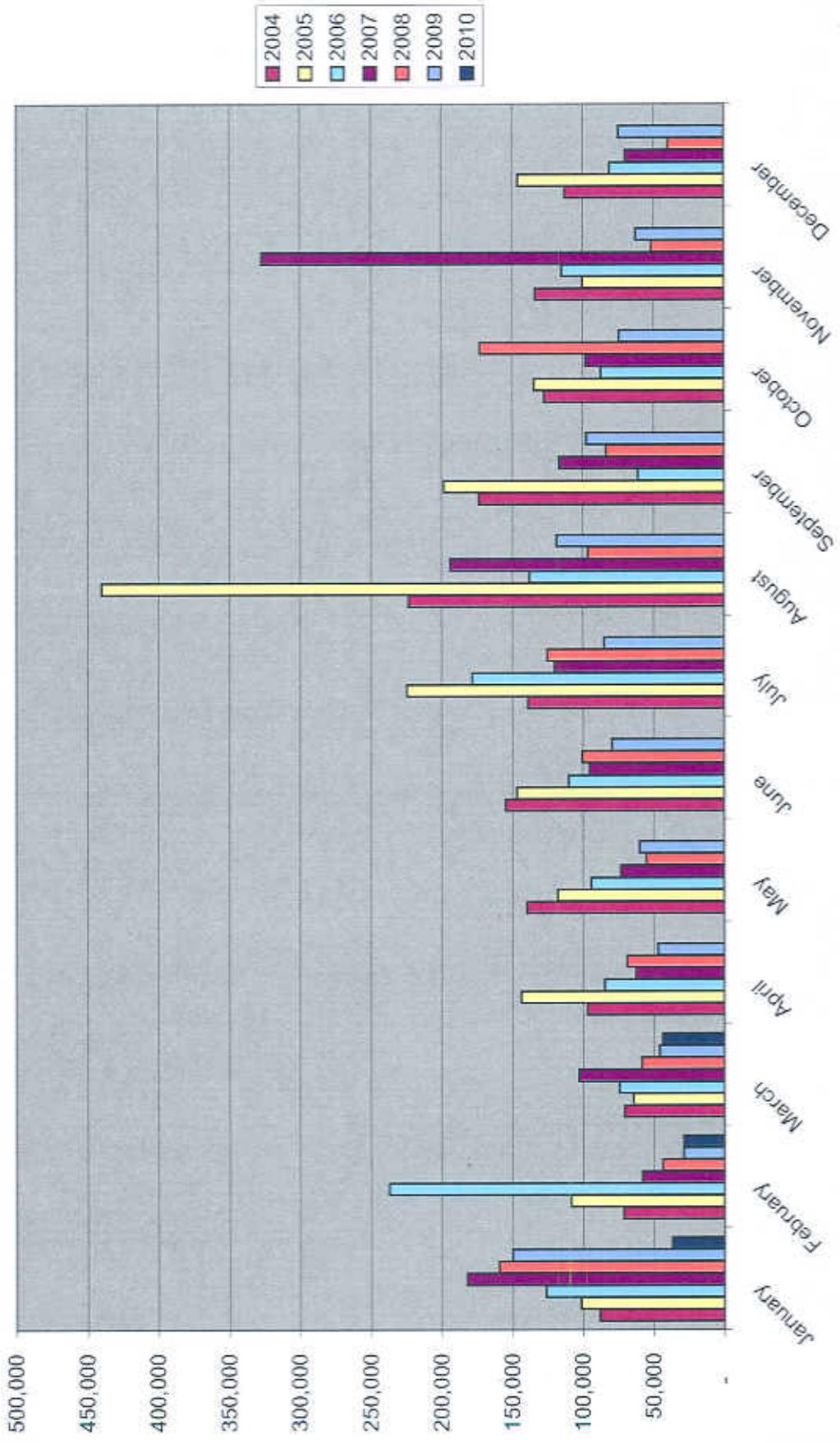
The breakdown of the Township's assets between Governmental and Business Units is as follows:

**Lower Makefield Township
Balance Sheet Analysis
Quarter Ending 3/31/10**

		Governmental Activities	
		<u>2010</u>	<u>2009</u>
Assets			
	Cash and Cash Equivalents	4,952,105	5,254,408
	Other Assets	783,103	1,290,548
	Capital Assets	81,142,863	81,654,913
	<i>Total Assets</i>	<u>86,880,081</u>	<u>88,199,869</u>
Liabilities			
	Other Liabilities	1,044,604	993,704
	Long-Term Debt Outstanding	14,766,479	15,907,538
	<i>Total Liabilities</i>	<u>15,811,083</u>	<u>16,901,242</u>
Net Assets			
	Invested in Capital Assets	66,376,384	65,747,375
	Restricted	3,981,285	4,717,835
	Unrestricted	711,330	833,417
	<i>Total Net Assets</i>	<u>71,068,999</u>	<u>71,298,627</u>
	<u>Total Net Assets and Liabilities</u>	<u>86,880,081</u>	<u>88,199,869</u>

