

LOWER MAKEFIELD TOWNSHIP

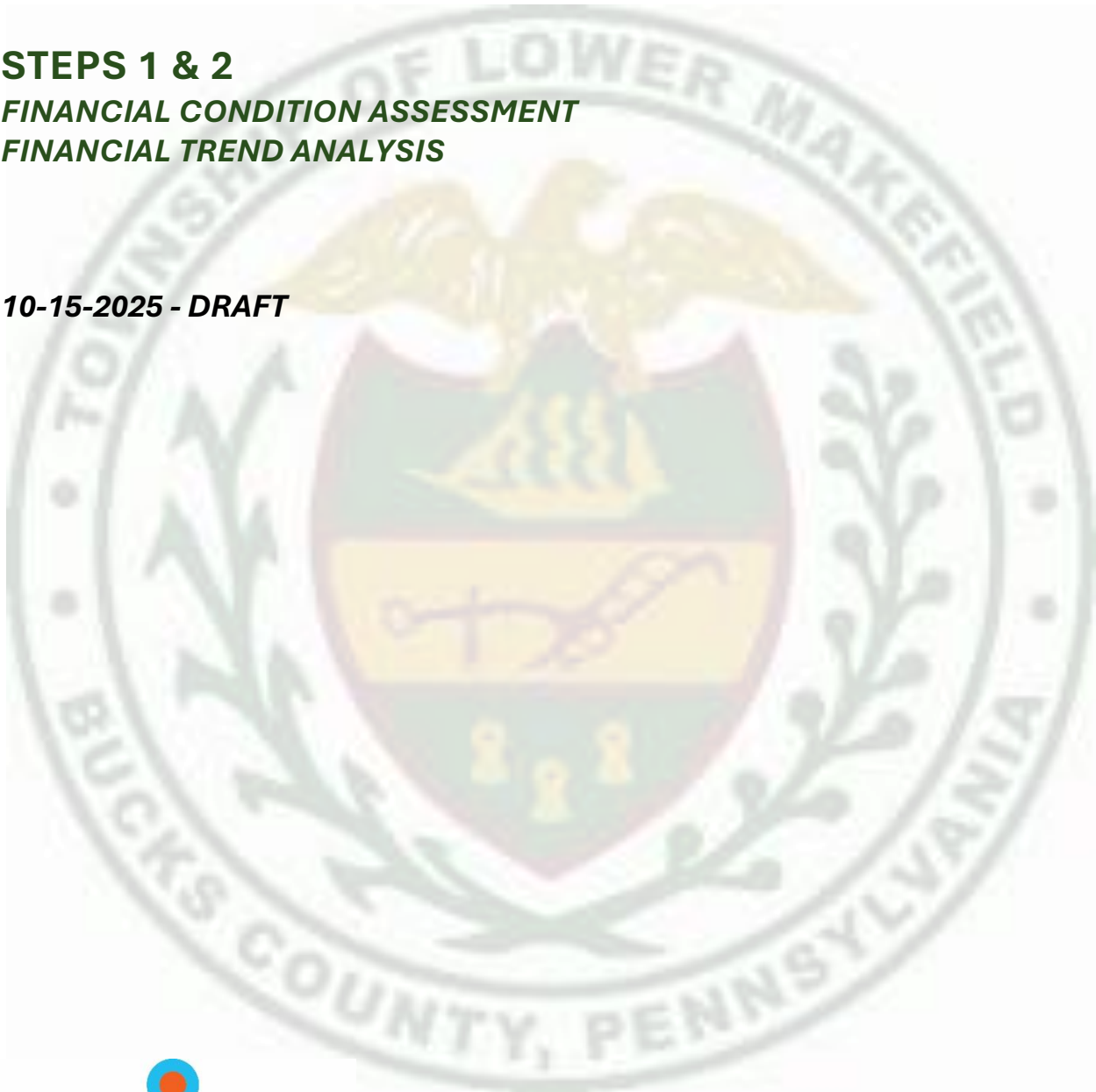
STRATEGIC MANAGEMENT PLANNING PROGRAM

STEPS 1 & 2

FINANCIAL CONDITION ASSESSMENT

FINANCIAL TREND ANALYSIS

10-15-2025 - DRAFT





ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY - STEPS 1 & 2

The **Financial Condition Assessment** (Step 1) and **Financial Trend Analysis** (Step 2) were designed as part of Lower Makefield Township's (Township) Strategic Management Planning Program (STMPP) to provide an analysis of the Township's financial operations over the last five years and an assessment of future financial trends. The **Financial Condition Assessment** provides a multi-year trend analysis of historic financial data and an assessment of current budget performance and was used as a means to establish a realistic baseline of the Township's historic and current financial condition. The **Financial Trend Analysis** projects future revenue, expenditure, economic and demographic trends so that the Township can understand its future financial position and take action to counteract any negative trends.

All data included in the **Financial Condition Assessment** and **Financial Trend Analysis** were obtained from the following sources:

1. Annual Audit Reports and Department of Community & Economic Development Municipal Annual Audit and Financial Reports for the years ended December 31, 2020 through December 31, 2023,
2. Trial Balance data for the year ended December 31, 2024 and year-to-date through March 31, 2025, and
3. Annual Operating Budgets for the years ended December 31, 2020 through December 31, 2025

The recommendations provided in this report represent areas identified where financial trend improvement can be made, which will in turn, result in additional funding for use by the Township to enhance the services provided to residents. During compilation of these proposals, we considered the best practices of local governments of similar size and used guidance provided by the Government Finance Officers Association (GFOA), a professional association who provides resources, training, and networking opportunities for financial professionals involved in public finance.

Through completion of the **Financial Condition Assessment**, the Township's need to monitor and maintain a healthy fund balance became apparent, and it is important that the Township be proactive to ensure a healthy fund balance is developed and maintained in future years.

To ensure financial stability going forward, the Township can place their focus on the following objectives outlined below. *Note that these points will be discussed in further detail throughout this document.*

1. **General Fund** - Based on the projections prepared in the Financial Trend Analysis, the General Fund will begin to have a negative fund balance starting in 2027. The Township should be aware of this trend and work to implement any necessary measures now, in order to maximize the resources and options to prevent this from happening. In addition, the Township should keep in mind that this would have happened in an earlier year if it wasn't for the American Rescue Plan Act funding received and spent by the Township, which is discussed later in this report.
2. **Consideration of Charging Earned Income Tax to Residents** – Over 95% of local municipalities across Pennsylvania charge earned income tax to their residents. It is understood that the Township takes pride in not charging this tax to its residents, however, the Township's revenue sources are not currently growing at a rate high enough to keep up with the increases in expenses. The Township should carefully weigh whether avoiding this tax is fiscally feasible given current trends.
3. **Review of Real Estate Tax** – The Township currently charges real estate taxes at 24.95 mills. Each year, when the budget is prepared, the Township reviews the allocation of real estate taxes between tax purposes/funds and budgets based on the needs of each fund. In preparing future budgets, the Township should plan the allocation to eliminate the negative fund balance that is carried by a number of funds, as discussed in item #7 below.
4. **Grant Funding** – The Township should be aware of the variety of grant funding available to them and when planning the budget for future years, the Township should consider where they can apply for grant funding to cover certain capital projects or operational costs within the Township.
5. **Personnel Costs** - In order to ensure successful day-to-day operations at the Township, and to ensure the Township is providing services to its residents at the highest level, the right employees must be in place to perform these operations. Through review of historical personnel cost trends, it is clear that Township understands the importance of keeping up with cost of living and industry standards with regard to employee compensation, and the Township has provided wage increases to reflect that. Unfortunately, as a significant percentage of the Township's expenses are personnel expenses, these necessary pay increases have a significant impact on the bottom line. The Township should be aware of the continuing increase in personnel costs when planning the Township's future budgets.
6. **Capital Improvement Plan** – The Township does not currently prepare multi-year Capital Improvement Plans. Capital needs of the Township are determined during the

annual budget preparation process. A multi-year Capital Improvement Plan should be developed and published on the Township's website to provide residents with a clear understanding and transparency for future capital expenses that will be incurred by the Township.

7. **Governmental Funds** – The Township maintains over 20 governmental funds, with some of these funds serving the same purpose, and some funds that are combined to be reported as one fund for external financial reporting, but accounted for separately in the Township's accounting system. In addition, many of these funds are carrying negative fund balances. These funds should be reviewed, and the Township should work to combine funds in order to maintain only the minimum number of funds necessary for legal and operational requirements, and also maintain the transparency they currently have.
8. **Fund Balance Policy** – The Township has a fund balance policy in place that states that the Township should maintain a minimum year-end General Fund unrestricted fund balance of 25% (3 months of reserves) with a goal of 40% of the current year's total General Fund expenditures. As shown in the Financial Condition Assessment, the Township has not historically been in compliance with this policy and should review and should work to develop a plan to reach compliance with this policy, as we agree that a goal of 25% of unrestricted fund balance is a reasonable goal to promote fiscal sustainability. The Township's largest revenue stream, real estate taxes, is heavily received in the second quarter of the year. Adherence to the fund balance policy, and maintaining a minimum fund balance, is critical as this will ensure adequate funding for the latter part of the year when less appreciable income is being received by the Township.
9. **Use of the Sewer Sale Trust Fund** – The Township created a trust in 2022 with a portion of the proceeds from its sale of the sewer system. The trust agreement does allow for the withdrawal of assets or a loan from this trust. As a last resort, the Township should consider if drawing on these funds is the best option for the Township's financial stability. If considering this option as a last resort, the Township should keep in mind that this trust fund provides the Township with a reoccurring revenue stream that is not coming from Township residents of over \$1 million each year, that will be eliminated if the trust is spent. In addition, if the Township is considering drawing down funds, they should not plan to drawn down funds each year to fix the budget. This should be treated as a one-time, last resort.

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PROCESS OVERVIEW AND COMMUNITY BACKGROUND

STRATEGIC MANAGEMENT PLANNING PROGRAM (STMPP)

In October 2024, Lower Makefield Township secured a grant from the PA Department of Economic Development Strategic Management Planning Program. In January 2025, Lower Makefield engaged Strategic Solutions LLC to complete a Strategic Management Planning Program (STMPP) for the development of a multi-year strategy and plan based on a financial condition assessment, a financial trend analysis, an evaluation of the need for emergency planning, and a management audit of all departments and operations. Undertaking a STMPP plan is a proactive step for municipalities that are experiencing financial and operational challenges and are seeking to improve their position.

Undertaking a STMPP plan is a proactive step for municipalities that are experiencing financial and operational challenges and are seeking to improve their position.

The main program objectives of the STMPP process are to help local governments identify, prioritize and address financial difficulties by implementing short- and long-term goals and objectives. This process engages in management studies and operational improvements that aid the financials of the local government in their decision-making process. A STMPP evaluation empowers municipalities to implement a system for measuring multi-year revenue and expenditure trends and helps to anticipate and plan for future financial circumstances. The local government can use recommendations to enhance efficiency and productivity of their financial and human resources departments by providing future funding opportunities.

STMPP PROCESS STEPS

The Department of Community & Economic Development (DCED) has developed a six-step process for STMPP efforts, with specific actions and deliverables to occur at each interval.

1

Financial Condition Assessment

This assessment was performed to establish a realistic baseline of the township's historic financial condition. The assessment included a review of five (5) years of detailed historical financial data for each fund starting with the General Fund and all Municipal funds that exist for the Township.

2

Financial Trend Analysis

We conducted an analysis of multi-year data to project future revenue, expenditure, economic and demographic trends for at least a five (5) year period so that the township can understand its future financial position and take immediate steps to counteract any negative trends.

3

Emergency Plan for Current Fiscal year (if needed)

During the conduct of the financial assessment, it was determined that this step was not needed for Lower Makefield Township.

4

Management Audit

We worked collaboratively with the township to perform a management audit of all departments and operations. The audit included narrative summaries of each department comprised of budget and personnel information, as well as other relevant data. This data was supported by interviews with members of the board of supervisors, department heads, and key staff members to provide a comprehensive and more holistic view of municipal operations. A recommended structure, reporting system, scheduling and staffing levels based on "best practices" for local government service delivery will be provided for each department.

5

Multi-Year Plan Strategy

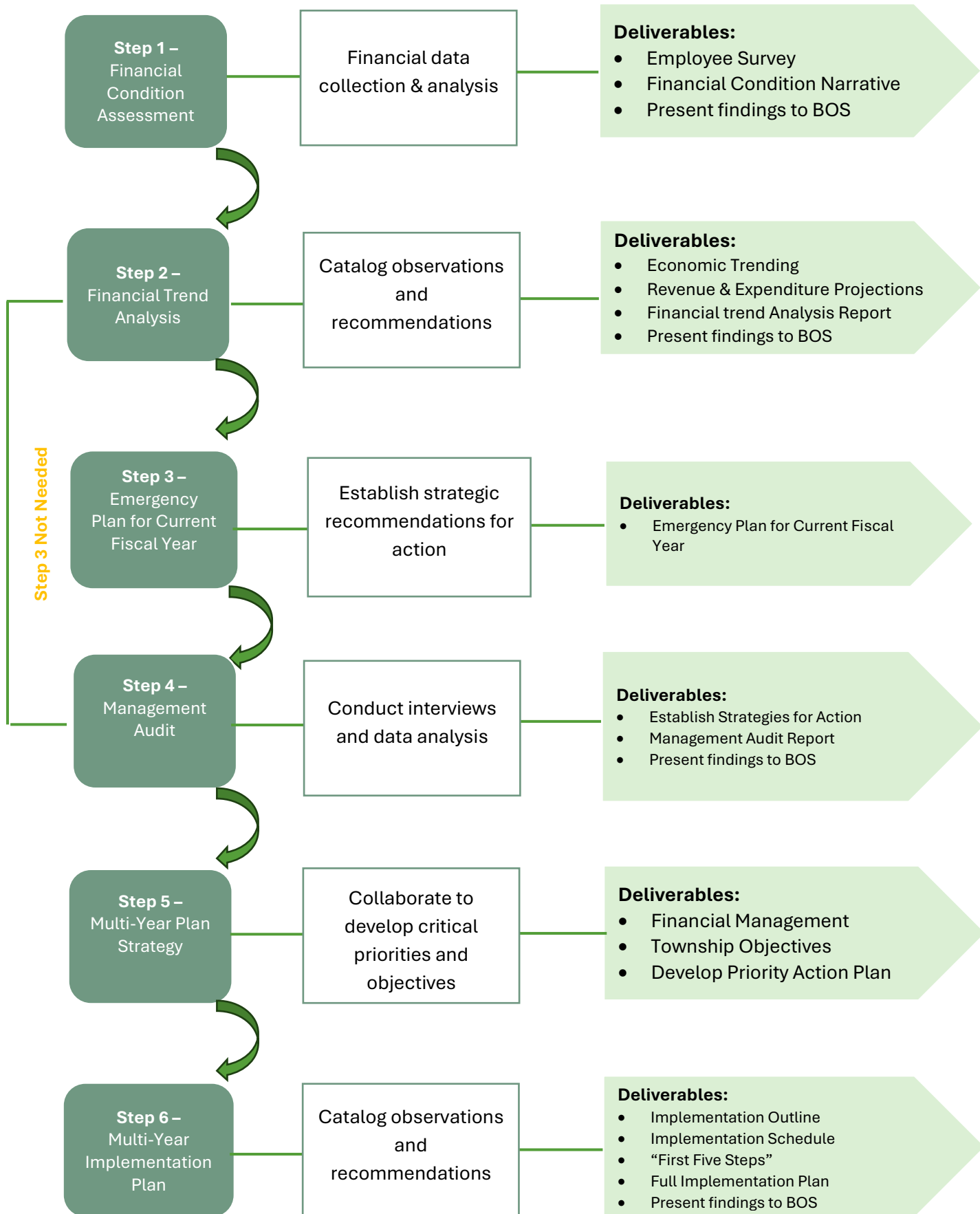
We will continue to work collaboratively with the township to identify Lower Makefield Township's top three financial management priorities, township-wide objectives and strategies for short and long-term community and economic development.

6

Multi-Year Plan Implementation

Our team will outline a multi-year plan for implementation, recognizing that the Strategic Management Planning Program is an ongoing process, and an adopted plan must be evaluated, adjusted, and adopted each year.

STEP - PROCESS – DELIVERABLE METHODOLOGY



WHO IS LOWER MAKEFIELD TOWNSHIP?

About 23 miles from Philadelphia and across the Delaware River from Trenton, NJ, Lower Makefield Township's rural beauty and historical charm make it a treasured place to live, work, and explore. The township remains committed to preserving open space and historical heritage for the community.

As a designated Bird Town Pennsylvania municipality, Lower Makefield champions wildlife conservation and sustainability, and its participation in the Sierra Club's Cool Cities program reflects a community-wide dedication to environmental stewardship and energy efficiency. Park accreditation from the Commission for Accreditation of Parks and Recreation Agencies (CAPRA) is a testament to the township's exceptional recreation facilities and programs.

The township's rich history includes notable sites such as Slate Hill Cemetery, the Dolington Village Historic District, and numerous preserved historic farmhouses that echo the area's colonial past.

The population of Lower Makefield Township nearly doubled between 1980 and 2000 but has since remained stable at about 33,000 residents. Compared to other municipalities in the region, Lower Makefield is affluent overall, but as a low-tax, high-fee municipality, sustainable revenue has been a challenge. With nearly 140 miles of public roads and stormwater concerns, the township is seeking short- and long-term financial remedies to current and future infrastructure needs.

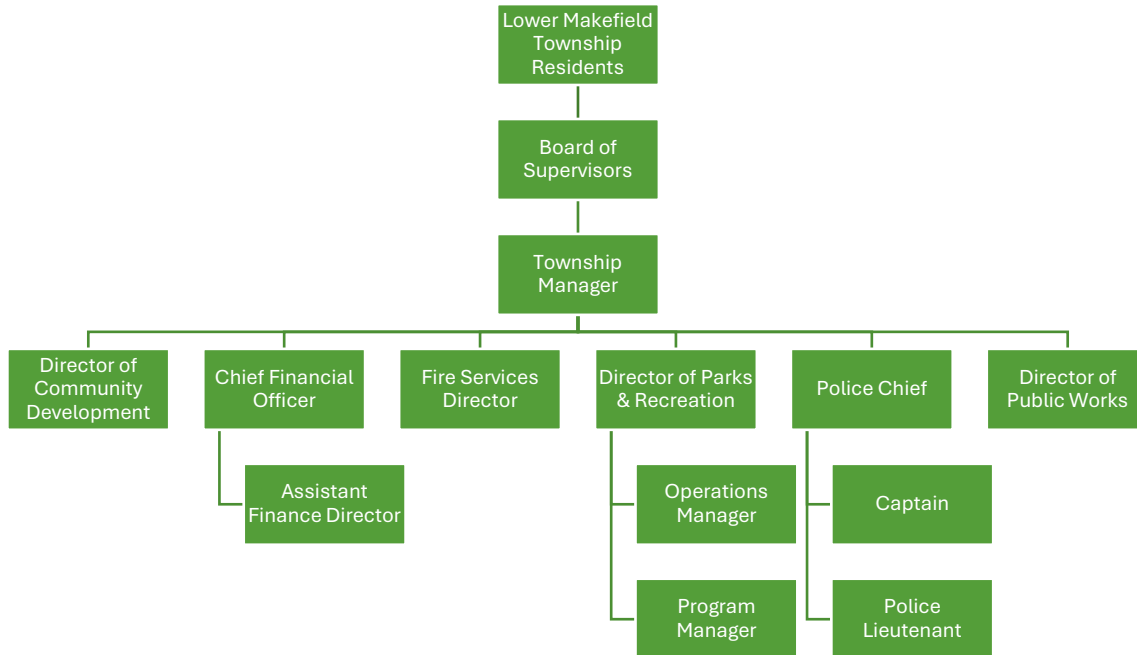
GOVERNMENT STRUCTURE

Lower Makefield Township operates under the Pennsylvania Second Class Township Code and is governed by a five-member Board of Supervisors. These elected officials are responsible for legislative functions, including adopting the annual budget, making appropriations, incurring debt in accordance with state law, enacting ordinances and resolutions, and levying taxes within limits established by the Commonwealth.

The board of supervisors also appoints the township manager and members to various boards and commissions to support the township's strategic goals and community services. The township manager serves as the chief administrative officer and is responsible to the board for the effective and efficient administration of township operations. This includes oversight of all municipal departments, preparation and administration of the annual budget,

personnel management in accordance with township policies, and ensuring compliance with applicable ordinances and state laws.

The manager attends all board meetings, collaborates with the board to prepare meeting agendas, and provides regular updates and recommendations on township affairs. The township manager also oversees the departments of community development, finance, fire services, parks & recreation, police, and public works.



Lower Makefield's governance structure includes many Boards and Commissions designed to manage specific aspects of the township's operations and community services. These entities play a crucial role in advising the Board of Supervisors, implementing policies, and overseeing services that are vital to the township's functionality.

The structure and process of appointment to these bodies are critical for ensuring that the Township's governance remains effective, transparent, and responsive to the needs of its residents. The Boards and Commissions that serve Lower Makefield Township are listed in the following section.