		Business-Type Activities	
		<u>2010</u>	<u>2009</u>
Assets			
	Cash and Cash Equivalents	1,789,265	2,747,567
	Other Assets	1,349,198	1,218,050
	Capital Assets	34,380,415	35,196,756
	<i>Total Assets</i>	<u>37,518,878</u>	<u>39,162,373</u>
Liabilities			
	Other Liabilities	753,148	527,203
	Long-Term Debt Outstanding	22,786,867	23,413,400
	<i>Total Liabilities</i>	<u>23,540,015</u>	<u>23,940,603</u>
Net Assets			
	Invested in Capital Assets	11,593,548	11,783,356
	Restricted	-	-
	Unrestricted	2,383,307	3,438,414
	<i>Total Net Assets</i>	<u>13,976,855</u>	<u>15,221,770</u>
	<u>Total Net Assets and Liabilities</u>	<u>37,518,878</u>	<u>39,162,373</u>

Real Estate Transfer Tax Analysis 2004 - 2010



Lower Makefield Township
 Real Estate Transfer Tax
 Revenue Analysis Since 2004

	2004	2005	2006	2007	2008	2009	2010
January	88,194	101,583	126,178	181,803	159,510	149,777	36,743
February	71,091	108,619	236,736	58,099	43,368	28,943	28,943
March	70,317	64,277	74,196	102,505	58,348	45,877	43,660
<u>Sub-Total</u>	<u>229,602</u>	<u>274,479</u>	<u>437,110</u>	<u>342,407</u>	<u>261,226</u>	<u>224,597</u>	<u>109,346</u>
April	96,529	143,520	84,502	62,285	68,804	46,701	
May	139,485	117,847	94,204	73,218	54,976	59,899	
June	154,632	146,625	110,063	95,022	100,308	79,425	
July	138,821	224,369	178,406	119,789	124,940	84,878	
August	223,121	440,000	137,599	193,558	96,199	118,267	
September	173,308	198,281	61,050	116,685	83,344	97,317	
October	127,294	134,406	87,215	97,724	172,596	74,352	
November	133,648	100,064	114,685	327,066	51,473	62,450	
December	112,424	145,574	80,992	69,763	39,549	74,615	
Totals	<u>1,528,864</u>	<u>1,925,165</u>	<u>1,385,826</u>	<u>1,497,516</u>	<u>1,053,415</u>	<u>922,501</u>	<u>109,346</u>
Budget	1,200,000	1,350,000	1,450,000	1,450,000	1,400,000	1,225,000	1,145,000

Lower Makefield Township
Net Cash Balances
March 31, 2010

Fund Number	Fund Name	Cash Balance	Current Liabilities	Net Cash	Reserve/ Design	Unrestricted
01	General Fund	973,380	228,536	744,844	37,743	707,101
02	Street Light	7,675	3,234	4,441	4,441	-
03	Fire Protection	94,942	1,438	93,504	93,504	-
04	Hydrant	11,805	11,683	122	122	-
05	Parks and Rec	253,782	29,944	223,838	223,838	-
06	Parks and Rec FIL	62,285	-	62,285	62,285	-
07	Library	88,190	-	88,190	88,190	-
08	Sewer	457,558	278,386	179,172	179,172	-
09	Community Pool	694,967	3,711	691,256	691,256	-
10	Basin Maintenance	86,195	-	86,195	86,195	-
11	Traffic Impact	491,365	-	491,365	491,365	-
15	Golf Course	538,459	122,012	416,447	416,447	-
18	Sewr Capital Reserve	500,000	-	500,000	500,000	-
19	Street Projects	588,334	12,193	576,141	576,141	-
20	Debt Service	67,831	-	67,831	67,831	-
30	Capital reserve	922,931	16,514	906,417	906,417	-
35	Liquid Fuels	537,067	86,127	450,940	450,940	-
40	9-11 Memorial	245,157	665	244,492	244,492	-
50	Ambulance	44,547	270	44,277	44,277	-
91	Unemployment Comp	83,653	-	83,653	83,653	-
	Totals	6,750,123	794,713	5,955,410	5,248,309	707,101