BOARDS AND COMMISSIONS

Lower Makefield Township Board of Supervisors

The Lower Makefield Township Board of Supervisors is the primary governing body responsible for legislative decisions and overseeing the general administration of the township. The Board is composed of five members elected at large by the residents of Lower Makefield Township. These supervisors serve staggered terms, ensuring continuity in governance. The Board holds the authority to appoint members to various Boards, and Commissions, with appointments made during public meetings to ensure transparency and community involvement.

Planning Commission

The Commission considers planning issues such as rezoning requests, transportation, environmental impacts, water, and sewage issues for proposed plans. This body also reviews all land development and subdivision plans submitted to the township and forwards an advisory opinion to the Board of Supervisors. Reviews are performed to determine compliance with township Subdivision and Land Development Ordinances (SALDO), zoning ordinances, and state statutes. The Commission may perform additional duties, as needed, such as providing comments on a proposed modification to a township zoning ordinance, SALDO, or other regulation that may have an impact on township planning issues. The Planning Commission shall have all the responsibilities which are specified in the Pennsylvania Municipalities Planning Code, Act 247 as amended.

Zoning Hearing Board

The Zoning Hearing Board is a five-member body appointed by the Board of Supervisors to hear appeals, variance requests, special exceptions, and challenges related to the township's Zoning Ordinance. Members serve staggered five-year terms, with up to three alternates appointed for three-year terms. The Board conducts public hearings, issues written decisions, and may impose conditions to ensure compliance with township regulations.

Historical Commission

The Historical Commission was established by Resolution No. 323 (1977) to identify and preserve structures and sites of historical significance within the township. The Commission advises the Board of Supervisors on preservation efforts and zoning considerations related to historic resources. Its work includes maintaining historic surveys, supporting preservation grants, curating historical materials, and promoting public

education. The Commission also collaborates on events and initiatives that highlight the township's heritage and fulfills responsibilities as part of Lower Makefield's Certified Local Government status under the Pennsylvania Historical and Museum Commission.

Parks & Recreation Board

The Lower Makefield Township Parks & Recreation Board is a seven-member advisory body established to assist the Board of Supervisors in planning, developing, and maintaining the township's parks, recreational facilities, and programs. Members are appointed to staggered five-year terms and serve without compensation. The Board recommends improvements, programming, and budget considerations, and collaborates with township staff, other boards, and local school authorities to enhance recreational opportunities for residents. It also provides periodic updates and an annual report to the Board of Supervisors.

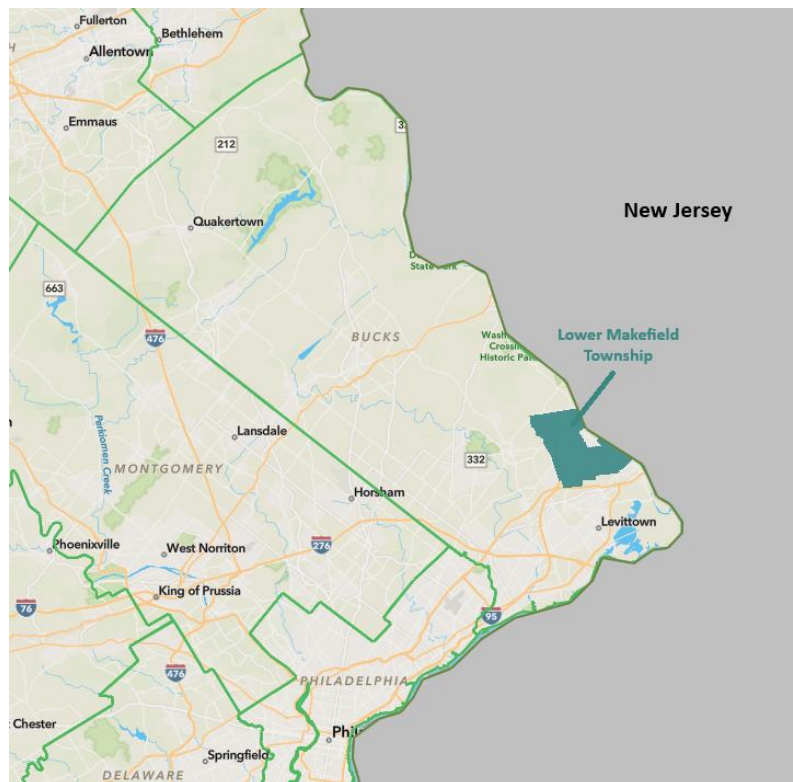
In total, Lower Makefield has 21 Boards and Commissions that assist with the governance and administration of the township. These include:

- Ad Hoc Property Committee
- Board of Auditors
- Board of Supervisors
- Citizens Traffic Commission
- Disability Advisory Board
- Electricity Reliability Committee
- Electronic Media Advisory Committee
- Emergency Management
- Environmental Advisory Council
- Farmland Preservation Inc
- Golf Committee
- Historical Architectural Review Board
- Historical Commission
- Human Relations Commission

- Park & Recreation Board
- Patterson Farm Master Plan Implementation Committee
- Planning Commission
- Special Events Committee
- Trenton Mercer Airport Review Panel
- Veterans Committee
- Zoning Hearing Board

GEOGRAPHICAL BOUNDARIES AND PHYSICAL LAYOUT

Situated in southeastern Pennsylvania in Bucks County, Lower Makefield Township is a suburban area along the Delaware River, encompassing 18.3 square miles. It boasts a population density of around 1,861 people per square mile. Located approximately 23 miles outside of Philadelphia, Lower Makefield Township is nestled against the Pennsylvania and New Jersey border. Surrounding Yardley Borough with Trenton, NJ to the east, Upper Makefield Township to the north, Newtown to the west, and Middle Town Township to the south, Lower Makefield Township has access to major cities while maintaining its historic, small-town charm.



HISTORICAL CONTEXT

Established in 1692, Lower Makefield Township is one of the oldest municipalities in Pennsylvania. First settled by Quakers, the area remained rural and primarily agricultural into the 20th century. The township's proximity to Philadelphia and Trenton catalyzed suburban development, but Lower Makefield has maintained a well-proportioned mix of its original rural-historical character through its commitment to the preservation of open space and colonial architecture.

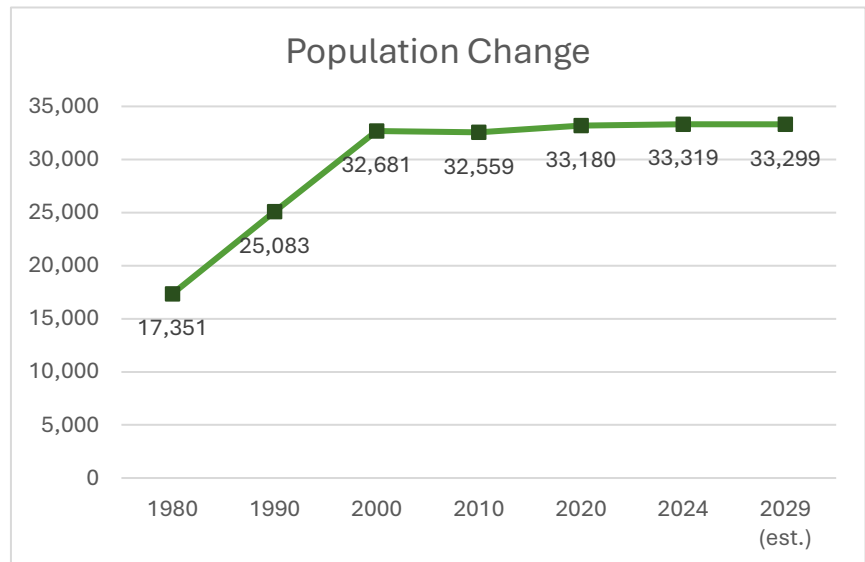
As shown in detail below, Lower Makefield Township has evolved into an affluent, well-educated community with high home values and homeownership rates. Following a period of rapid population growth, the township's population has remained steady since 2000.

DEMOGRAPHIC PROFILE

PEOPLE

According to the Census Bureau, Lower Makefield Township is home to approximately 33,000 people. The population experienced a sharp increase between 1980 and 2000 with the total population nearly doubling in size. However, the number of residents has remained steady in the past 24 years. The population is expected to remain stable over the next five years.

The median age of Lower Makefield Township residents is 46.4 years, which is slightly higher than the median age for Bucks County at 44 years, but similar to or lower than the median age of surrounding areas.



The township's population is well dispersed amongst the various age groups. The Baby Boomer generation is the largest generational group at 24.2%, followed closely by Generation X at 23.8%. There is a balance between Millennials and Generation Z

populations with a considerable percentage of residents within the Alpha generational group.

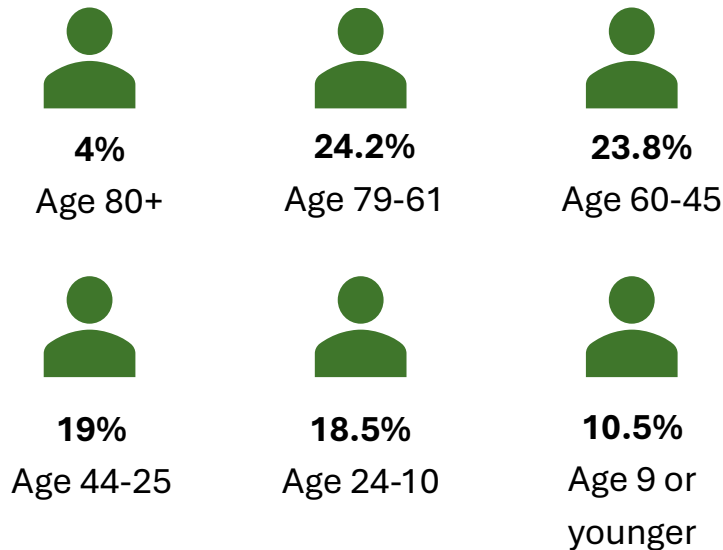
Per the 2024 Demographic and Income profile compiled by ESRI, the racial composition of the township is 81.7% White, 4.1% Hispanic; 2.3% Black; and less than 1% Asian. Nearly 7% of residents identified themselves as two or more races or some other race.

68.5% of households are married couples, with 30.5% of all households having children under the age of 18.

The average household size is 2.65

people, which is a slight decline from 2.74 people per household in 2010. Still, the township's household size is on par with the national average of 2.54 people.

Population by Generation

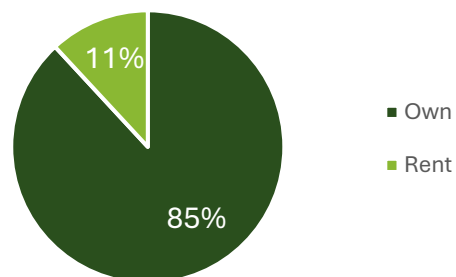


Source: Census Data, ESRI, 2024

HOUSING

Lower Makefield Township has an exceptional home occupancy rate of 96% with 85% of residents owning their own home. Of the 4% of vacant homes, 15.8% are for seasonal, recreational, or occasional use while 26.7% are for rent and nearly 20% for sale. The high occupancy and ownership rates indicate that there is economic stability within the community where residents have the financial means to support homeownership.

Home Ownership



Source: "ACS Housing Summary", ESRI, 2024

Housing Indicators



12,955 housing units



\$1,902 Median Rent



96.2% Occupancy rate



\$616,843 median home value

Source: "Housing Profile", ESRI, 2024

The median home value of \$616,843 and median rent of \$1,902 are significantly higher than that of the Pennsylvania average. However, with a housing affordability index of 107 and a median household income more than double the State average, the cost of housing is in line with the residents' higher income.

The median year that homes were built is 1983 with 30% built prior to 1969, 62% built between 1970 and 1999, and only 8% built since 2000. This indicates an aging housing stock where fewer new homes are being built, which aligns with a low need for more housing due to limited population growth since 2000.

There is a lack of diversity in the types of housing units throughout the township. Approximately 72% of homes are single-family-detached and 18% are single-family-attached style units. The lack of apartments, townhouses, and more affordable housing options may be problematic for younger residents, first time home buyers, or aging residents looking to downsize.

INCOME, EDUCATIONAL ATTAINMENT, AND EMPLOYMENT

Lower Makefield Township is an affluent area where residents enjoy a high median household income. Ample household income is due in part to township residents exceedingly high rates of secondary education attainment. About 86% of residents have completed some college or have obtained an Associate's, Bachelor's, Professional degree. A well-educated population affords residents greater employment opportunities and higher income levels.

Income



\$179,238 - Median Household Income



\$90,825 - Per Capita Income

Source: "Household Income Profile," Esri, 2024

The township's proximity to many universities in and around the Greater Philadelphia area provides ample opportunities for residents to seek higher education.

High rates of educational attainment reflect a strong workforce where 18,639 residents aged 16 or older are gainfully employed.

Employment is highest among the 25-54 age group with 54.4% employed followed by 9.2% of residents aged 16-24 employed and 5.2% of residents 55 or older employed.

The majority of residents work white-collar jobs which include management, finance, business, sales, and administrative roles. A

Educational Attainment



1.6% - No High School Diploma



12.2% - High School Graduate



15.2% - Some College/ Associate's Degree

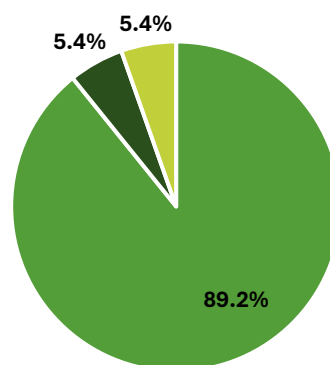


71% Bachelor's Degree/ Professional Degree

"Community Profile", ESRI, 2024

modest 5.4% are employed in blue-collar work, which includes construction, maintenance, production, and installation. Services industry workers also make up 5.4% of the workforce.

Employment Type



■ White Collar ■ Blue Collar ■ Services

FINANCIAL CONDITION ASSESSMENT

INTRODUCTION

WHAT IS THE “FINANCIAL CONDITION”?

The financial condition of a local government is defined in the simplest terms as its ability to meet its ongoing obligations. However, these obligations are not solely financial in nature. While it is necessary to maintain a strong financial position, the ongoing capital needs and service obligation to the citizens cannot be ignored.

The financial condition is most often judged based upon the actual financial results for the year, whether that is on a budget vs. actual basis or as compared to historical results. However, only focusing on the financial condition “now” (especially if results were positive in the past year) can sometimes be misleading.

The financial condition is most often judged based upon the actual financial results for the year, whether that is on a budget vs. actual basis or as compared to historical results. However, only focusing on the financial condition “now” can be misleading.

An example would be cutting costs in a certain area that led to better financial results - but the better evaluation is whether the amount of the cost savings vs. the reduced service level was deemed acceptable. Additionally, how did that decision impact the future – was it a short-term benefit that added long terms risks? These answers are more subjective in nature and cannot be determined based solely on review of historical or forecasted financial data.

In the same light, capital needs are not always assessed on a regular basis and there is often disagreement as to as to the priority of the capital need. An emergency capital item can create unanticipated financial stress, as this situation could create a large dollar impact on the current year budget, if there are no adequate capital reserves in place. In many cases, although capital assets are technically “assets” for financial reporting, they also represent a future liability to the government when that capital asset needs replaced - and therefore, near and long-term capital needs should be considered when assessing a local government’s current financial condition.

One of the goals of the yearly budgeting process is to best match the services provided to the citizens with the current period revenues, and not to pass those costs on to future citizens. Funding capital projects through debt financing actually helps to accomplish this goal, as the debt service often matches the service period of

Strides have been made over the past 10 years for local governments to ensure they are accounting for long term liabilities, such as vacation and sick payout, pension benefits, and post-employment healthcare benefits.

the asset it is funding. Strides have been made over the past 10 years for local governments to ensure they are accounting for long term liabilities, such as vacation and sick payout, pension benefits, and post-employment healthcare benefits. These long-term liabilities are not always evident when reviewing the current year budget, as you are only seeing the current year expense impact, however, multi-year planning should always consider these long-term commitments to determine the stress they are putting upon the local government both today and in the future.

HOW DO WE BEST EVALUATE OUR FINANCIAL CONDITION?

There are various ways to evaluate the financial condition of a local government, and multiple measures should be used to capture all considerations discussed previously. Some examples would include:

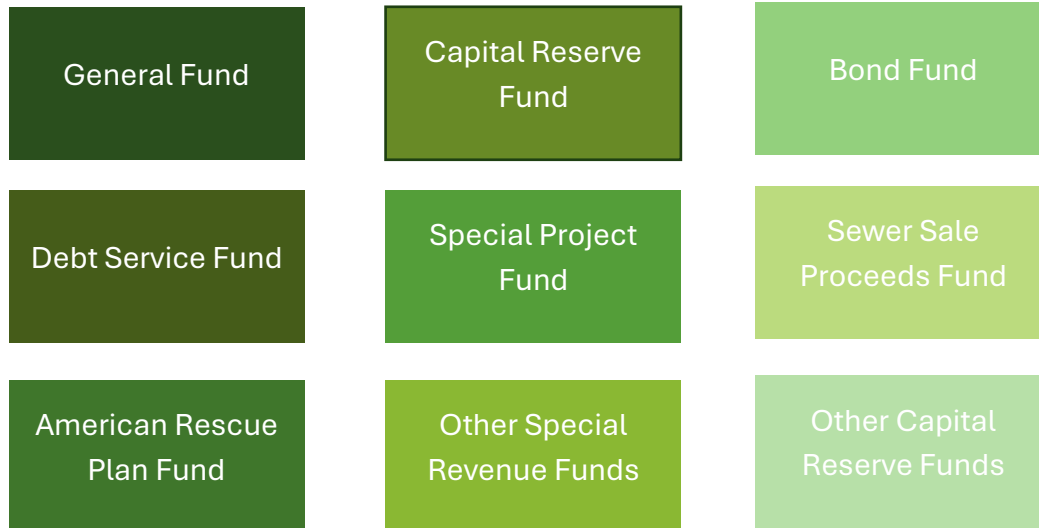
1. The ratio of both total and unassigned General Fund fund balance as compared to the revenue or expenditure budget
2. Revenue per capita, adjusted for inflation,
3. The ratio of long-term obligations to total government-wide revenues: this ratio measures the local government's ability to cover its long-term obligations. In this calculation, a lower ratio is better than a higher ratio.
4. A balanced budget that meets both short and long-term goals of the local government,
5. The local government's ability to provide adequate goods and services to its residents using a mix of taxes and fees that are deemed reasonable by residents, and
6. Capital asset expenditures/savings as compared to yearly depreciation expense.

Recognizing the constraints on everyone's time, the focus should be on areas and issues that can be leveraged to a level to provide a clear, substantial, and identifiable benefit to the Township. These solutions should provide help today, as well as in the long term.

BACKGROUND INFORMATION – FUND ACCOUNTING STRUCTURE

TOWNSHIP FUND ACCOUNTING STRUCTURE

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township maintains governmental funds, fiduciary funds, and enterprise funds.



The Township's governmental funds consist of the following:

1. **General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.
2. **Capital Reserve Fund (Capital Projects Fund)** – The Capital Reserve Fund is used to account for financial resources, including bond and loan proceeds, to be used for acquisitions or construction of major capital assets (other than those financed by the Special Project Fund, the 9-11 Memorial Fund, and Proprietary Funds).
3. **Bond Fund** – The Bond Fund contains bond proceeds restricted for capital projects.
4. **Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.
5. **Special Project Fund** – The Special Project Fund is used to account for non-recurring financial resources that are not part of any other special revenue funds.
6. **Sewer Sale Proceeds Fund** – The Sewer Sale Proceeds Fund is used to account for the proceeds from the sale of the sewer system.

7. **American Rescue Plan Fund** – The American Rescue Plan Fund is used to account for funding received from the U.S. Federal Government passed through Pennsylvania Department of Community Development and Economic Development as part of the American Rescue Plan Act of 2022 economic stimulus package. This fund was fully spent and closed in 2024.
8. **Other Special Revenue Funds** – The other special revenue funds of the Township (separate from the Major Funds) are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include: Liquid Fuels, Hydrant, Ambulance, Fire Protection, 9-11 Memorial, Parks and Recreation, Street Lights, Parks and Recreation Fee-in-Lieu, Traffic Impact, Regency Bridge, Tree, Road Machinery, Patterson Farm, and Sidewalk Fee-in-Lieu.
9. **Other Capital Reserve Funds** – The Other Capital Reserve Funds consist of the Garden of Reflection Capital Reserve Fund.

The Township maintains Fiduciary Funds to account for assets held by the Township as a trustee or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Township reports fiduciary funds for the following: Pension Trust Funds, Deferred Retirement Option Plan Fund, and the Custodial Fund. Fiduciary Funds are excluded from this analysis.



The Township maintains three Enterprise Funds:

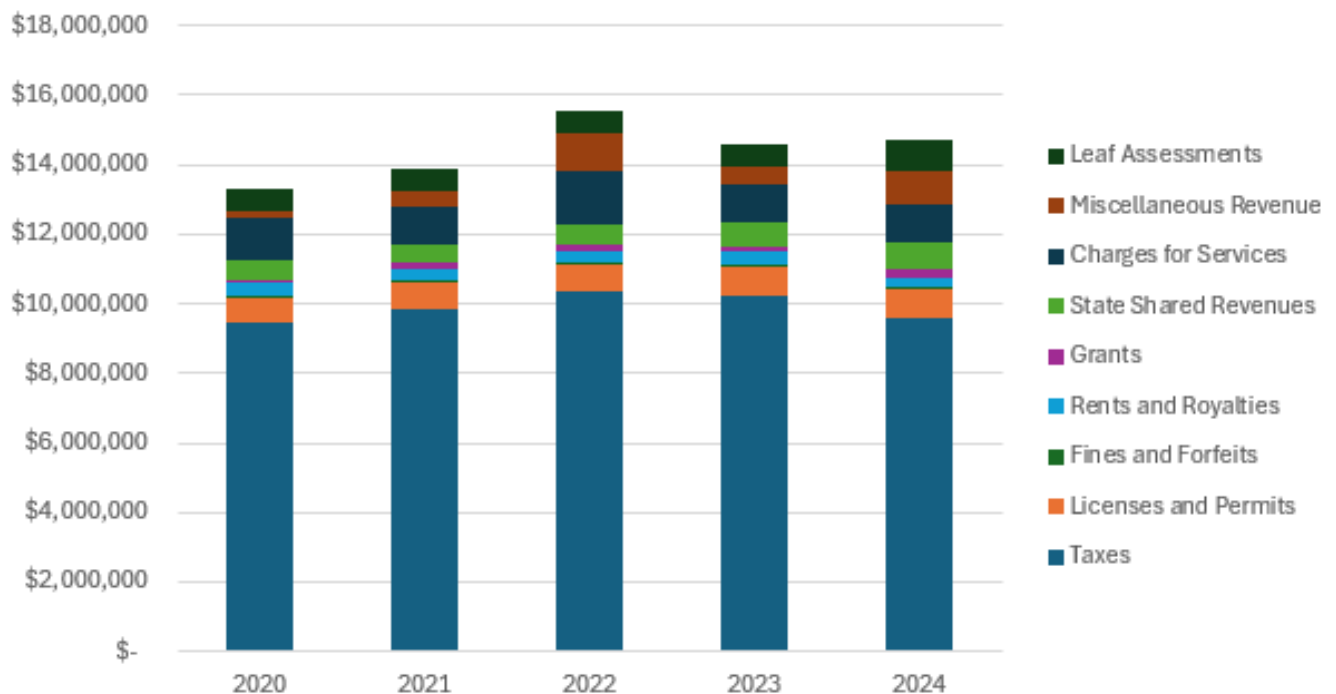
1. **Sewer Fund** – The Sewer Fund accounts for the activities of the sewer system infrastructure, sewage pumping stations and collection systems. At the conclusion of this report, this entire fund balance was transferred to the General Fund in 2025, and this fund was closed.
2. **Community Pool Fund** – The Community Pool Fund accounts for the operations of the Township’s municipal pool.
3. **Golf Course Fund** – The Golf Course Fund accounts for the operation of the Township’s municipal golf course.

BUDGETING

Annual appropriated budgets are prepared and adopted for each fund, function, and department. The Township Manager, Chief Financial Officer and Department Heads are responsible for preparation of the annual budget. These budgets are then approved by the Board of Supervisors and cannot be amended without obtaining their approval. The Township Supervisors may authorize supplemental appropriations for any lawful purpose via resolution. In addition, the Supervisors are permitted to transfer funds from one Township account to another; however, such transfers are not permitted during the first three months of the fiscal year.

GENERAL FUND REVENUES

The following table represents the General Fund's revenue sources for the years ended December 31, 2020 through December 31, 2024.



TAXES

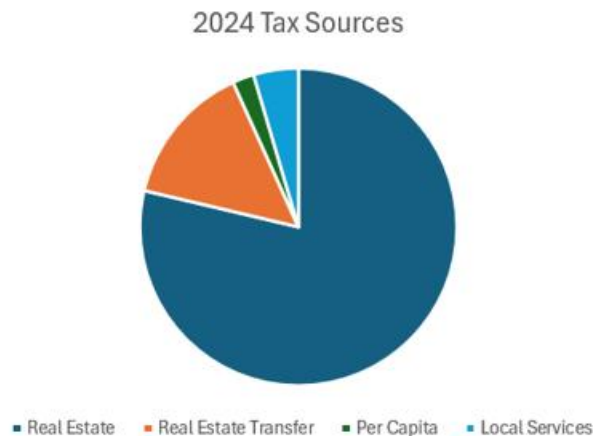
As reflected in the chart above, the majority of the Township's revenues have historically been received through taxes. Taxes consist of the following sources:

- **Real Estate Tax** - The Township's property tax is paid on assessed values for all real property located in the Township. The Township's real estate taxes were levied at the below rates:

Year	Tax Millage
2020	21.01
2021	21.01
2022	20.51
2023	20.51
2024	23.05

- **Real Estate Transfer Tax** – Tax paid when property transfers from one property owner to another. Real estate transfer taxes received by the Township are .5% on the transfer of title of real property in the Township.
- **Local Services Tax** - Tax levied at \$52 per person per year for wages exceeding \$12,000 for the Township.
- **Per Capital Tax** – The Township annually levies a \$10 per capita tax on all residents over the age of eighteen.

The following table provides a breakout of the Township’s tax sources in the most recent year.



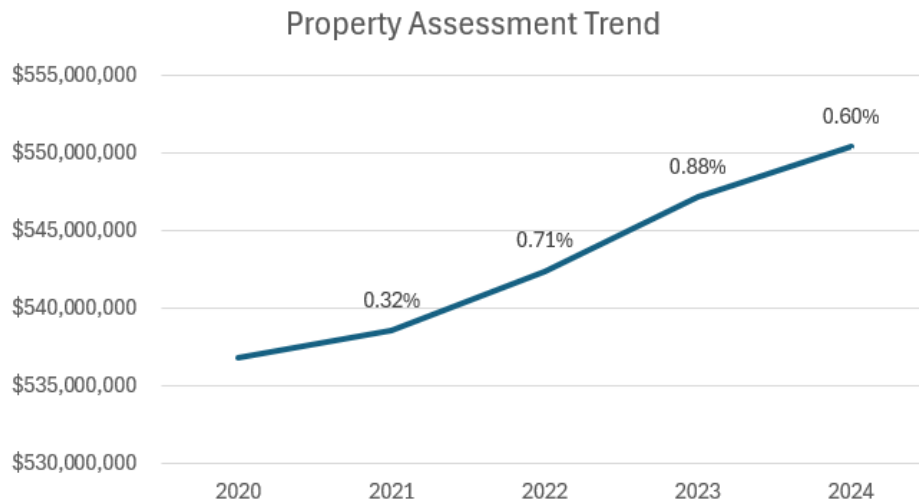
REAL ESTATE TAX

The Township’s Real Estate Tax is its largest revenue source, around 79% of the tax revenue. Real Estate Taxes collected from residents on the assessed value of their properties can vary based on resident levels. If a community is not experiencing growth which increases the taxable value of the properties within the community, it will not see growth in Real Estate Tax revenues without an increase in the millage. The Township’s current Real Estate Tax rate is 23.05 mills, which has increased 2.04 mills since 2020. This increase over the past 5 years is approximately a 10% increase,

The Township’s current Real Estate Tax rate is 23.05 mills, which increased 2.04 mills since 2020.

averaging 2% per year. This increase, when compared to inflation over the past 5 years, is much lower, approximately 10% real estate tax increase to an inflation rate of approximately 24%.

The Township has experienced slight growth in property assessment value over the past five years, causing the actual taxable value of the Township's property and tax levy to experience that slight growth as well. The following table summarizes the trend of the Township's property assessment.



When reviewing the above chart, it is important to keep in mind that although the tax levy is trending upward, the increase in the assessed value from 2020 to 2024 translates only to an increase of approximately \$300,000 additional to be collected, with no increases in the real estate tax rate.

The Township has historically collected around 98% of their tax levy each year, leaving little room for improvement in the area of tax delinquency collection.

REAL ESTATE TRANSFER TAX

The second most significant tax revenue of the Township is the Real Estate Transfer Tax, representing approximately 14.5% of the Township's tax revenue. This tax collected on property sales at a rate of .5% of the value of the property can vary each year based on property sale activity and the value of the properties sold. From 2020 to 2024, this tax revenue has averaged around \$1.8 million, with the highest being \$2.3 million in 2022 and lowest being \$1.4 million in 2024.

LOCAL SERVICES TAX

Local Services Tax represents around 4.5% of the tax revenue of the Township and averaged \$400,000 per year from 2020 to 2024. Fluctuations are minimal year to year, based on the nature of the tax (flat rate, per person tax).

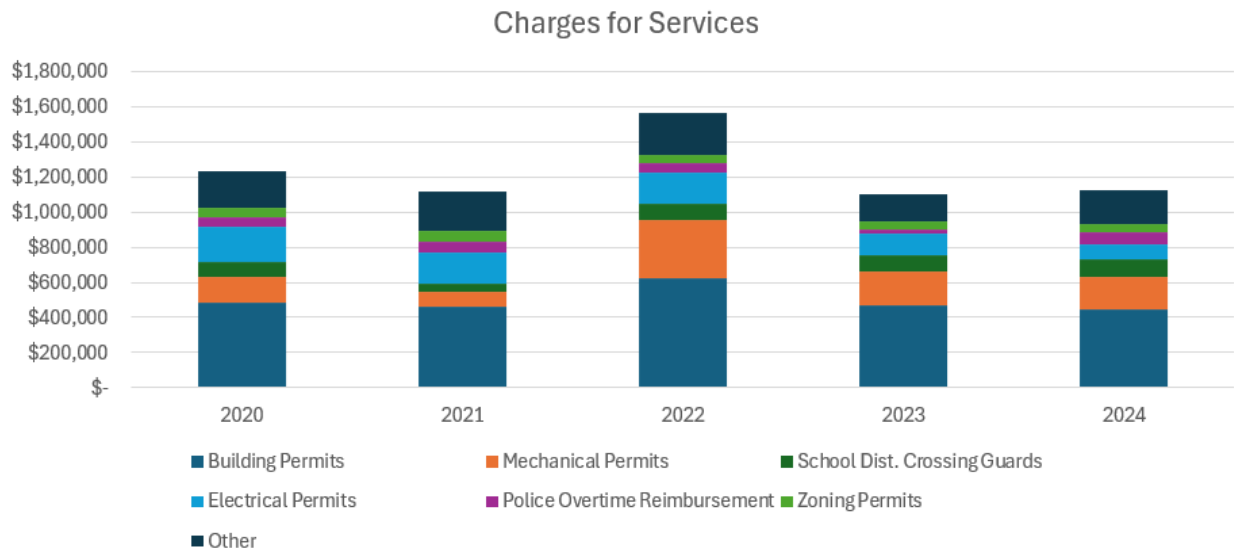
PER CAPITA TAXES

Per Capita Taxes represent the remaining 2.2% of the tax revenue of the Township and averaged \$200,000 per year from 2010 to 2024. Fluctuations are minimal year to year, based on the nature of the tax (flat rate, per person tax).

CHARGES FOR SERVICE

Charges for service revenues are received for specific services performed by the Township. Below is a summary of charges for service revenue from 2020 through 2024.

The Township's largest charges for service consist of payments from building permits and mechanical permits.



LICENSES & PERMITS

The majority of Licenses & Permits revenue consists of Cable TV Franchise Fees collected by the Township, as they are entitled to collect a Franchise Fee from cable operators that represent a percentage of the cable provider's revenue from local subscribers. This revenue has been trending downward and will continue with that trend due to residents using streaming services instead of cable. Other fees making up the remainder of this revenue line

consist of police service licenses and permits, alarms, amusement permits, and sign permits. These revenue sources make up less than 6% of the Township's total revenues.

STATE SHARED REVENUES

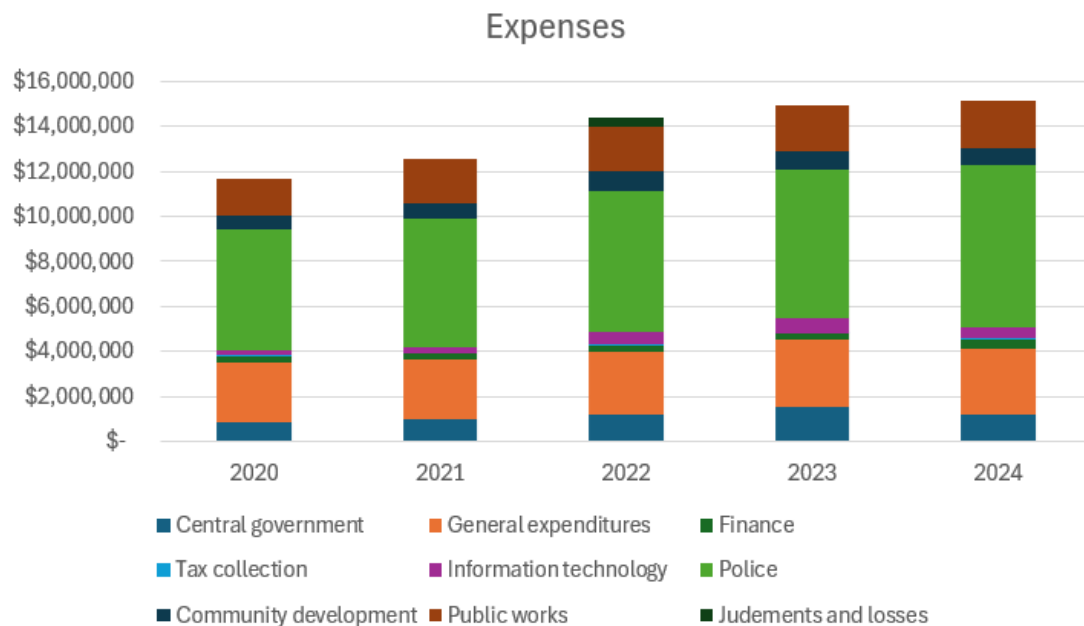
The majority of the Township's State Shared Revenues are received through the General Municipal Pension System State Aid Program. The amount received from 2020 through 2024 ranged from approximately \$527,000 in 2020 to approximately \$736,000 in 2024. Other revenues included in this category include PURTA Entitlement and PA Liquor Control Board License revenues.

LEAF ASSESSMENTS

The Township imposes a leaf assessment fee on each lot. This fee increased from \$75 per lot to \$95 per lot in 2024. Revenues from this assessment averaged around \$650,000 through 2023. Once the fee increased in 2024, revenues increased to approximately \$875,000.

GENERAL FUND EXPENSES

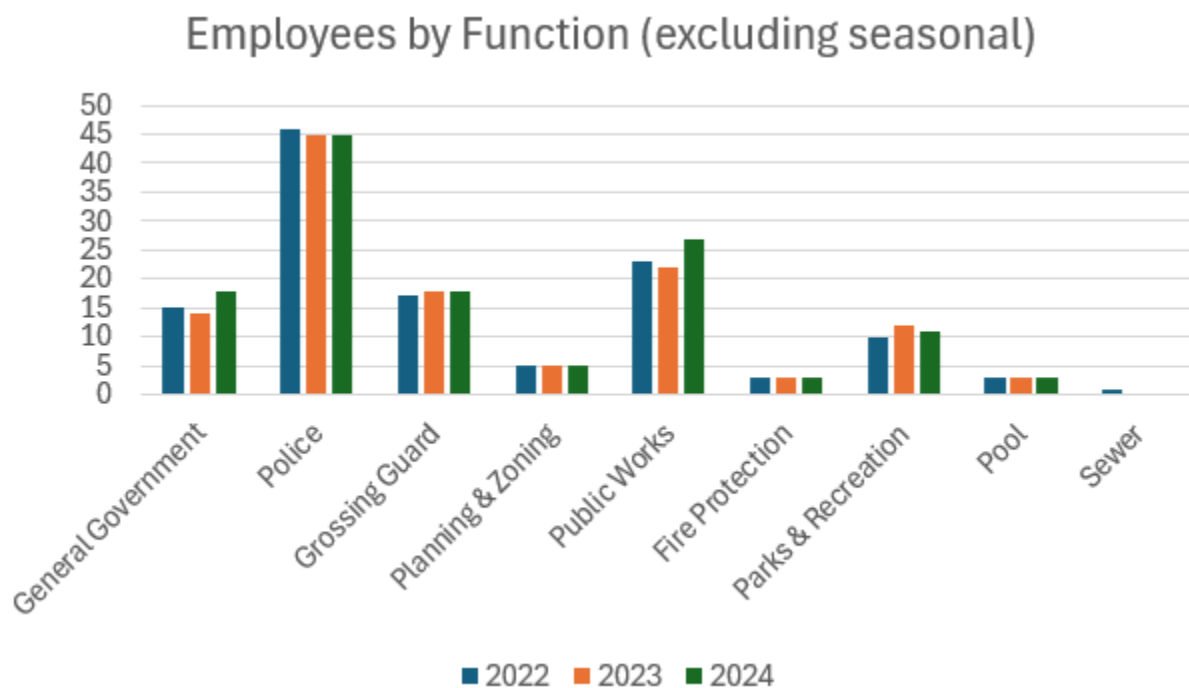
The following table represents General Fund expenses, by functional category, for the years ended December 31, 2020, through December 31, 2024.



PERSONNEL

The most significant of the Township's expenses is personnel. In order for a Township's operations to run smoothly, it needs motivated employees. A Township's focus should be ensuring that they are paying their employees fair wages that keep up with cost-of-living adjustments, in order to retain and provide employees with a sense of satisfaction and fulfillment in their position, which is the goal of the Township.

There are two factors that go into the Township's overall personnel costs. The first is the number of individuals the Township employs and the second is the wage at which employees are compensated. The Township employees, excluding seasonal Pool and Parks and Recreation employees, have stayed fairly consistent from 2022 through 2024, with slight increases in General Government and Public Works. The table below summarizes employees by function from 2022 through 2024. In total, the employee count increased from 123 in 2022 to 130 in 2024.

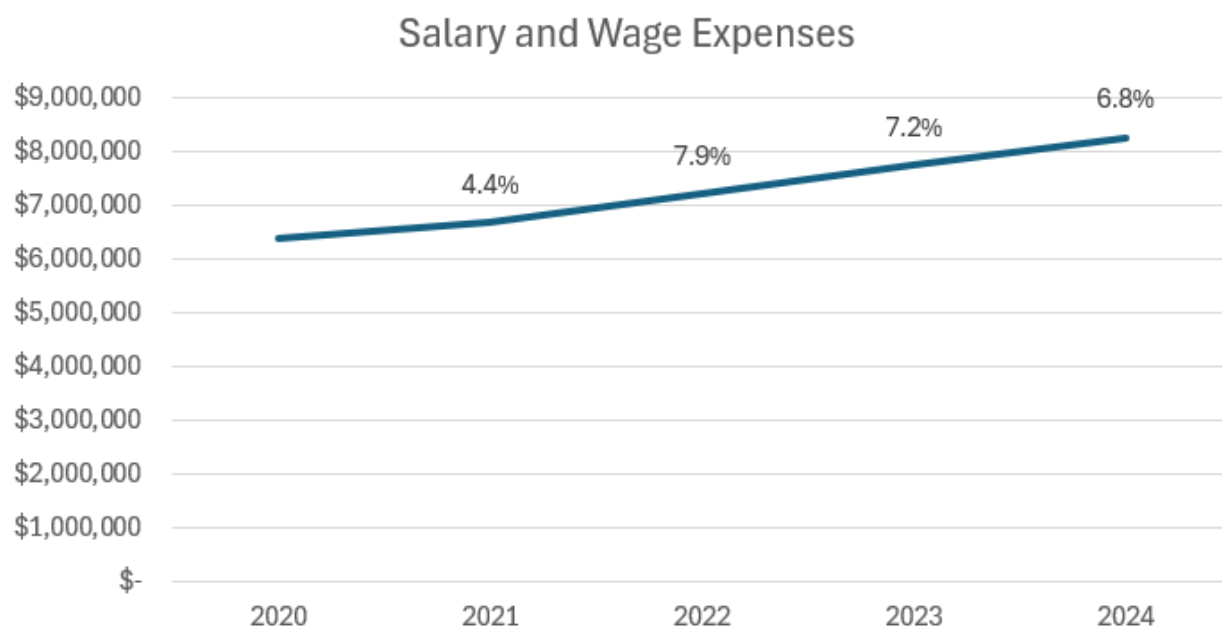


Seasonal employees have experienced larger increases in recent years. The seasonal pool employees increased from 114 in 2022 to 127 in 2024 and the seasonal Parks & Recreation summer camp staff employees increased from 17 in 2022 to 37 in 2024.

The second factor that goes into the Township's overall personnel costs is the rate paid to Township employees. The Lower Makefield Township Police Contract between the Township and the police officers of the Lower Makefield Township Police Benevolent

Association dictates the pay rates for police employees. The current agreement, which is effective from January 1, 2023 to December 31, 2026 provides for wage rate increases of 4.75% from 2022 to 2023 and 4.25% from 2023 to 2024 and 2024 to 2025, and 4.00% from 2025 to 2026. The public works employees are part of a collective bargaining agreement between the Township and the Independent Association of Lower Makefield Township Public Works Employees that is in place from January 1, 2025 through December 31, 2028. This collective bargaining agreement provides for wage rate increases of CPI plus 1%.