LOWER MAKEFIELD TOWNSHIP
REAL ESTATE TAX ANALYSIS
MARCH 10

FUND	2010 BUDGET	ADJUSTED "BUDGET" AMOUNT	03/31/10 RECEIPTS	% 2010 BUDGET
GENERAL	4,901,833	4,901,833	713,274	14.55
FIRE PROTECTION	446,440	446,440	65,841	14.75
HYDRANT	136,875	136,875	19,754	14.43
PARKS & REC	643,288	643,288	93,640	14.56
DEBT SERVICE	1,320,220	1,320,220	193,864	14.68
AMBULANCE	124,650	124,650	18,289	14.67
	<u>7,573,306</u>	<u>7,573,306</u>	<u>1,104,662</u>	<u>14.59</u>
INTERIM & PRIOR:	BUDGET	RECEIPTS	FAV(UNFAV) VARIANCE	% RECEIVED
INTERIM-CURRENT	9,895	713	(9,182)	7.21
INTERIM-PRIOR	145	37	(108)	25.52
DELINQUENT	46,395	23,787	(22,608)	51.27
	<u>56,435</u>	<u>24,537</u>	<u>(31,898)</u>	<u>43.48</u>
R.E. TRANSFER TAXES:		PER CAPITA TAXES:		
RECEIPTS @ 03/31/10 PLUS A/R	109,346	<u>BUDGET</u>	<u>RECEIPTS</u>	<u>BALANCE</u>
		<u>197,000</u>	<u>27,283</u>	<u>169,717</u>
	<u>109,346</u>			
2009 BUDGET	1,145,000	197,000	27,283	169,717
% BUDGET REC'D.	<u>9.55%</u>			

**LOWER MAKEFIELD TOWNSHIP
POOL MEMBERSHIP
MEMBERSHIP RECEIPTS 2005-2010**

MEMBERSHIP DEPOSITS:

	2010		2009		2008		2007		2006		2005	
	Month	Aggregate										
JAN	\$ 32,035	\$ 32,035	\$ 35,740	\$ 35,740	\$ 23,100	\$ 23,100	\$ 10,915	\$ 10,915	\$ -	\$ -	\$ 22,160	\$ 22,160
FEB	\$ 103,925	\$ 136,760	\$ 104,665	\$ 140,405	\$ 117,695	\$ 140,795	\$ 154,030	\$ 172,945	\$ 33,120	\$ 33,120	\$ 57,345	\$ 79,505
MAR	\$ 325,305	\$ 462,065	\$ 299,650	\$ 440,055	\$ 282,415	\$ 423,210	\$ 213,220	\$ 386,165	\$ 338,470	\$ 371,590	\$ 260,590	\$ 360,085
APR			\$ 30,900	\$ 470,955	\$ 21,150	\$ 444,360	\$ 24,120	\$ 410,285	\$ 28,045	\$ 398,635	\$ 51,950	\$ 412,039
MAY			\$ 111,010	\$ 581,965	\$ 84,105	\$ 528,465	\$ 130,605	\$ 540,890	\$ 48,400	\$ 445,035	\$ 57,830	\$ 469,869
JUNE			\$ 70,360	\$ 652,325	\$ 99,280	\$ 627,745	\$ 96,735	\$ 637,625	\$ 157,067	\$ 605,102	\$ 140,310	\$ 610,179
JULY			\$ 13,810	\$ 666,135	\$ 15,350	\$ 643,095	\$ 15,125	\$ 652,750	\$ 20,908	\$ 625,010	\$ 21,020	\$ 631,195
AUG			\$ 3,455	\$ 669,590	\$ 7,890	\$ 650,985	\$ 9,505	\$ 661,255	\$ 12,625	\$ 638,639	\$ 8,935	\$ 640,130
SEPT			\$ -	\$ 669,590	\$ -	\$ 650,985	\$ (200)	\$ 661,055	\$ -	\$ 638,635	\$ -	\$ 640,130
OCT			\$ -	\$ 669,590	\$ -	\$ 650,985	\$ -	\$ 661,055	\$ -	\$ 638,635	\$ -	\$ 640,130
NOV			\$ -	\$ 669,590	\$ -	\$ 650,985	\$ -	\$ 661,055	\$ -	\$ 638,635	\$ -	\$ 640,130
DEC			\$ -	\$ 669,590	\$ -	\$ 650,985	\$ -	\$ 661,055	\$ -	\$ 638,635	\$ -	\$ 640,130
TOTAL FEES		\$ 462,065		\$ 669,590		\$ 650,985		\$ 661,055		\$ 638,635		\$ 640,130
Membership Budget		\$ 675,390		\$ 711,165		\$ 650,940		\$ 631,820		\$ 631,820		\$ 581,720
Percent of Budget		68.41%		94.15%		100.01%		104.63%		101.08%		110.04%
Y-T-D Actual		\$ 462,065		\$ 440,055		\$ 423,210		\$ 386,165		\$ 371,590		\$ 350,085
Y-T-D Change		5.00%		3.98%		9.59%		3.92%		3.20%		