Personnel expenses are on an upward trend. The chart below shows total salary and wage expenses paid out of the General Fund from 2020 through 2024.



In addition to the salaries and wages paid to employees, benefits also make up a significant piece of the Township's overall personnel expenses. Benefit expenses reported in the General Fund averaged around \$1.6 million from 2020 through 2024. The Township should monitor the increase in salaries and wages expense in comparison to increases in real estate tax revenues. These are the two most significant revenue and expense categories at the Township and have the largest impact on the Township's financial condition. It is expected that salary and wage expenses will increase at a rate higher than real estate tax revenues in the future.

The two most significant revenue and expense categories at the Township are the increase in salaries and wages expense and the real estate tax revenue.

CAPITAL PROJECTS

Although historically not a significant portion of the General Fund expenses, the Township should be aware of how upcoming capital projects may impact the General Fund. The Board of Supervisors has the ability to transfer funds from the General Fund to a separate fund for the Township, if necessary and lawful, to further supplement funding of capital projects.

TRANSFERS

Transfers are when funds are moved internally between funds of the Township as opposed to external revenues and expenses. Funds have historically been budgeted and transferred from the General Fund to supplement operating deficits in other funds, pay debt service, and create reserves to be used for future capital projects. The transfer activity in and out of a fund has the ability to significantly impact that fund, and therefore, the needs of each individual fund should be assessed as a whole, as there is a chance that necessary transfer to supplement another fund would take place. The following table summarizes transfers from the General Fund from 2020 through 2024.



Transfers into the General Fund are not keeping up with the financial needs of the funds being transferred out of the General Fund.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Parks & Rec Capital Reserve	\$ -	\$ 205,000	\$ -	\$ -	\$ -
Golf Course	597,055	-	-	-	-
Special Projects	18,000	48,624	125,000	-	-
Debt Service	98,593	74,600	500	-	-
Capital Reserve	194,826	115,771	734,108	-	-
9-11 Memorial Fund	26,650	40,000	58,000	40,000	51,150
GOR Capital Reserve Fund	-	-	5,000	-	5,000
	<u>\$ 935,124</u>	<u>\$ 483,995</u>	<u>\$ 922,608</u>	<u>\$ 40,000</u>	<u>\$ 56,150</u>

In addition to transfers out of the General Fund, the Township has historically had activity in other funds that could be transferred to the General Fund to be used for general Township purposes. Historical transfers also relate to the payback of funds the General Fund had previously transferred to a different fund to cover a deficit. The following table summarizes transfers to the General Fund from 2020 through 2024.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Sewer	\$ 300,000	\$ 400,000	\$ 100,000	\$ -	\$ -
American Rescue Plan	-	-	786,692	200,000	184,916
Sewer Sale Proceeds	-	-	3,000,000	-	1,285,166
Golf Course	-	-	531,896	455,000	455,000
	<u>\$ 300,000</u>	<u>\$ 400,000</u>	<u>\$ 4,418,588</u>	<u>\$ 655,000</u>	<u>\$ 1,925,082</u>

When reviewing this table, it is important to recognize the funds transferred in from the American Rescue Plan Act fund. That funding helped the Township's budget the past few years and will not continue in future years.

FUND BALANCE

The fund balance of a local government is the accumulation of revenues and expenses from the time of the local government's inception and is classified into the following categories based on the type and source of constraints placed on how resources can be spent:

1. **Restricted** – fund balance constrained for specific purposes, externally imposed by the providers.
2. **Committed** – fund balance constrained for specific purposes that are internally imposed by the Township through Board resolution.
3. **Assigned** – fund balance constrained by the Township for specific purposes, but not through formal action of the Township Board of Supervisors.
4. **Unassigned** – positive fund balance within the General Fund which has not been classified as one of the above categories, or negative fund balance within one of the other funds. This fund balance is available for any purpose.

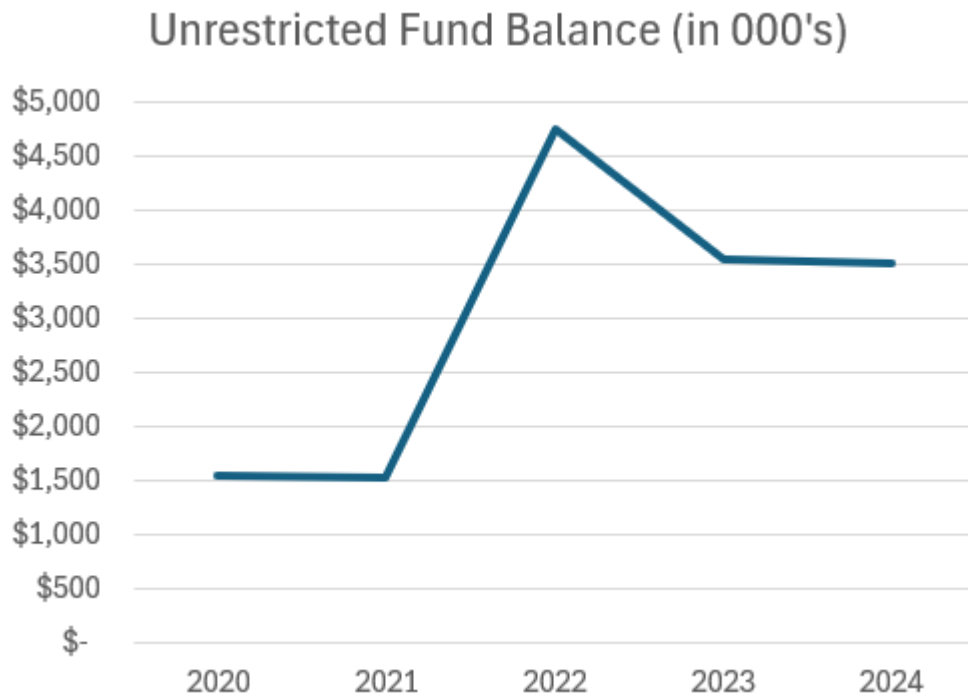
As the General Fund is the operating fund of the Township, its fund balance is primarily unrestricted. Below is a summary of revenues over expenses and fund balance activity from 2020 through 2024, in 000's.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total revenues	\$ 13,310	\$ 13,879	\$ 15,546	\$ 14,614	\$ 14,735
Total expenditures	(12,950)	(13,815)	(15,819)	(16,436)	(16,640)
Total transfers in	300	400	4,419	655	1,925
Total transfers out	(935)	(484)	(923)	(40)	(56)
Net increases (decreases) in fund balance	(275)	(20)	3,223	(1,207)	(36)
Fund balance, beginning	1,828	1,553	1,533	4,756	3,549
Fund balance, ending	<u>\$ 1,553</u>	<u>\$ 1,533</u>	<u>\$ 4,756</u>	<u>\$ 3,549</u>	<u>\$ 3,513</u>

As reflected above, the General Fund's fund balance has declined since 2020, except for 2022, which is attributable to proceeds transferred to the General Fund from the sale of the sewer system for \$3,000,000 and approximately \$800,000 of American Rescue Plan Act funding recognized by the Township. The overall source of this decline can be attributed to expenses increasing at a higher rate than tax revenues received.



General Funds have declined since 2020 due to expenses increasing at a higher rate than tax revenues received.



It is important for the Township Board of Supervisors to monitor the total fund balance within each classification. The Board of Supervisors should consider how formal action to commit certain balances impacts the operations of the Township, as once they are formally committed, funds cannot be spent on general operations. In addition, they should monitor fund balance in comparison to the revenue and expense budget. If the revenue and expense budget is growing, the fund balance should grow as well, to continue to be the same percentage of revenues and expenses.

The Township should consider how committing certain balances impacts operations and should monitor fund balance in comparison to the revenue and expense budget.

The Township created a formal fund balance policy in 2024 that requires the Township to maintain a minimum year-end General Fund unrestricted fund balance of 25% (3 months

reserves) with a goal of 40% of the current year's total General Fund expenditures. This is especially critical during the latter part of the year when less appreciable income is being received by the Township. Although this policy was not in place from 2020 through 2023, it is important to note, as shown in the table below, the Township was not always in accordance with this policy from 2020 through 2024. The table below is in 000's.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total expenditures	\$12,950	\$13,815	\$15,819	\$16,436	\$16,640
Fund balance, ending	\$ 1,553	\$ 1,533	\$ 4,756	\$ 3,549	\$ 3,513
Fund balance percentage	12%	11%	30%	22%	21%

OTHER FUNDS

CAPITAL RESERVE FUND

The Capital Reserve fund, also known as the Capital Projects Fund, accounts for financial resources, including bond and loan proceeds, to be used for acquisitions or construction of major capital assets (other than those financed by the Special Project Fund, the 9-11 Memorial Fund, and Proprietary Funds). It historically has not been treated as a true capital reserve fund, with the purpose of the capital reserve fund would be for setting aside funds to save for future capital projects. This fund was budgeted to include more expenditures in previous years. In recent years, this fund has maintained the same purpose as the Special Project Reserve Fund, which is included reported with the Special Project Fund. As such, the Township plans to close out this fund in the near future and transfer the remaining fund balance to the Special Project Reserve Fund. Below is a summary of the financial activity included in this fund from 2020 through 2024. Approximately \$40,000 of fund balance is left in this fund on December 31, 2024, which is restricted for capital projects and available to be transferred to the Special Project Reserve Fund.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues					
Interest, contributions, and miscellaneous	\$ 17	\$ -	\$ 21,502	\$ 11,290	\$ 9,178
Intergovernmental revenues	306,416	60,000	-	-	10,229
Total revenues	<u>306,433</u>	<u>60,000</u>	<u>21,502</u>	<u>11,290</u>	<u>19,407</u>
Expenditures					
General government	-	-	-	381,032	-
Public safety	-	-	-	30,498	-
Public works	-	-	-	76,196	21,009
Parks and recreation	-	-	-	288,988	171,905
Capital outlay	476,245	175,771	2,911,184	371,782	-
Debt Service	-	-	43,784	-	-
Total expenditures	<u>476,245</u>	<u>175,771</u>	<u>2,954,968</u>	<u>1,148,496</u>	<u>192,914</u>
Other Financing Sources (Uses)					
Proceeds from long-term debt and leases	-	-	1,989,142	-	-
Transfers in (out)	194,826	115,771	1,752,640	564,575	(22,789)
Net change in fund balance	25,014	-	808,316	(572,631)	(196,296)
Fund balance, beginning of year	(25,014)	-	-	808,316	235,685
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,316</u>	<u>\$ 235,685</u>	<u>\$ 39,389</u>

BOND FUND

The Bond Fund was created with the issuance of bonds in 2016 restricted for capital projects and to date, have not been fully spent on capital projects. The Township will transfer funds out of this fund as necessary, to fund capital projects that are accounted for in other funds. This fund did not have any activity other than interest income and budgeted transfers out to other funds from 2020 through 2024. Below is a summary of the financial activity included in this fund from 2020 through 2024. The Bond Fund has approximately \$4.1 million on December 31, 2024 to fund future capital projects.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Interest income	\$ 47,263	\$ 14,953	\$ 10,993	\$ 171,450	\$ 240,715
Transfers in (out)	(32,139)	(657,345)	-	-	(534,927)
Net change in fund balance	15,124	(642,392)	10,993	171,450	(294,212)
Fund balance, beginning of year	4,905,060	4,920,184	4,277,792	4,288,785	4,460,235
Fund balance, end of year	<u>\$4,920,184</u>	<u>\$4,277,792</u>	<u>\$4,288,785</u>	<u>\$4,460,235</u>	<u>\$4,166,023</u>

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principle, interest and related costs. The majority of fund revenues from 2020 through 2024 consist of transfers in from other funds to make debt

service payments and real estate tax revenue. The real estate tax millage allocation to the debt service fund is determined each year when the annual budget is prepared, to ensure the fund has enough funds to cover current debt service payments. Below is a summary of the allocation from 2020 through 2024.

Year	Tax Millage
2020	2.79
2021	2.79
2022	2.09
2023	2.09
2024	2.63

Beginning in 2023, the real estate tax revenue has been sufficient to cover the future debt service payments, and transfers in from other funds were not necessary. The Township is planning for real estate tax revenue to cover all debt service payments in future years as well.

Beginning in 2023, the real estate tax revenue has been sufficient to cover the future debt service payments, and transfers in from other funds were not necessary.

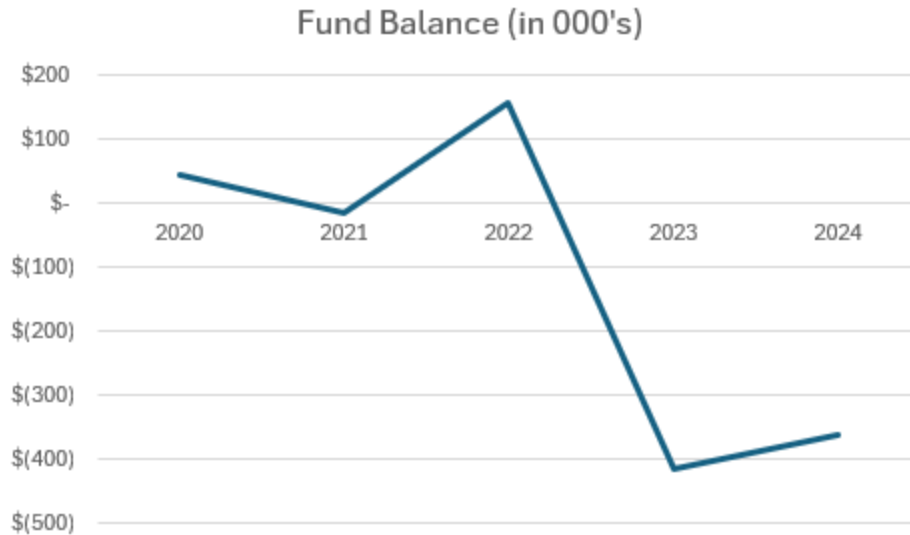
The debt paid out of this fund consists of the 2016 General Obligation Bonds, the 2018 General Obligation Bonds, and the Road Loan. Below is a summary of the remaining balances for each of these bonds/loans at December 31, 2024, and the year of maturity.

	Balance at		Maturity Year
	December 31, 2024		
GOB 2016	\$	4,835,000	2036
GOB 2018	\$	690,000	2028
Road Loan	\$	286,071	2025

The Debt Service Fund had \$92,193 of fund balance on December 31, 2024.

SPECIAL PROJECT FUND

The Special Project Fund is used to account for non-recurring financial resources that are not part of any other special revenue funds. When the Township becomes aware of a special project, they make every effort to obtain grant funding to fund that project, however, at times, it is necessary to use bond funds or reserve funds for those projects. Therefore, revenues in this fund consist mainly of transfers in from other funds and grants. Due to the nature of this fund, it does not have a consistent fund balance. The chart below represents the fund balance in this fund from 2020 through 2024, with the fund balance on December 31, 2024 at approximately (\$362,000). Positive fund balance is restricted for special projects, while negative fund balance is reported as unrestricted.



Because of the fluctuating capital activity of this fund, the total fund balance fluctuates. The Special Project Fund does not carry a large fund balance, and therefore, the Township Board of Supervisors should closely monitor this fund's balance when budgeting capital projects and purchases.

AMERICAN RESCUE PLAN FUND

The American Rescue Plan Fund is used to account for funding received from the U.S. Federal Government passed through the Pennsylvania Department of Community Development and Economic Development as part of the American Rescue Plan Act of 2022 economic stimulus package. The Township received approximately \$3.4 million of ARPA funds, which were recognized in 2022 and 2023. The majority of funds were transferred out of this fund and used to fund activities in the following funds: General Fund (approximately \$1.2 million), Parks & Recreation (approximately \$6,000), Recreation Capital Reserve (approximately \$19,000), Pool (approximately \$200,000), Special Projects (approximately \$238,000), Capital Reserve (approximately \$1.6 million) and Road Machinery (approximately \$20,000). The remaining fund (approximately \$200,000) paid miscellaneous expenses within the American Rescue Plan Fund. All balances were transferred out of this fund by December 31, 2024, and this fund was closed.

SEWER SALES PROCEEDS FUND

In 2022, the Township sold its sewer system and created a trust with the proceeds, which is accounted for in the Sewer Sales Proceeds Fund. Per the trust agreement, a calculation is performed each year, based on 5% of the average aggregate fair market values of the trust's assets at the end of the immediately preceding three calendar years, to determine the

amount of the required interest distribution out of the trust. These funds can be used to fund deficits in funds, such as the General Fund, or can be used for future projects. The balance in this fund on December 31, 2024 is approximately \$27 million.

ROADWAY IMPROVEMENT FUND

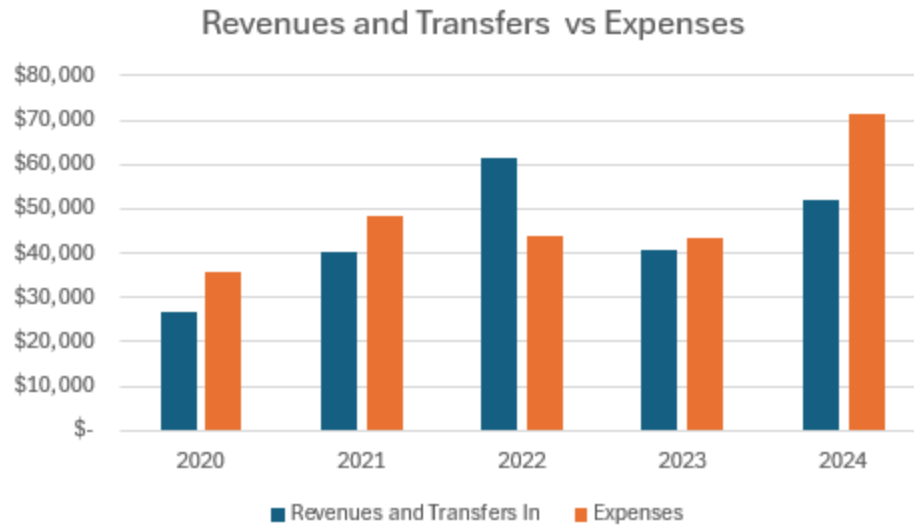
The Roadway Improvement Fund is a Special Purpose Tax Fund that was created in 2024 to account for road projects. The Township has historically allocated 2 mills of real estate tax to this fund, and increased the millage allocation to 4 mills starting in 2025. The expectation is that road projects will be budgeted to be paid out of this fund based on the real estate tax revenue received in this fund. 2024 revenues were approximately \$1.1 million. 2024 expenses were approximately \$900,000. The fund ended 2024 with approximately \$200,000 fund balance restricted for roadway improvements.

STREET LIGHT FUND

The Street Light Fund covers the cost and maintenance of streetlights within the Township. A street light fee is assessed for Township residents. Street light revenues have consistently averaged around \$70,000 each year, and the Township does not anticipate any significant fluctuations with this revenue source in future years. Expenses have historically averaged around \$46,000. Expenses are trending upward due to inflation and age of the assets. Fund balance in the Street Light Fund is assigned for streetlights.

9-11 MEMORIAL FUND

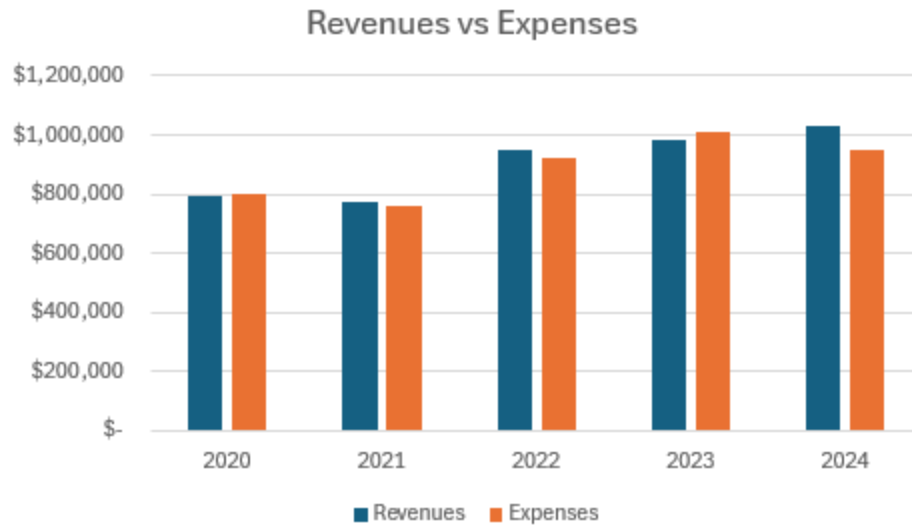
The 9-11 Memorial Fund supports the Garden of Reflection, the 9/11 memorial in the Township. Historically, this fund was funded through contributions, interest earnings, and transfers from the General Fund. Historical maintenance expenses for the Garden of Reflection exceeded the revenues. A cooperation agreement was put in place beginning in 2025 where the Township is reimbursed for up to \$40,000 of expenses incurred for maintenance of the Garden of Reflection each year. The chart below shows revenues and expenses in this fund from 2020 through 2024. The fund had a fund balance of (\$2,824) on December 31, 2024.



The Township also maintains a Garden of Reflection Capital Reserve Fund. This fund had a balance of approximately \$10,000 on December 31, 2024.

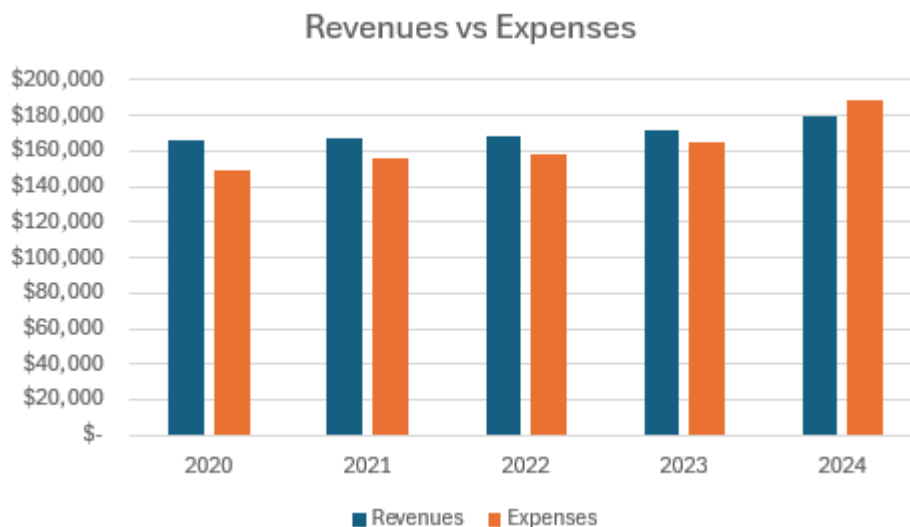
FIRE PROTECTION FUND

The Fire Protection Fund accounts for the real estate tax millage allocated to fire protection and the Foreign Fire Insurance Premium Tax and Special Fire Protection Fees used to pay for fire expenses related to personnel and financial assistance to local fire departments. The real estate tax millage allocation to the fire protection fund increased from .9 mills in 2021 to 1.10 mills in 2022. The Township should consider enacting provisions of HB 2310 which enables townships located in Class A Counties to levy a special purpose fire tax up to 10 mills (previously was capped at 3 mills with a restriction of no more than half, but not to exceed 1 mill, for the purposes of paying salaries and benefits) and a special purpose ambulance/EMS tax up to 5 mills (previously was capped at 0.5 mill with a restriction of no more than half for the purposes of paying salaries and benefits). The chart below shows revenues and expenses in this fund from 2020 through 2024. Although revenues and expenses are fairly consistent, the fund had fund balance of \$170,248 on December 31, 2024.



HYDRANT FUND

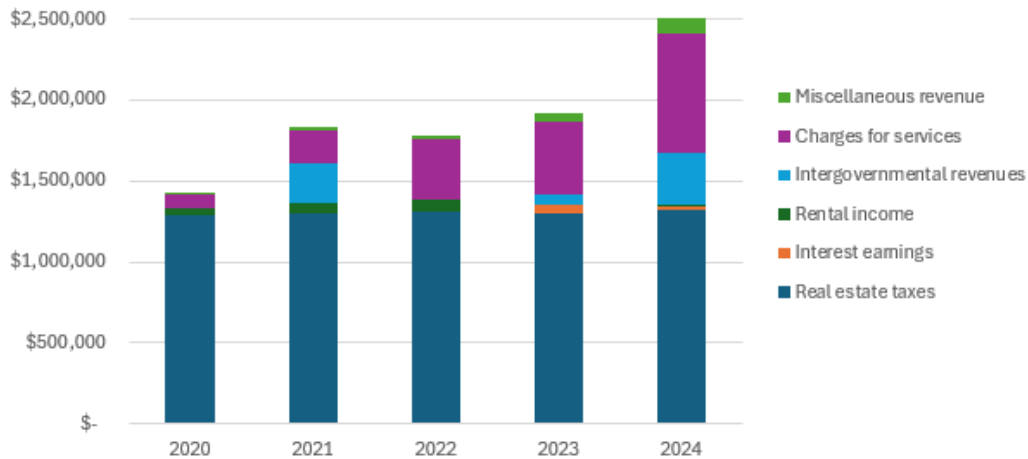
The Hydrant Fund accounts for the real estate tax millage allocated to maintenance of fire hydrants and PA American and Morrisville water fees. The real estate tax millage allocation to the Hydrant Fund has been .33 mills since 2020. The chart below shows revenues and expenses in this fund from 2020 through 2024. The fund had a fund balance of \$38,028 at December 31, 2024.



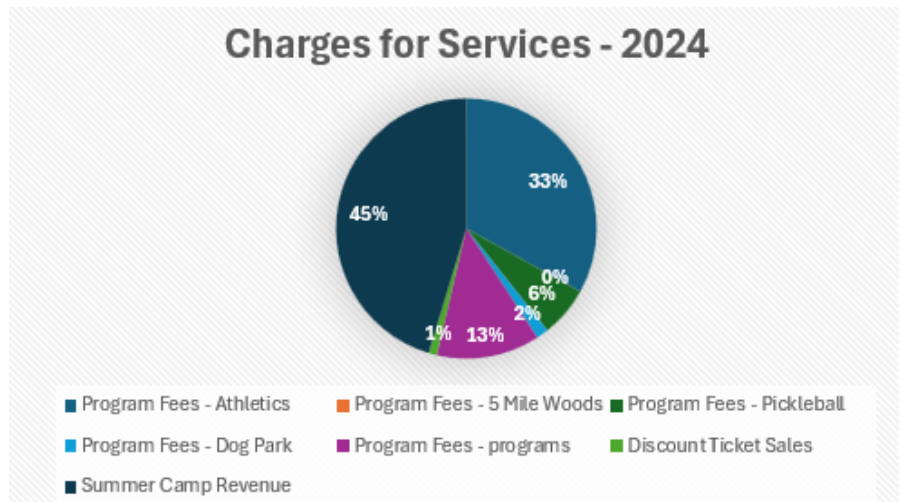
PARK AND RECREATION FUND

The Park and Recreation Fund consists of the Park and Recreation Operating Fund and the Recreation Capital Reserve Fund. Major revenue sources in this fund consist of a portion of the Township's real estate tax revenue, rental income for the Community Center and

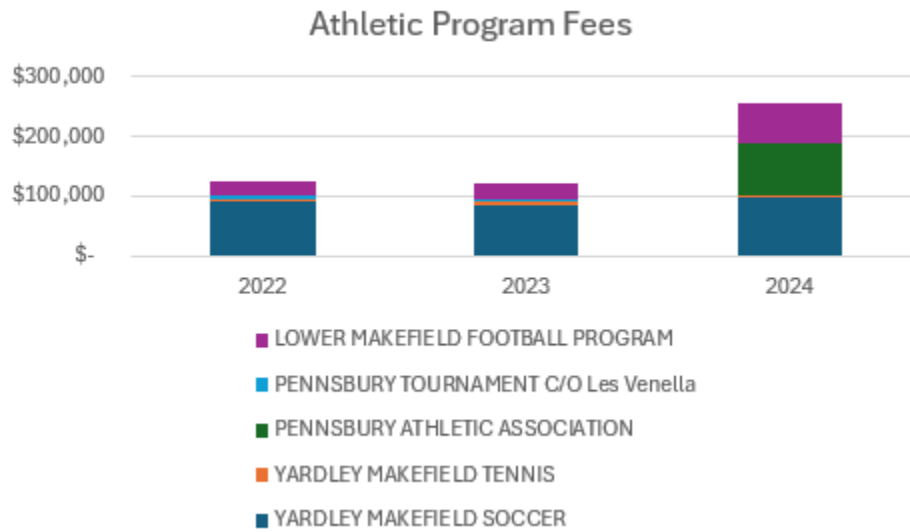
pavilions, grant revenues, and charges for services for program fees and the Township's summer camp. The chart below shows the Park and Recreation Fund's revenue sources from 2020 through 2024.



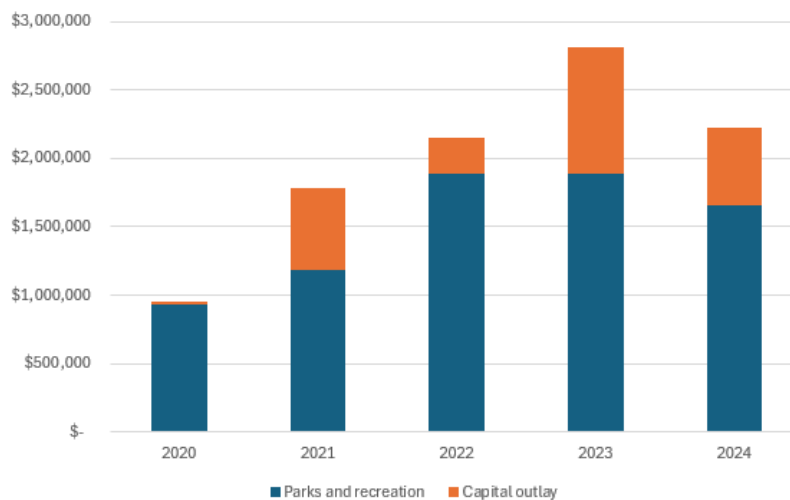
Within the charges for services revenue category, approximately 78% of the revenue is generated from Athletic Program and Summer Camp Fees. The Summer Camp Program has grown in the past 5 years. The average participants per week in 2024 was around 151 participants, with a maximum number of participants of 160. Of the 151 participants, approximately 21 and 30 participants also participated in the before care and after care programs, respectively. The Summer Camp Fee per participant in 2024 was approximately \$225 per week, depending on the number of weeks the participants signed up for. Fees are used to cover the cost of running the summer camp, including summer camp employee payroll costs. The below chart provides a breakout of the Charges for Services in 2024.



The majority of athletic program fee revenue is generated from the Yardley Makefield Soccer Program and the Lower Makefield Football Program. In addition, 2024 revenue includes Pennsbury Athletic Association fees of approximately \$85,000, which is expected to be received in future years. The revenue generated from these athletic program fees supports the maintenance of the parks and facilities used by these participants, in addition to light usage at these facilities. Light usage in 2024 was approximately \$75,000. The below chart shows Athletic Program Fees from 2022 through 2024.



Expenses in the Park and Recreation Fund consist of personnel expenses, expenses to pay for the maintenance of the parks and operating expenses for the parks & recreation programs. In addition, capital projects are paid for out of this fund. The chart below shows the Parks & Recreation expenses and capital outlay paid out of this fund from 2020 through 2024.



Transfers of funds in and out of this fund were required in prior years. Funds were transferred into the Park and Recreation Fund from the Sewer Sale Fund and American Rescue Plan Fund to cover fund deficits. Funds were transferred out of this fund to cover the deficit in the Pool Fund and to pay debt service expenses through 2022. Because of the fluctuating capital activity of this fund, the total fund balance fluctuates. The Parks & Recreation Fund does not carry a large fund balance, and therefore, the Township Board of Supervisors should closely monitor this fund's balance when budgeting capital projects and purchases, because of its reliance on transfers to and from other funds. This fund has a fund balance of (\$58,462) at December 31, 2024.

PARK AND RECREATION FEE-IN-LIEU FUND

The Township allows developers to pay a fee-in-lieu when developing land. This fee includes a core recreation land fee and passive recreation land fee. This fee is maintained in the Park and Recreation Fee-in-lieu Fund and used to support the maintenance of parks within the Township. The Township has historically received around \$100,000 per year in park and recreation fees-in-lieu revenue. Similar to other capital projects funds, the activity of this fund will fluctuate based on projects budgeted to take place each year. Expenses out of this fund will vary based on budget capital projects. The Township had a fund balance of \$798,557 on December 31, 2024.

TRAFFIC IMPACT FUND

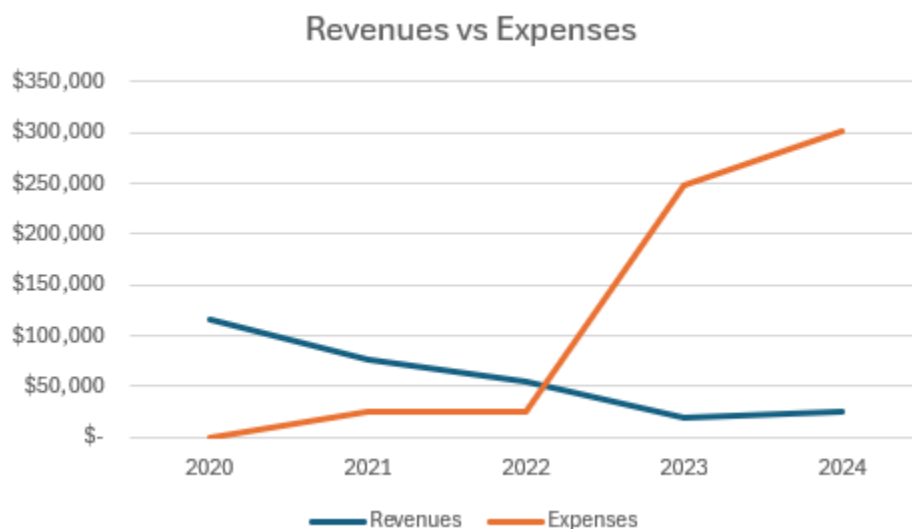
The Traffic Impact Fund receives developer contributions that are used to support traffic improvement projects. Developer contributions averaged around \$20,000 per year from 2020 through 2024. Significant expenses were not incurred in this fund until 2024, where approximately \$45,000 of engineering fees were incurred. The fund had a fund balance of \$212,698 on December 31, 2024. When evaluating future revenue and expense activity to be incurred by this fund, the Township should ensure they are considering the needs within the Township in order to provide for traffic levels up to the standards of Township residents, while not budgeting capital projects that will deplete the total fund balance.

When evaluating future revenue and expense activity to be incurred by this fund, the Township should consider providing for traffic levels up to the standards of Township residents, while not budgeting capital projects that will deplete the total fund balance.

REGENCY BRIDGE FUND

The funds in the Regency Bridge Fund are utilized for open space and/or infrastructure improvements in the area bounded by the south side of the railroad tracks and west of

Stoney Hill Road. These funds were created as temporary funds with the intention of being used for specific land use requirements, and it is not anticipated that there will be additional reoccurring revenue sources into this fund in future years. Historical expenses in this fund were for professional services and projects related to Regency area improvements. Due to the temporary nature of these funds, the Township has received revenues to fund these projects in prior years, but those revenues have significantly declined since 2020. The chart below shows revenues and expenses in this fund from 2020 through 2024. The fund had a fund balance of \$155,085 on December 31, 2024. 2023 and 2024 included major capital improvements that are not budgeted to be as significant in future years.



TREE FUND

The Tree Fund is used to account for developers' contributions to the tree bank, used for the purchase of trees and supplemental landscaping. The Township did not receive any contributions from 2020 through 2022. In 2023 and 2024, the Township received approximately \$300,000 and \$100,000 in contributions, respectively. Approximately \$100,000 and \$70,000 was spent on tree purchasing and landscaping in 2023 and 2024, respectively. The fund had a fund balance of \$321,662 on December 31, 2024.

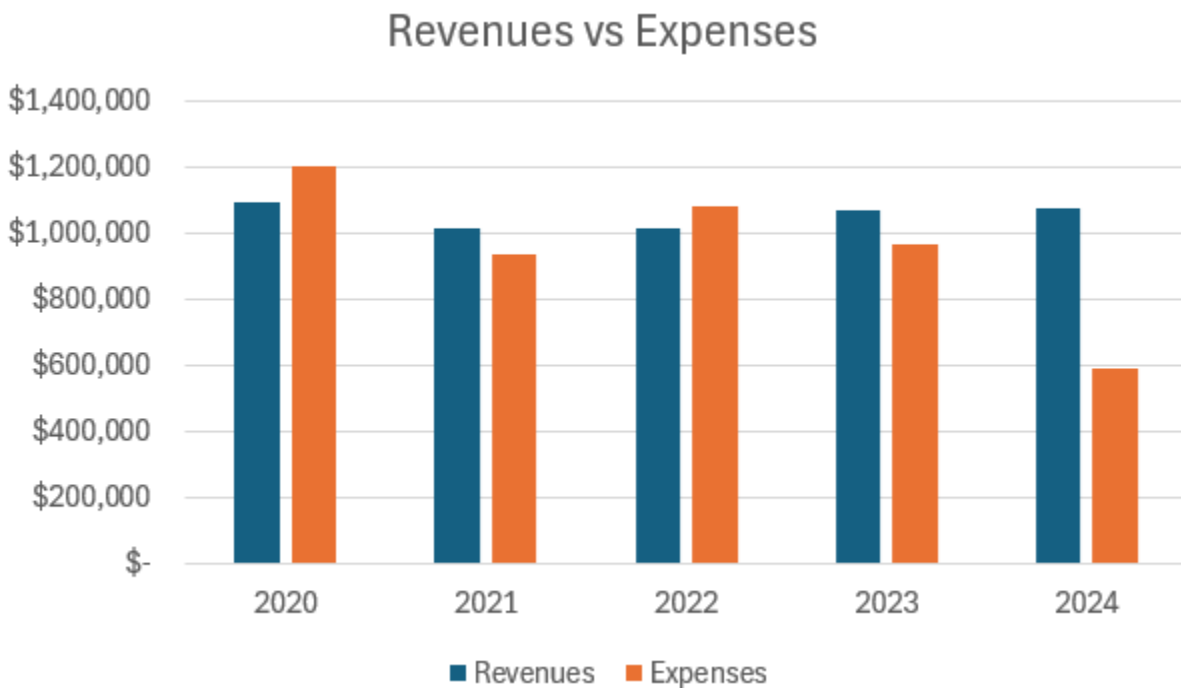
LIQUID FUELS FUND

The Liquid Fuels Fund is created by state law that requires any state liquid fuels grant funding to be accounted for as a separate fund, as this funding is restricted to specific types of expenditures. Revenues in this fund mainly consist of the State Liquid Fuel Tax Grants (Act 32 and 655), based on 20% of the liquid fuel tax on gasoline and diesel fuel. This revenue has been consistent from 2020 through 2024 and has averaged \$1.05 million each year.

As stated above, this fund is restricted to specific types of expenditure. Typical expenditures consist of road projects and maintenance and will vary based on the projects budgeted to take place on an annual basis. As these funds are restricted by the state of Pennsylvania, it is important for the Township to budget these types of road expenses and ensure they are using these restricted funds first, before using assigned or unassigned funds for these projects.

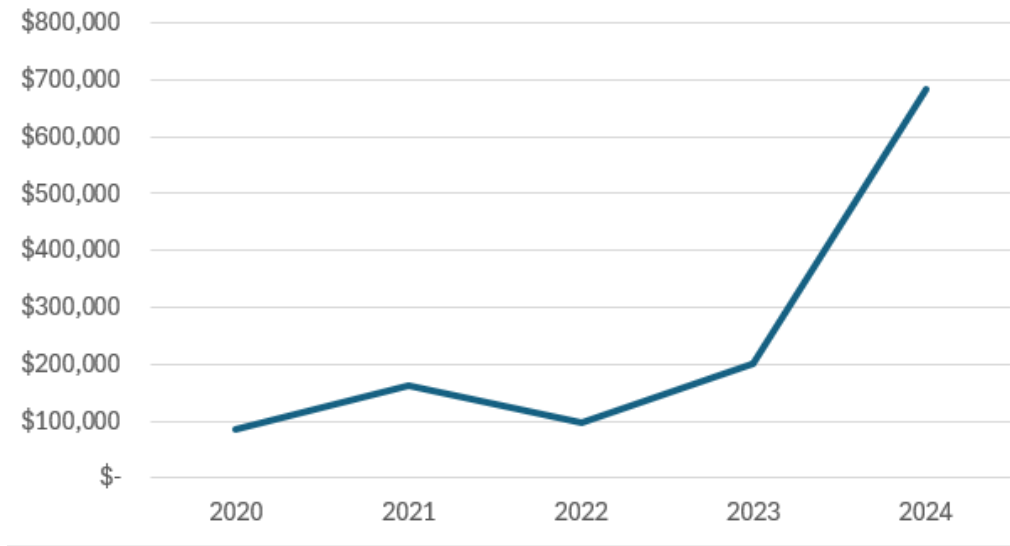
It is important for the Township to budget these types of road expenses and ensure they are using these restricted funds first, before using assigned or unassigned funds.

The table below summarizes revenue and expense activity in the Liquid Fuels Fund from 2020 through 2024.



The Liquid Fuels fund has historically carried an insignificant fund balance when compared to revenues and expenses in this fund. However, a significant portion of road expenses in 2024 were paid out of the Road Improvement Fund, creating a large fund balance in 2024. The Township has budgeted to spend a portion of this fund balance in 2025, but not all of it. The chart below shows the historical fund balance from 2020 through 2024. The Township's fund balance on December 31, 2024 was \$683,421.