MEMBERSHIP NUMBERS:

	2010 (through March)		2009		2008		2007		2006		2005	
<u>Discount</u>												
Family	1058	1010	1042	959	1028	1030						
Indiv	140	134	154	132	148	151						
<u>w/o Discount</u>												
Family	18	452	499	596	475	476						
Indiv	5	91	116	140	132	135						
Srs	65	101	114	102	101	98						
CG	19	49	53	43	39	36						
Aug Fam	14	83	93	100	105	93						
Aug Ind	4	14	19	27	22	19						
Season Total	1323	1934	2090	2099	2050	2038						

LOWER MAKEFIELD TOWNSHIP
GOLF COURSE ANALYSIS
2004 - 2009

MONTHLY ROUNDS AND REVENUE ANALYSIS

	2010			2009			2008			2007			2006		
	Monthly Rounds	Monthly Revenue	Aggregate Revenue	Monthly Rounds	Monthly Revenue	Aggregate Revenue	Monthly Rounds	Monthly Revenue	Aggregate Revenue	Monthly Rounds	Monthly Revenue	Aggregate Revenue	Monthly Rounds	Monthly Revenue	Aggregate Revenue
JAN	377	26,000	26,000	65	13,000	13,000	908	38,000	38,000	486	21,000	21,000	877	35,000	35,000
FEB	13	21,000	47,999	61	13,500	24,500	106	10,000	48,000	14	3,000	24,800	325	17,000	52,000
MAR	1,417	72,000	119,000	1,500	89,000	113,500	1,555	77,000	126,000	902	64,000	80,000	1,535	77,000	129,000
APR				3,310	233,000	346,500	3,915	282,000	407,000	2,973	217,000	305,000	4,045	265,000	394,000
MAY				4,000	351,000	607,500	4,800	552,000	799,000	5,400	423,000	728,000	4,065	337,000	731,000
JUNE				3,930	306,000	1,003,500	5,720	472,000	1,231,000	5,738	476,000	1,204,000	5,793	430,000	1,167,000
JULY				6,912	417,000	1,500,000	6,112	421,000	1,862,000	6,359	486,000	1,670,000	6,409	440,000	1,807,000
AUG				6,760	371,000	1,871,500	6,171	449,000	2,101,000	5,793	417,000	2,087,000	6,163	398,000	2,005,000
SEPT				3,790	275,000	2,140,500	3,404	256,000	2,337,000	4,950	378,000	2,465,000	4,430	330,000	2,335,000
OCT				2,864	233,000	2,375,500	3,149	241,000	2,588,000	3,700	272,000	2,737,000	3,432	265,000	2,660,000
NOV				1,972	144,000	2,523,500	1,650	105,000	2,763,000	2,500	130,000	2,867,000	2,760	139,000	2,739,000
DEC				249	19,000	2,541,500	644	37,000	2,740,000	747	43,000	2,950,000	1,788	86,000	2,827,000
TOTAL ROUNDS/REVENUE	1,807	119,000		36,320	2,541,500		38,562	2,740,000		30,322	2,990,000		47,436	2,827,000	
Total Revenue Budget	2,729,482			2,984,358			3,023,717			\$ 2,867,910			\$ 2,819,351		
YTD Revenue as % of Budget	4.36%			1.00%	4.13%		4.13%			3.07%			4.93%		
Monthly Revenue, Actual, Mar	72,000			89,000			77,000			\$ 64,000			\$ 77,000		
Y-1-D Change	-19.10%			13.00%	-20.31%		-20.31%			-16.00%			83.33%		
Total Rounds Y-1-D	1,807			1,076	2,011		2,011			1,402			2,737		
Y-1-D Change	7.82%			-39.61%	76.18%		76.18%			-45.85%			94.19%		
Monthly Rounds, Mar	1,417			1,500	1,555		1,555			902			1,535		
Y-1-D Change	-9.53%			-3.94%	38.33%		38.33%			-38.63%			106.93%		