Restricted Fund Balance



AMBULANCE RESCUE FUND

The Ambulance Rescue Fund accounts for the real estate tax millage allocated to emergency medical services provided within the Township. The real estate tax millage allocation to the Ambulance Rescue Fund has been .38 mills since 2020. The chart below shows revenues and expenses in this fund from 2020 through 2024. The fund had a fund balance of \$14,379 on December 31, 2024.

Revenues vs Expenses



ROAD MACHINERY FUND

The Road Machinery Fund is used for the purchase and maintenance of vehicles and equipment used for township and public works operations. The main source of revenue in this fund is real estate tax revenue. Since 2020, .3 mills has been allocated to this fund. Expenses in this fund consist of lease payments and capital outlay for road equipment. The Road Machinery Fund had fund balance of \$110,156 on December 31, 2024.

PATTERSON FARM FUND

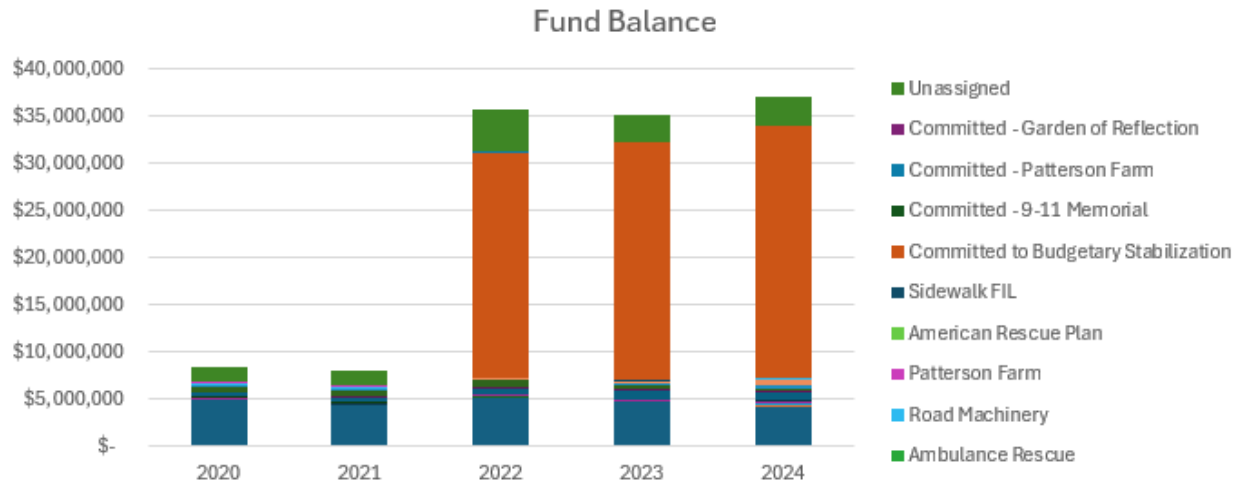
The Patterson Farm Fund is used to account for the funds used to preserve and maintain the Patterson Farm, including maintenance expenses, the payment of taxes, and various projects. The Township receives rental income from the use of this property that helps fund maintenance and projects that take place on this property. The Patterson Farm Fund had fund balance of \$3,883 on December 31, 2024, and anticipates capital renovations to take place in future years using 2016 Bond Fund funds.

SIDEWALK FEE-IN-LIEU FUND

The Township maintains a Sidewalk Fee-in-Lieu Fund. This fund was created in 2021 to account for developer contributions that are used to create sidewalks in the areas they are developing. Contributions of approximately \$25,000 have been received since inception, along with a transfer in from the Special Projects Fund of approximately \$50,000 and interest income of approximately \$6,000. No funds were spent through 2024, creating a fund balance of \$81,647 on December 31, 2024.

FUND BALANCE OF ALL GOVERNMENTAL FUNDS

The chart below summarizes fund balance in the Governmental funds described above. While reviewing the chart, it is important to keep in mind the large amount of committed funds balance beginning in 2022, with the Sewer Sale Trust Fund.

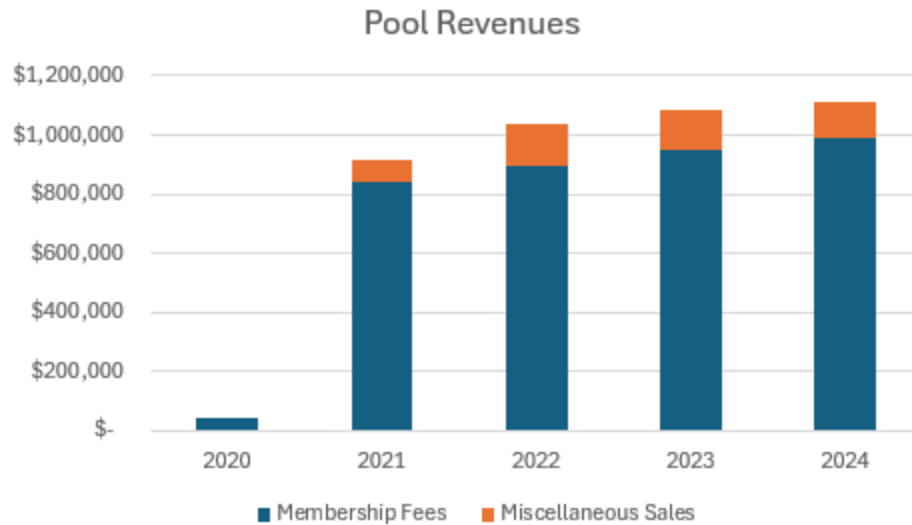


SEWER FUND

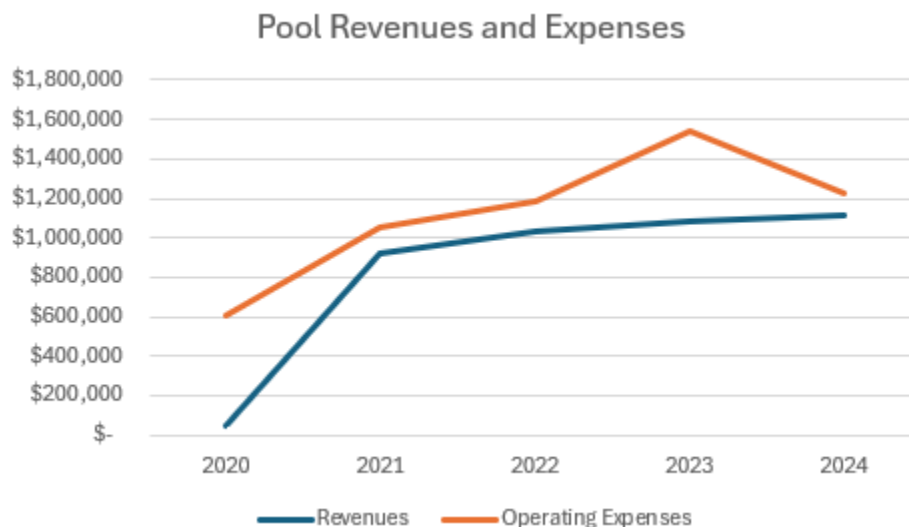
The Sewer Fund accounts for the activities of the sewer system infrastructure, sewage pumping stations and collection systems. In 2022, the Township sold its sewer system to Aqua Pennsylvania. Proceeds from the sale were used to pay off Township debt and invest in the Sewer Sale Proceeds Trust. As expected, activity in the Sewer Fund has decreased significantly since the sale, and in 2024, the only activity was approximately \$25,000 of miscellaneous revenue. The Sewer Fund had a net position of \$3,372,432 on December 31, 2024, which the Township plans to transfer to the General Fund in a future year to close out this fund.

COMMUNITY POOL FUND

The Community Pool Fund accounts for the operations of the Township's municipal pool. This fund covers the costs of all programs and staffing at the pool, maintenance of the pool, and any capital improvements. Revenues in this fund include membership fees and miscellaneous sales and have been increasing since 2020. The chart below shows the community pool revenues from 2020 through 2024.



Similar to pool revenues, pool expenses have also been increasing since 2020. The chart below shows the increase and comparison of pool revenues and operating expenses, including depreciation expense.



The pool has had operating losses every year since 2020. It relies on transfers in from the Parks & Recreation Fund to maintain a fund balance. The Community Pool Fund received transfers of \$451,210, \$74,021, \$0, \$0, and \$200,000 from the Parks & Recreation fund in the year 2020, 2021, 2022, 2023, and 2024, respectively. The Pool Fund received \$200,367 from the American Rescue Plan Fund in 2022. The Community Pool Fund had \$461,824 of net position on December 31, 2024. Although the Pool has

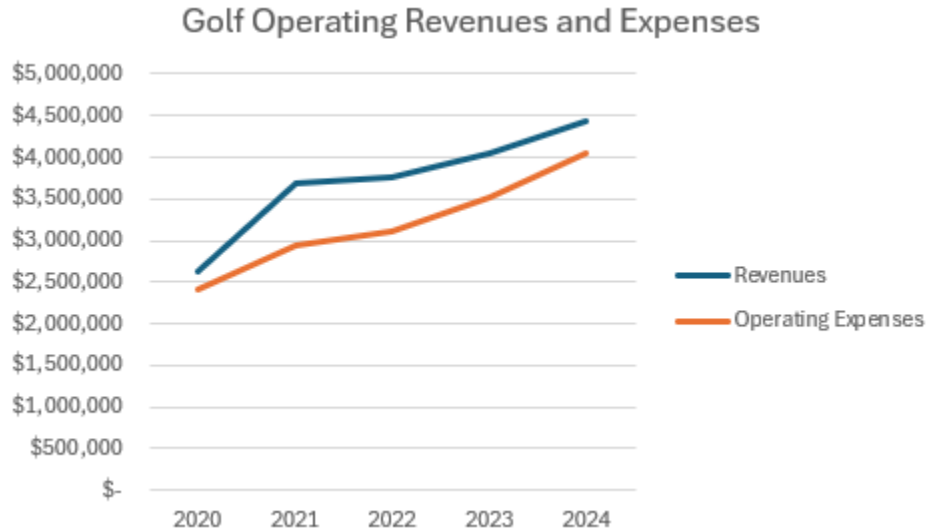


The pool has had operating losses every year since 2020 and relies on transfers in from the Parks & Recreation Fund to maintain a fund balance.

over \$400,000 in fund balance, it is important to keep in mind that the Pool Fund has over \$700,000 invested in capital assets, which causes a negative unrestricted net position at year end.

GOLF COURSE FUND

The Golf Course Fund accounts for the maintenance and operation of the Township's municipal golf course. Included in this fund is all course maintenance, capital improvements, and operational costs. The main sources of revenue in the Golf Course Fund are golf participation fees, such as fees to use the golf course (greens, practice range, cart fees, etc.) and the sale of merchandise and food and beverage. Both golf participation fees and operating expenses have grown since 2020. The growth in both operating revenues and expenses (including depreciation expense) is shown in the chart below.



In addition to operating revenues and expenses, the Golf Fund activity from 2020 through 2024 also included payments on debt (which was paid off in 2022 with the sewer sale described above), transfers in from other funds in 2022 and prior, and transfers out to other funds from 2022 through 2024. Funds were transferred into the Golf Fund in 2022 and prior to help fund this fund during the COVID. Funds were transferred out of the Golf Fund after 2022 mainly to repay the General Fund once it became income-generating again.

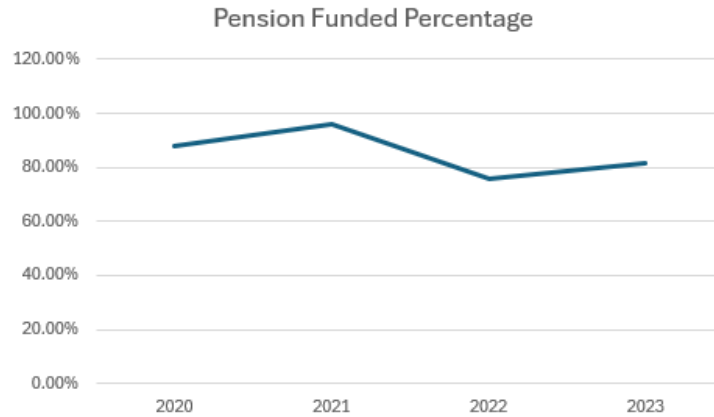
The Golf Fund's fund balance at December 31, 2024 is \$13,702,943. Although the Golf Fund has over \$13 million in fund balance, it is important to keep in mind that the majority of that balance is invested in capital assets. The Golf Fund has approximately \$13.9 million of capital assets at December 31, 2024.

LONG TERM LIABILITIES

The Township's Government-Wide Financial Statements are reported on the accrual basis of accounting and are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector. All governmental fund financial statement activity is presented on a modified accrual basis of accounting. Significant differences between the government-wide financial statements and the fund financial statements are the inclusion of non-current assets and liabilities. The majority of the Township's non-current assets consist of capital assets, which are reported as expenses on the fund financial statements and analyzed as part of the fund financial statements. Non-current liabilities consist of bonds payable, the Township's net pension and other post-retirement benefits (OPEB) liability, and compensated absences liability. Similar to capital assets, bond payments are expensed in the fund financial statements when incurred, and therefore, analyzed as part of the fund financial statements. The long-term liabilities are additional liabilities that the Township Board of Supervisors should be monitoring, as they can have a significant impact on the long-term financial status of the Township.

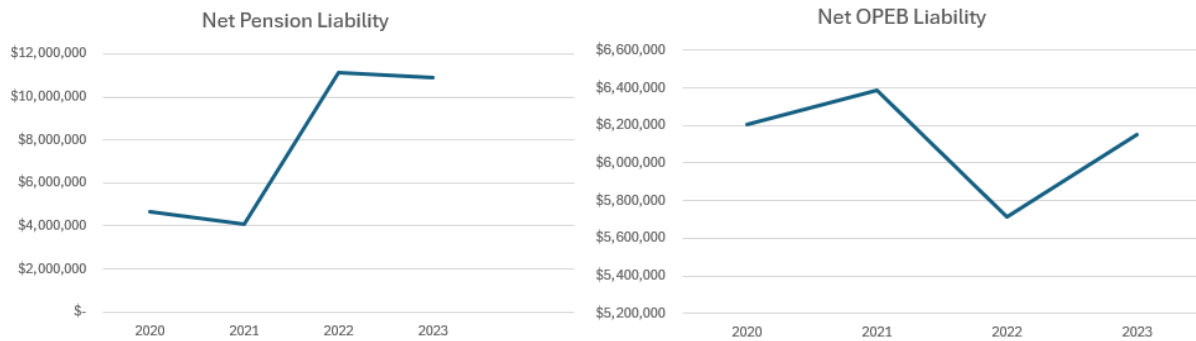
NET PENSION AND OPEB LIABILITY

The Township provides a defined benefit pension plan for both police officers and non-uniformed employees of the Township. All police officers are eligible for the defined benefit pension plan, and non-uniformed employees hired before January 1, 2011 are eligible for the defined benefit pension plan. Non-uniformed employees hired after that date can participate in the Township's defined contribution pension plan. The Township funds the defined benefit pension plans on a yearly basis as required under PA Act 205, based upon an actuarial valuation performed at year-end. The net pension liability represents the amount by which the total pension liability exceeds the assets held in trust. Below is a chart of the funded percentage of the pension plan from 2020 through 2023, which is important for the Township to monitor, as it compares the pension liability and the assets held in the trust.



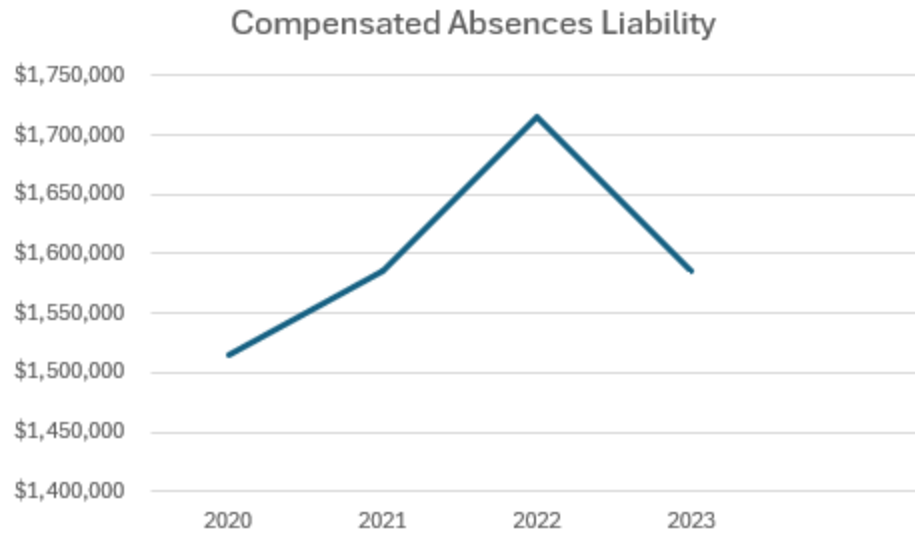
The Township also provides health benefits to eligible employees and retirees through three plans for benefits other than pensions. The Township does not hold any investments in a trust related to the OPEB plans. The net OPEB liability represents the amount calculated based upon an actuarial valuation performed at year-end.

Below is a summary of the Township's net pension and Net OPEB liabilities as of December 31, 2020 through 2023 (the most recent financial information available).



COMPENSATED ABSENCES LIABILITY

The Township allows employees to accumulate unused vacation benefits and are entitled to this pay based on their years of service. Below is a summary of the liability from 2020 to 2023 (the most recent financial information available).



FINANCIAL TREND ANALYSIS

INTRODUCTION

The Financial Trend Analysis was prepared to provide projections of future revenues and expenditures while considering economic and demographic trends throughout the Township, in order for the Township to understand their future financial position, and if necessary, take action to counteract any negative trends found during this process.

Through completion of the Financial Trend Analysis, significant factors and future trends that can be anticipated in the governmental and enterprise funds were summarized. The analysis performed provided for data on the significant revenue and expense items of the Township, and the historical trends of those items. Looking forward, an evaluation was completed of those historical trends and how they are expected to continue in future years. Through this process, forecasted financial statements were prepared for each fund for the years 2025 through 2029, based on the following information:

1. Discussions with management about future activities of the Township, including areas such as operations, capital projects, and population growth
2. Review of the 2025 budget and 2025's actual activity through March 31, 2025
3. Review of the Township's tracking of capital projects and spending
4. The Consumer Price Index
5. The historical trends already determined during the Financial Condition Analysis

The methodology behind significant line items is explained throughout this document and the relevant pieces of each of the forecasted financial statements are included.

GOVERNMENT FUNDS

SIGNIFICANT FACTORS AND TRENDS

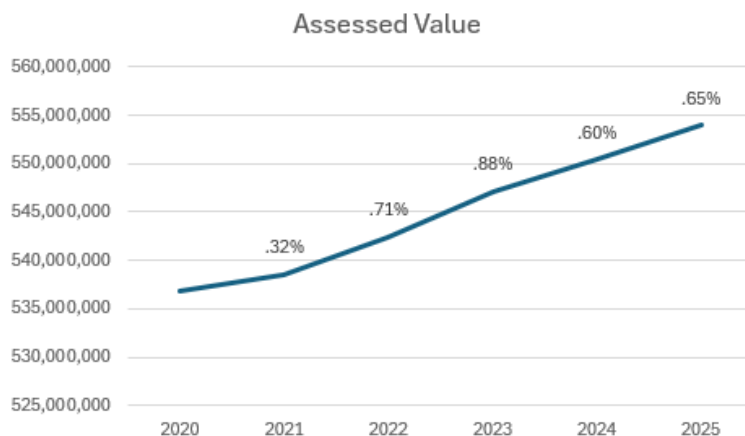
This section outlines in a narrative form the areas that have a significant impact on the revenues and expenses of the Township. An explanation is provided of past trends and our methodology for forecasting future revenues for 2025 to 2029. Visual charts have been provided to help further display certain trends.

REAL ESTATE TAX

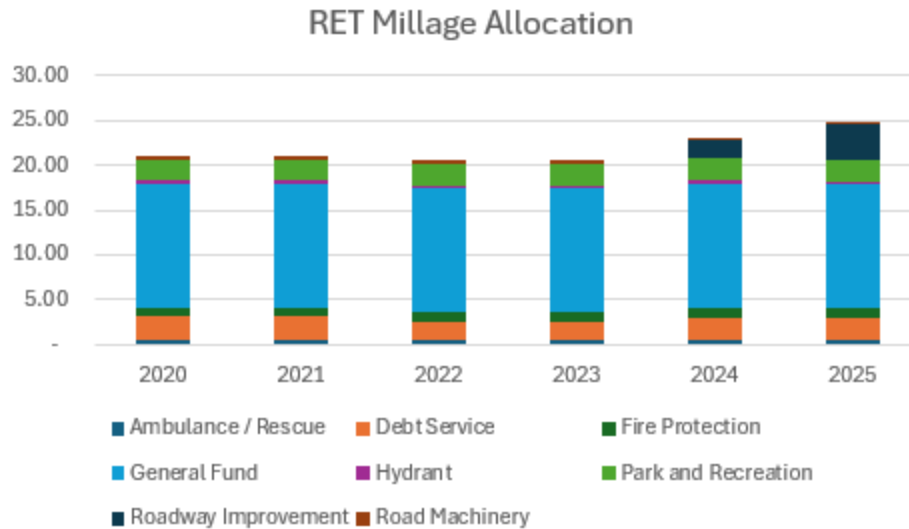
The largest tax source of the Township is Real Estate Tax. Unlike other taxes, such as Earned Income Tax revenue, which naturally adjusts itself upward on pace that at least somewhat mirrors inflation each year due to wage increases, the base assessment used in calculating RET only adjusts through changes in the taxable base, or if the millage rate itself increased. Through analysis performed in the Financial Condition Assessment, it was noted that the Township's Real Estate Tax base had a slight upward trend over the past five years, and the RET millage has increased as well over that time period. Under Pennsylvania's Second Class Township Code, the statutory cap for general purpose real estate taxes is limited to 14 mills. As the Township approaches this cap, it becomes increasingly constrained on the ability to raise additional revenue through property tax increases. The last county-wide RET assessment was conducted in 1972, and there are no plans for a future county-wide assessment at this time. The chart below shows the Township's total assessed value from 2020 through 2025, including the percentage increases in that value from year to year.



Under Pennsylvania's Second-Class Township Code, the statutory cap for general purpose real estate taxes is limited to 14 mills. As the Township approaches this cap, it becomes increasingly constrained on the ability to raise additional revenue through property tax increases.



Each year, when the Township prepares their annual budget, they determine the millage allocation between each fund. The chart below shows the allocation between each fund from 2020 through 2025. For the purposes of the Financial Trend analysis, it is expected that the millage and allocation will stay the same in future years.



As it is expected that there will be no changes or increases in the RET millage through 2029, the only increases the Township can expect in RET revenue is related to an increase in the Township's assessed value. As shown above, the assessed value has increased anywhere from .32% to .88% in the past five years, with .65% from 2024 to 2025, the most recent year. An increase of .65% was used for future projections for 2025 through 2029.

Below is a summary of the projected RET revenue in each fund from 2025 through 2029.

	Projected RET Revenue (in 000's)				
	2025	2026	2027	2028	2029
General Fund	\$ 7,617	\$ 7,666	\$ 7,716	\$ 7,766	\$ 7,816
Debt Service	1,383	1,392	1,401	1,410	1,419
Fire Protection	603	607	611	615	619
Hydrant	174	175	176	177	178
Park and Recreation	1,332	1,340	1,349	1,358	1,367
Ambulance	212	213	215	216	218
Road Machinery	165	166	167	168	169
Roadway Improvement	2,172	2,187	2,201	2,216	2,230
	\$ 13,658	\$ 13,746	\$ 13,836	\$ 13,926	\$ 14,016

REAL ESTATE TRANSFER TAX

Real Estate Transfer Tax, the second largest tax source of the Township, can fluctuate based on real estate sales within the Township. The Township's Real Estate Transfer tax revenue ranged from \$1.4 million to \$2.3 million from 2020 through 2024, with the average around \$1.8 million. As the Township does not anticipate any major increases or decreases in real

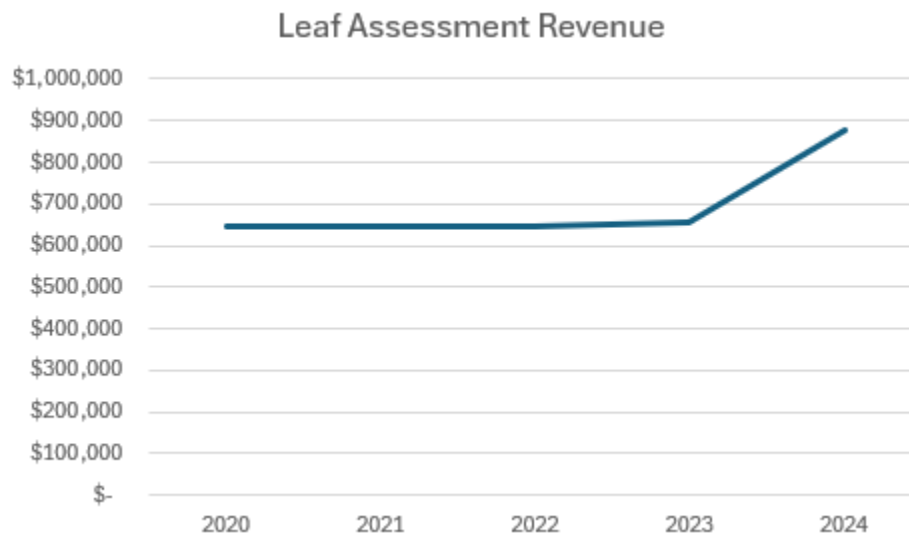
estate tax sales over the next 5 years, the average of approximately \$1.8 million was used for our projections for 2025 through 2029.

CHARGES FOR SERVICES

The Township charges various fees to its residents for items such as building, electrical, plumbing and mechanical permits. These permits and fees will vary based on activities within the Township each year, and no trends were noted during review of the revenues from 2020 to 2024. For all permits and fees, the 2025 budgeted amount was used as projected revenues for 2025 through 2029.

LEAF ASSESSMENTS

The Township charges a leaf assessment to residents to fund services related to leaf collection within the Township. This fee was increased in 2024 from \$70 to \$95. This increase was noted per review of the revenue from 2020 through 2024, as historical leaf revenue went from approximately \$650,000 from 2020 through 2023 to approximately \$875,000 beginning in 2024. The rate of \$95 was used for projections for 2025 through 2029.



GRANTS

The Township has not historically obtained a large number of one-time grants to fund services and projects throughout the Township. The largest grant received from 2020 through 2024 was the American Rescue Plan Act funding received of approximately \$3.4 million. The majority of this grant funding, approximately \$1.2 million, was transferred to the General Fund to cover operating costs within the Township from 2022 through 2024, and

approximately \$1.6 million was transferred to the Capital Reserve fund to cover the costs of road construction in 2022 and 2023.

With the exception of the American Rescue Plan Act funding, which cannot be anticipated in future years, another fund with significant one-time grant activity is the Special Project Fund. The Township budgeted to receive around \$3.2 million of grants in 2025 (\$2.5 million DCED Multimodal Transportation Fund, \$305,000 Green Light Go, \$260,000 Automated Red Light Enforcement Transportation Enhancements, and \$148,000 PA Small Water and Sewer) but does yet have any grants awarded for future years. These grants will help cover the cost of around \$4.5 million of budget capital projects budgeted to take place in the Special Project Fund in 2025.

The Park and Recreation Fee-in-Lieu Fund budgeted to receive a \$900,000 Local Share Account grant in 2025 to cover a portion of the costs related to the Memorial Park Expansion project. It is anticipated that this \$900,000 project will take place in both 2025 and 2026. For purposes of the projections, \$600,000 of these costs were recorded in 2025 and \$300,000 of these costs are to be recorded in 2026.

PERSONNEL EXPENSES

The largest of the operating expenses incurred by the Township are personnel expenses. The two factors impacting personnel expenses are the number of employees and the rate paid to those employees.

The number of non-seasonal employees was analyzed through the Financial Condition Assessment. It was noted that the number of these non-seasonal employees remained consistent from 2022 through 2024, with an average around 125 employees. It was also noted that employee counts are not expected to significantly increase in the near future, and therefore, increases in employees were not factored into the 2025 through 2029 projections.

Increases in employees were not factored into the 2025 through 2029 projections as employee counts are not expected to significantly increase in the near future.

The rates paid to employees governed by collective bargaining agreements are required to be paid by the Township. Salaries for all employees were adjusted using the collective bargaining agreements as a guide. For all employees not covered by collective bargaining agreements, a flat increase of 3% was calculated and factored into the projections based on review of the payroll expenses from 2020 through 2024.

Health insurance costs are on the rise and are expected to continue increasing at a high rate in future years. A health insurance cost increase of 10% was calculated and factored into the projections for 2025 through 2029.

CAPITAL PROJECTS

A long-term capital budget is essential for a Township's community development, as it helps Townships anticipate major expenditures that it will incur to ensure roads, bridges, and all capital assets remain functional for its residents. Capital projects, if not funded through outside sources, can have a significant impact on the Township's expenses. The Township currently prepares a Capital Plan that budgets capital projects and funding for those projects that the Township will incur within the next year, but they do not budget for activity outside of that one-year period. The 2025 Capital Plan and 2025 budget were used to prepare the 2025 forecasted amounts within this report. For years after 2025, we did not include any future one-time capital projects, as the Township has no capital improvement plan and is not yet aware of what those projects will be.

TRANSFERS

Historically, certain funds have operated at a deficit, and transfers from other funds were necessary to remove that deficit. Throughout the process of forecasting out the revenues and expenses from 2025 through 2029, we forecasted out the activity and ending fund balances in each individual fund to determine if there are necessary transfers required to be made from any funds to cover deficits.

ALL OTHER REVENUE AND EXPENSE CATEGORIES

The Consumer Price Index (CPI) measures the prices consumers pay for various categories of goods and services. Although the CPI can vary based on the category of goods and services, the average CPI increase from 2024 to 2025 is around 3%. Although CPI has increased at a higher rate in recent years, the rate of inflation has begun to slow down, and a large spike is not expected again in the near future. Because of this, a conservative rate of 3% was used for all expense categories of the Township, unless identified separately above.

A conservative rate of 3% was used for all expense categories of the Township, unless otherwise identified.

All revenues that were not identified separately above were forecasted at the 2025 budgeted amounts, as the Township does not anticipate any significant increases or decreases related to them.

2025 THROUGH 2028 FORECAST

Although the General Fund is the focus of this analysis, due to it being the operating fund of the Township, the activity and fund balances of all other funds needs to be analyzed to ensure any deficits that would need to be covered by other funds through transfers are considered. Revenues and expenses, along with ending fund balance are detailed in the tables below.

GENERAL FUND

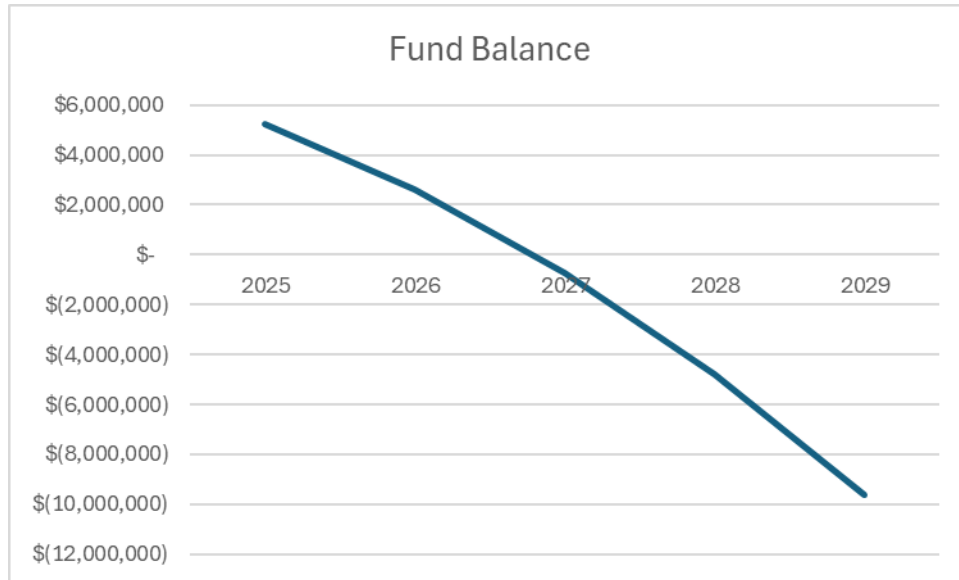
Below is a summary of the future projections in the General Fund for 2025 through 2029, using the assumptions discussed earlier. The majority of expenses in this fund relate to personnel expenses and overall operations of the Township. No capital projects are included in this fund. Transfers into this fund include approximately \$3.4 million in 2025 to close the Sewer Fund, as discussed below, and annual transfers in of \$1,175,000 from the Sewer Sales Proceeds Trust fund interest distribution, as discussed in more detail below.

	2025	2026	2027	2028	2029
Revenues					
Real estate taxes	\$ 8,079,571	\$ 8,153,294	\$ 8,228,606	\$ 8,305,574	\$ 8,384,271
Local Act 511 taxes	1,853,381	1,853,381	1,853,381	1,853,381	1,853,381
Licences and permits	766,996	756,996	746,996	736,996	726,996
Fines and forfeits	63,419	63,419	63,419	63,419	63,419
Interest	390,000	390,000	390,000	390,000	390,000
Rents and royalties	320,000	320,000	320,000	320,000	320,000
Grants	220,016	97,300	97,300	97,300	97,300
State shared revenues	786,918	825,564	866,142	908,749	953,487
Charges for services	1,157,106	1,158,630	1,160,178	1,161,749	1,163,343
Miscellaneous	227,500	227,500	227,500	227,500	227,500
Leaf assessments	860,962	860,962	860,962	860,962	860,962
Sale of fixed assets	2,500	2,500	2,500	2,500	2,500
Rebated from prior year	38,000	38,000	38,000	38,000	38,000
Total revenues	14,766,369	14,747,546	14,854,984	14,966,130	15,081,159
Expenditures					
Central government	1,175,794	1,156,702	1,190,123	1,224,546	1,260,003
General expenditures	3,244,617	3,461,726	3,697,324	3,953,166	4,231,175
Finance	464,920	478,868	493,234	508,031	523,272
Tax collection	39,132	40,270	41,441	42,648	43,891
Information technology	466,946	458,057	476,713	490,759	506,855
Police	7,427,026	7,525,173	7,830,351	8,148,061	8,478,821
Community development	865,078	891,030	917,761	945,294	973,653
Public works	2,403,988	2,490,054	2,579,261	2,671,723	2,767,563
Operational transfers	1,974,471	2,052,628	2,133,934	2,218,517	2,306,512
Total expenditures	18,061,972	18,554,508	19,360,142	20,202,745	21,091,744
Other Financing (Uses) Sources					
Transfers, in	5,030,687	1,175,000	1,175,000	1,175,000	1,175,000
Total other financing sources (uses)	5,030,687	1,175,000	1,175,000	1,175,000	1,175,000
Net increases (decreases in fund balance)	1,735,084	(2,631,962)	(3,330,158)	(4,061,615)	(4,835,585)
Fund balance, beginning	3,512,930	5,248,014	2,616,052	(714,106)	(4,775,720)
Fund balance, ending	\$ 5,248,014	\$ 2,616,052	\$ (714,106)	\$ (4,775,720)	\$ (9,611,305)

Revenues are not expected to increase at a rate as high as expenses. If no changes are made, the Township's General Fund will begin to have a negative fund balance in 2027.



Revenues are not expected to increase at a rate as high as expenses. If no changes are made, the General Fund will begin to have a negative fund balance in 2027.



CAPITAL RESERVE FUND

As stated in the Financial Condition Analysis, the Capital Reserve Fund is not actively used by the Township. As of December 31, 2024, this fund had a fund balance of \$39,389. As this fund is not used anymore by the Township, for purposes of the Financial Trend Analysis, we included this \$39,389 as a transfer to the Special Projects Fund in our 2025 projections.

BOND FUND

The Bond Fund did not have significant activity in recent prior years and carried a fund balance forward of around \$4 million. Per review of the 2025 budget, a significant portion of this fund was budgeted to be used in 2025. This includes a \$3.1 million transfer out to the Special Projects Fund and a \$700,000 transfer out to the Patterson Farm Fund. The Township does not prepare a Capital Improvements Plan for years greater than one-year out from the current year, and therefore, the Township is not currently aware of any other projects that will be paid for out of this fund from 2026 through 2029. As such, no activity was included in this fund for the Financial Trend Analysis for the years 2026 through 2029 other than \$50,000 of interest income each year. The Bond Fund is projected to have a fund balance of approximately \$744,000 on December 31, 2029.

DEBT SERVICE FUND

Beginning in 2023, the real estate tax revenue received by the Debt Service Fund has been sufficient to cover the future debt service payments in this fund. Therefore, the 2025 through

2029 projections include only real estate tax revenue, at the 2025 budgeted amount of 2.53 mills, and debt service payments for the 2026 GOBs, 2018 GOBs, and the Road Loan. The millage allocation is adjusted by the Township based on the current debt outstanding's amortization schedules, to ensure the Township is allocating enough to this fund to cover all debt service costs. As stated previously, the 2016 GOBs mature in 2036, the 2018 GOBs mature in 2028, and the Road Loan matures in 2025. With no changes in the real estate tax millage allocated to this fund, the fund balance will continue to grow as this debt is paid off.

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 1,383,056	\$ 1,392,046	\$ 1,401,094	\$ 1,401,201	\$ 1,419,368
Interest	3,000	3,000	3,000	3,000	3,000
Total revenues	<u>1,386,056</u>	<u>1,395,046</u>	<u>1,404,094</u>	<u>1,404,201</u>	<u>1,422,368</u>
Expenditures					
Debt service, principal	806,071	540,000	565,000	590,000	410,000
Debt service, interest	<u>185,966</u>	<u>142,306</u>	<u>120,288</u>	<u>102,519</u>	<u>88,400</u>
Total expenditures	<u>992,037</u>	<u>682,306</u>	<u>685,288</u>	<u>692,519</u>	<u>498,400</u>
Net increases (decreases in fund balance)	<u>394,019</u>	<u>712,740</u>	<u>718,806</u>	<u>711,682</u>	<u>923,968</u>
Fund balance, beginning	92,193	486,212	1,198,951	1,917,758	2,629,440
Fund balance, ending	<u>\$ 486,212</u>	<u>\$ 1,198,951</u>	<u>\$ 1,917,758</u>	<u>\$ 2,629,440</u>	<u>\$ 3,553,408</u>

No new debt issuances or refundings have been incorporated into these projections. However, in 2025, the Township passed a \$15 million potential debt service referendum, and therefore, may issue debt in future years. With the issuance of \$15 million of debt, it is expected that the Township will pay approximately \$1 million in principal and interest per year, which will significantly decrease this fund's fund balance if the debt service real estate tax millage does not increase.

SPECIAL PROJECT FUND

The 2025 budget includes various projects to take place in 2025 that are included in the Financial Trend Analysis, with the most significant being the Taylorsville and Highland Drive projects. As stated in the Financial Condition Assessment, this fund's fund balance will fluctuate significantly based on capital project activity. This fund ended 2024 with a negative fund balance of \$362,154. However, 2025 budgeted transfers in from the Bond Fund of approximately \$3.2 million and budgeted grant funding of approximately \$3.2 million, is expected to fund the \$4.5 million of anticipated costs in this fund in 2025.

No activity is included in the Financial Trend Analysis for the years 2026 through 2029 as the Township does not have a Capital Improvements Plan covering the years 2026 through 2029 and therefore is not yet aware of the capital projects that will take place in those years.

	<u>2025</u>
Revenues	
Intergovernmental	<u>\$ 3,216,308</u>
Total revenues	<u>3,216,308</u>
Expenditures	
Capital outlay	<u>4,530,300</u>
Total expenditures	<u>4,530,300</u>
Other Financing (Uses) Sources	
Transfers, in	<u>3,160,749</u>
Total other financing sources (uses)	3,160,749
Net increases (decreases in fund balance)	<u>1,846,757</u>
Fund balance, beginning	(362,154)
Fund balance, ending	<u><u>\$ 1,484,603</u></u>

SEWER SALES PROCEEDS FUND

The 2025 through 2029 activity in the Sewer Sales Proceeds fund includes an estimate of the trust fund's investment income and a transfer out of this fund to the General Fund each year for the annual distribution. The annual distribution is calculated as 5% of the average aggregate fair market value of the trust's assets at the end of the immediately preceding three calendar years. Although investment income and the annual distribution will vary from year to year, it is expected that they will mostly cancel each other out each year, maintaining the same balance in the trust fund year after year, therefore, the 2025 budgeted interest income was used as the interest income and annual distribution for 2025 through 2029. Fund balance will remain the same for this fund through 2029, at approximately \$26.6 million.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues					
Interest earnings	\$ 1,175,000	\$ 1,175,000	\$ 1,175,000	\$ 1,175,000	\$ 1,175,000
Total revenues	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,175,000</u>
Other Financing (Uses) Sources					
Transfers, out	(1,175,000)	(1,175,000)	(1,175,000)	(1,175,000)	(1,175,000)
Total other financing sources (uses)	<u>(1,175,000)</u>	<u>(1,175,000)</u>	<u>(1,175,000)</u>	<u>(1,175,000)</u>	<u>(1,175,000)</u>
Net increases (decreases in fund balance)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	26,607,522	26,607,522	26,607,522	26,607,522	26,607,522
Fund balance, ending	<u>\$ 26,607,522</u>	<u>\$ 26,607,522</u>	<u>\$ 26,607,522</u>	<u>\$ 26,607,522</u>	<u>\$ 26,607,522</u>

ROADWAY IMPROVEMENT FUND

The Roadway Improvement Fund is budgeted to receive 4 mills of real estate tax revenue starting in 2025 and will remain at that amount through 2029. The Township plans to budget roadway improvement projects to be paid for out of this fund based on anticipated real estate tax revenue each year, and therefore, revenues and capital outlay for roadway improvements will essentially net to zero each year. The Roadway Improvement Fund ended 2024 with a fund balance of \$235,264, and it is anticipated that this fund balance will remain in this fund each year, as all real estate tax revenues received in future years will be spent on roadway improvement projects.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues					
Real estate tax	\$ 2,173,229	\$ 2,187,355	\$ 2,201,573	\$ 2,215,883	\$ 2,230,286
Interest	45,000	45,000	45,000	45,000	45,000
Total revenues	<u>2,218,229</u>	<u>2,232,355</u>	<u>2,246,573</u>	<u>2,260,883</u>	<u>2,275,286</u>
Expenditures					
Capital outlay	2,218,229	2,232,355	2,246,573	2,260,883	2,275,286
Total expenditures	<u>2,218,229</u>	<u>2,232,355</u>	<u>2,246,573</u>	<u>2,260,883</u>	<u>2,275,286</u>
Net increases (decreases in fund balance)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	235,564	235,564	235,564	235,564	235,564
Fund balance, ending	<u>\$ 235,564</u>	<u>\$ 235,564</u>	<u>\$ 235,564</u>	<u>\$ 235,564</u>	<u>\$ 235,564</u>

STREET LIGHT FUND

The Street Light Fund will continue to receive annual street light fees and will pay for repairs and maintenance of the streetlights each year. Slight increases are expected in both revenues and expenses. The 2025 expenses are budgeted to include the purchase of LED lights, however, after 2026, no major purchases outside of the usual repairs and maintenance are planned to take place.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues					
Interest	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Charges for services	70,500	71,000	71,500	72,000	72,500
Total revenues	<u>82,500</u>	<u>83,000</u>	<u>83,500</u>	<u>84,000</u>	<u>84,500</u>
Expenditures					
Public works	79,000	57,756	60,067	62,426	64,968
Total expenditures	<u>79,000</u>	<u>57,756</u>	<u>60,067</u>	<u>62,426</u>	<u>64,968</u>
Net increases (decreases in fund balance)	<u>3,500</u>	<u>25,244</u>	<u>23,433</u>	<u>21,574</u>	<u>19,532</u>
Fund balance, beginning	215,553	219,053	244,297	267,730	289,304
Fund balance, ending	<u>\$ 219,053</u>	<u>\$ 244,297</u>	<u>\$ 267,730</u>	<u>\$ 289,304</u>	<u>\$ 308,836</u>

9-11 MEMORIAL FUND

Activity in the 9-11 Memorial Fund is anticipated to include a \$40,000 cooperation agreement reimbursement, costs to maintain the Garden of Reflection, and transfers in from the Parks & Recreation Fund to cover the maintenance costs that are not covered by the \$40,000 cooperation agreement.

	2025	2026	2027	2028	2029
Revenues					
Interest	\$ 450	\$ -	\$ -	\$ -	\$ -
Charges for services	40,000	40,000	40,000	40,000	40,000
Total revenues	<u>40,450</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Expenditures					
Parks & Recreation	54,700	55,794	56,910	58,048	59,209
Total expenditures	<u>54,700</u>	<u>55,794</u>	<u>56,910</u>	<u>58,048</u>	<u>59,209</u>
Other Financing (Uses) Sources					
Transfers, in	17,100	15,800	17,000	18,100	19,300
Total other financing sources (uses)	<u>17,100</u>	<u>15,800</u>	<u>17,000</u>	<u>18,100</u>	<u>19,300</u>
Net increases (decreases in fund balance)	<u>2,850</u>	<u>6</u>	<u>90</u>	<u>52</u>	<u>91</u>
Fund balance, beginning	(2,824)	26	32	122	174
Fund balance, ending	<u>\$ 26</u>	<u>\$ 32</u>	<u>\$ 122</u>	<u>\$ 174</u>	<u>\$ 265</u>

The Township's Garden of Reflection Capital Reserve Fund is expected to receive interest income each year and a budgeted transfer from the Parks and Recreation Fund in 2025. This fund is expected to end 2029 with fund balance of \$16,548.

FIRE PROTECTION FUND

The activity in the Fire Protection Fund is not anticipated to significantly change from the prior years. This fund is budgeted to receive 1.1 mills of real estate tax revenue in 2025, which will continue through 2029 and is based on existing staffing arrangements and does not include planning or transition to a paid fire service. It will also continue to receive the Foreign Fire Insurance Premium Tax and Special Fire Protection Fees, and those will be used for fire protection expenses within the township. The Township should consider enacting provisions of HB 2310 which enables townships located in Class A Counties to levy a special purpose fire tax up to 10 mills (previously was capped at 3 mills with a restriction of no more than half, but not to exceed 1 mill, for the purposes of paying salaries and benefits) and a special purpose ambulance/EMS tax up to 5 mills (previously was capped at 0.5 mill with a restriction of no more than half for the purposes of paying salaries and benefits).

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 602,875	\$ 606,794	\$ 610,738	\$ 614,708	\$ 618,704
Interest	18,250	18,250	18,250	18,250	18,250
Intergovernmental	375,000	375,000	375,000	375,000	375,000
Charges for services	16,500	22,000	22,000	22,000	22,000
Total revenues	1,012,625	1,022,044	1,025,988	1,029,958	1,033,954
Expenditures					
Public safety	1,001,767	1,017,210	1,037,233	1,052,872	1,075,169
Total expenditures	1,001,767	1,017,210	1,037,233	1,052,872	1,075,169
Other Financing (Uses) Sources					
Transfers to defined contribution plan	(8,025)	(8,266)	(8,514)	(8,769)	(9,032)
Total other financing sources (uses)	(8,025)	(8,266)	(8,514)	(8,769)	(9,032)
Net increases (decreases in fund balance)	2,833	(3,432)	(19,759)	(31,683)	(50,247)
Fund balance, beginning	170,248	173,081	169,649	149,890	118,207
Fund balance, ending	\$ 173,081	\$ 169,649	\$ 149,890	\$ 118,207	\$ 67,960

HYDRANT FUND

The activity in the Hydrant Fund is not anticipated to significantly change from the prior years. This fund is budgeted to receive .33 mills of real estate tax revenue in 2025, which will continue through 2029. That revenue will be used to pay for PA American Water and Morrisville Water fees each year.

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 173,698	\$ 174,827	\$ 175,963	\$ 177,107	\$ 178,258
Total revenues	173,698	174,827	175,963	177,107	178,258
Expenditures					
Public works	194,500	203,750	213,463	223,661	234,369
Total expenditures	194,500	203,750	213,463	223,661	234,369
Net increases (decreases in fund balance)	(20,802)	(28,923)	(37,500)	(46,554)	(56,111)
Fund balance, beginning	38,028	17,226	(11,697)	(49,197)	(95,751)
Fund balance, ending	\$ 17,226	\$ (11,697)	\$ (49,197)	\$ (95,751)	\$ (151,862)

If revenue into this fund does not increase, fund balance in this fund will become negative beginning in 2026, as expenses are continuing to increase each year at a rate higher than the real estate tax increase.



If revenue into this fund does not increase, the fund balance will become negative beginning in 2026.

PARK AND RECREATION FUND

The Park and Recreation Fund will continue to receive real estate tax revenues at the 2025 budgeted amount of 2.43 mills through 2029. The second largest revenue source, program fees at the Township's summer camp, will also continue with slight increases, as noted in the Financial Condition Assessment. All annual expenses, such as personnel and costs to run all parks and recreation programs, are expected to continue in future years. The Township does not currently have any capital projects planned for the years covered by the Financial Trend Analysis; therefore, no capital costs have been included for 2025 through 2029. Transfers out of this fund consist of transfers to the Pool and 9-11 Memorial Funds, to cover their operating deficits.



Transfers out of this fund consist of transfers to the Pool and 9-11 Memorial Funds, to cover their operating deficits.

The fund balance in this fund is expected to be negative \$340,471 at the end of 2029.

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 1,331,565	\$ 1,340,220	\$ 1,348,931	\$ 1,357,699	\$ 1,366,527
Interest	12,000	12,000	12,000	12,000	12,000
Rental income	20,000	20,000	20,000	20,000	20,000
Intergovernmental	35,300	-	-	-	-
Charges for services	759,242	782,020	805,480	829,645	854,534
Miscellaneous	119,000	122,570	126,247	130,035	133,936
Total revenues	2,277,107	2,276,810	2,312,658	2,349,379	2,386,997
Expenditures					
Parks and recreation	2,075,773	2,148,784	2,225,059	2,304,804	2,388,240
Total expenditures	2,075,773	2,148,784	2,225,059	2,304,804	2,388,240
Other Financing (Uses) Sources					
Transfers, out	(72,100)	(165,800)	(167,000)	(168,100)	(169,300)
Total other financing sources (uses)	(72,100)	(165,800)	(167,000)	(168,100)	(169,300)
Net increases (decreases in fund balance)	129,234	(37,774)	(79,401)	(123,525)	(170,543)
Fund balance, beginning	(58,462)	70,772	32,998	(46,403)	(169,928)
Fund balance, ending	\$ 70,772	\$ 32,998	\$ (46,403)	\$ (169,928)	\$ (340,471)

PARK AND RECREATION FEE-IN-LIEU FUND

The Township anticipates receiving fees from developers in future years, similar to prior years. In addition, the Township has budgeted to receive a \$900,000 grant for the Memorial Park Expansion project and has approximately \$1.3 million of projects budgeted out of this fund. It is anticipated that the \$900,000 Memorial Park Expansion project will take place in both 2025 and 2026. For purposes of these projections, \$600,000 of these costs were recorded in 2025 and \$300,000 of these costs were recorded in 2026. Capital projects have not been formally identified past 2025, therefore, no other capital projects are included in the projections for 2026 through 2029. Expenses included in this fund for those years are trail maintenance expenses that are expected to take place each year. In addition, the



The fund balance in this fund is expected to be negative in 2026.

Township had erroneously recorded \$250,000 in revenues in both the Park and Recreation Fund and the Park and Recreation Fee-in-lieu fund in a prior year. Because of this, fund balance was overstated by \$250,000. This was noticed in 2025 and needs removal. A negative \$250,000 was included in this fund in 2025.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues					
Interest	\$ 50,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental	900,000	-	-	-	-
Charges for services	-	-	-	-	-
Contributions	83,826	86,340	88,930	91,598	94,346
Total revenues	<u>1,033,826</u>	<u>86,340</u>	<u>88,930</u>	<u>91,598</u>	<u>94,346</u>
Expenditures					
Capital outlay	1,335,000	377,100	74,263	76,491	78,786
Total expenditures	<u>1,335,000</u>	<u>377,100</u>	<u>74,263</u>	<u>76,491</u>	<u>78,786</u>
Other Financing (Uses) Sources					
Refund prior year revenues	(250,000)	-	-	-	-
Total other financing sources (uses)	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increases (decreases in fund balance)	<u>(551,174)</u>	<u>(290,760)</u>	<u>14,667</u>	<u>15,107</u>	<u>15,560</u>
Fund balance, beginning	798,557	247,383	(43,377)	(28,710)	(13,603)
Fund balance, ending	<u>\$ 247,383</u>	<u>\$ (43,377)</u>	<u>\$ (28,710)</u>	<u>\$ (13,603)</u>	<u>\$ 1,957</u>

As shown above, fund balance in this fund is expected to become negative in 2026. If contributions and trail maintenance expenses continue as expected, with no other activity in this fund, fund balance will become positive again in 2029.

TRAFFIC IMPACT FUND

The Traffic Impact Fund does not have any anticipated revenues and expenses in future years other than interest earnings. Developer contributions and expenses are not consistent each year, with most years not having significant activity, and therefore, are not included in projections. As such, the Traffic Impact Fund is expected to end 2029 with fund balance of \$272,698.

REGENCY BRIDGE FUND

As stated in the Financial Condition Assessment, revenues received in this fund have significantly decreased over the years due to the temporary nature of this fund. The 2025 budget includes professional services of approximately \$16,000 and Regency Area Improvements of approximately \$126,000. Because this fund was created to be temporary, if the Township closes this fund once fund balance is fully spent, they will need to determine if the expenses paid out of this fund in future years will be paid for by another fund.



Without the Township receiving additional revenue sources in this fund, the fund balance will become negative starting in 2027.

	2025	2026	2027
Revenues			
Interest	\$ 11,000	\$ -	\$ -
Total revenues	11,000	-	-
Expenditures			
Parks and recreation	142,632	17,131	6,322
Total expenditures	142,632	17,131	6,322
Net increases (decreases in fund balance)	(131,632)	(17,131)	(6,322)
Fund balance, beginning	155,085	23,453	6,322
Fund balance, ending	\$ 23,453	\$ 6,322	\$ -

TREE FUND

The Tree Fund is anticipated to receive developer's contributions each year. This amount is not budgeted but is expected to be consistent with the amount received in 2024 of approximately \$102,000. In addition, tree purchases are expected in all future years at the same rate as prior years.

	2025	2026	2027	2028	2029
Revenues					
Miscellaneous	\$ 102,162	\$ 102,162	\$ 102,162	\$ 102,162	\$ 102,162
Total revenues	102,162	102,162	102,162	102,162	102,162
Expenditures					
Parks and recreation	85,000	87,550	90,177	92,882	95,668
Total expenditures	85,000	87,550	90,177	92,882	95,668
Net increases (decreases in fund balance)	17,162	14,612	11,985	9,280	6,494
Fund balance, beginning	321,662	338,824	353,436	365,421	374,701
Fund balance, ending	<u>\$ 338,824</u>	<u>\$ 353,436</u>	<u>\$ 365,421</u>	<u>\$ 374,701</u>	<u>\$ 381,195</u>

LIQUID FUELS FUND

The Liquid Fuels fund has the funding necessary to fund capital projects that are budgeted to take place in this fund from 2025 through 2029. Projects paid for out of this fund will be budgeted by the Township to essentially be the same as the Liquid Fuels funding received each year, with the exception of 2025, which is budgeted to be higher due to this fund not spending as much of their revenues in 2024. With revenues and expenses essentially being the same each year, this fund will carry a fund balance of approximately \$335,000 each year.

	2025	2026	2027	2028	2029
Revenues					
Intergovernmental	\$ 1,020,083	\$ 1,020,083	\$ 1,020,083	\$ 1,020,083	\$ 1,020,083
Total revenues	1,020,083	1,020,083	1,020,083	1,020,083	1,020,083
Expenditures					
Public works	1,368,484	1,020,083	1,020,083	1,020,083	1,020,083
Total expenditures	1,368,484	1,020,083	1,020,083	1,020,083	1,020,083
Net increases (decreases in fund balance)	(348,401)	-	-	-	-
Fund balance, beginning	683,421	335,020	335,020	335,020	335,020
Fund balance, ending	<u>\$ 335,020</u>	<u>\$ 335,020</u>	<u>\$ 335,020</u>	<u>\$ 335,020</u>	<u>\$ 335,020</u>

AMBULANCE RESCUE FUND

The activity in the Ambulance Rescue Fund is not anticipated to significantly change from the prior years. This fund is budgeted to receive .38 mills of real estate tax revenue in 2025, which will continue through 2029. This funding will be used to support emergency medical services in the Township. Through the Financial Condition Assessment, it was noted that these costs stay fairly consistent each year. Costs were left as consistent from 2025 through 2029. Through discussions with the Township, however, the Township should keep in mind that the majority of emergency medical service providers throughout the state have been struggling and asking Township's for more funding in recent years.



The Township should keep in mind that the majority of emergency medical service providers throughout the state have been struggling and asking Township's for more funding in recent years.

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 212,029	\$ 213,407	\$ 214,795	\$ 216,191	\$ 217,596
Total revenues	212,029	213,407	214,795	216,191	217,596
Expenditures					
Public safety	210,000	210,000	210,000	210,000	210,000
Total expenditures	210,000	210,000	210,000	210,000	210,000
Net increases (decreases in fund balance)	2,029	3,407	4,795	6,191	7,596
Fund balance, beginning	14,379	16,408	19,815	24,610	30,801
Fund balance, ending	\$ 16,408	\$ 19,815	\$ 24,610	\$ 30,801	\$ 38,397

ROAD MACHINERY FUND

The Road Machinery Fund is expected to receive real estate tax revenues at .3 mills in future years, similar to prior years. In addition, all leases in place are expected to continue in the future, with slight increases in rates. Real estate tax revenue is expected to cover the cost of all lease payments in this fund without transfers from any other funds.

The fund balance will continue to grow each year, as real estate tax revenue is higher than anticipated lease payments.

	2025	2026	2027	2028	2029
Revenues					
Real estate tax	\$ 164,472	\$ 165,541	\$ 166,617	\$ 167,700	\$ 168,790
Interest	2,000	2,000	2,000	2,000	2,000
Total revenues	<u>166,472</u>	<u>167,541</u>	<u>168,617</u>	<u>169,700</u>	<u>170,790</u>
Expenditures					
Debt service	<u>130,096</u>	<u>133,999</u>	<u>138,019</u>	<u>142,159</u>	<u>146,424</u>
Total expenditures	<u>130,096</u>	<u>133,999</u>	<u>138,019</u>	<u>142,159</u>	<u>146,424</u>
Other Financing (Uses) Sources					
Sale of fixed assets	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increases (decreases in fund balance)	<u>46,376</u>	<u>33,542</u>	<u>30,598</u>	<u>27,541</u>	<u>24,366</u>
Fund balance, beginning	<u>110,156</u>	<u>156,532</u>	<u>190,074</u>	<u>220,672</u>	<u>248,213</u>
Fund balance, ending	<u>\$ 156,532</u>	<u>\$ 190,074</u>	<u>\$ 220,672</u>	<u>\$ 248,213</u>	<u>\$ 272,579</u>

PATTERSON FARM FUND

The Patterson Farm Fund is expected to receive rental income each year, consistent with the amount received in 2024. The 2025 budget includes \$700,000 of renovations to take place, funded by a transfer from the Bond Fund, which is not budgeted to take place in future years. This fund will end 2029 with fund balance of approximately \$52,000. However, the Township is aware that the Patterson Farm is in need of additional capital projects and will most likely need to budget for those projects to take place in future years.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues					
Rental income	\$ 45,000	\$ 46,350	\$ 47,741	\$ 49,173	\$ 50,648
Total revenues	<u>45,000</u>	<u>46,350</u>	<u>47,741</u>	<u>49,173</u>	<u>50,648</u>
Expenditures					
Public works	<u>740,000</u>	<u>36,050</u>	<u>37,132</u>	<u>38,245</u>	<u>39,393</u>
Total expenditures	<u>740,000</u>	<u>36,050</u>	<u>37,132</u>	<u>38,245</u>	<u>39,393</u>
Other Financing (Uses) Sources					
Transfers, in	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increases (decreases in fund balance)	<u>5,000</u>	<u>10,300</u>	<u>10,609</u>	<u>10,928</u>	<u>11,255</u>
Fund balance, beginning	<u>3,883</u>	<u>8,883</u>	<u>19,183</u>	<u>29,792</u>	<u>40,720</u>
Fund balance, ending	<u>\$ 8,883</u>	<u>\$ 19,183</u>	<u>\$ 29,792</u>	<u>\$ 40,720</u>	<u>\$ 51,975</u>

SIDEWALK FEE-IN-LIEU FUND

The Sidewalk Fee-in-Lieu Fund does not consistently receive contributions from developers each year. The Township is anticipating receiving approximately \$12,000 in contributions in 2025, but then is not aware of any contributions in the future. The Township has budgeted for approximately \$109,000 of capital projects in 2025, which are included in the projections. These capital projects will cause this fund to have negative fund balance at the end of 2025. No future capital projects have been planned, and therefore, no other capital projects are included in this Financial Trend Analysis. With interest income being received each year, fund balance will increase to approximately \$10,000 by the end of 2029.

	2025	2026	2027	2028	2029
Revenues					
Interest	\$ 4,935	\$ 4,935	\$ 4,935	\$ 4,935	\$ 4,935
Contributions	12,550	-	-	-	-
Total revenues	<u>17,485</u>	<u>4,935</u>	<u>4,935</u>	<u>4,935</u>	<u>4,935</u>
Expenditures					
Capital outlay	109,052	-	-	-	-
Total expenditures	<u>109,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increases (decreases in fund balance)	<u>(91,567)</u>	<u>4,935</u>	<u>4,935</u>	<u>4,935</u>	<u>4,935</u>
Fund balance, beginning	81,647	(9,920)	(4,985)	(50)	4,885
Fund balance, ending	<u>\$ (9,920)</u>	<u>\$ (4,985)</u>	<u>\$ (50)</u>	<u>\$ 4,885</u>	<u>\$ 9,820</u>

FUND BALANCE

The table below summarizes the ending fund balance for each fund based on the forecasted projections discussed above. The General Fund will begin to have a negative balance in 2027 if no intervention is taken by the Township. Also, there are various other funds who are carrying negative fund balances, which essentially is an impact on the General Fund. In total, the Township's balance will be negative beginning in 2029, with the exception of the Sewer Sales Proceeds Fund.

The Township should ensure they are reviewing fund balance in all funds, and in particular, funds that are carrying negative fund balance. If these negative balances continue, they could lead to service disruptions or eliminations, or the Township's need to issue more debt.



The Township's balance will be negative beginning in 2029, except for the Sewer Sales Proceeds Fund.

Negative balances could lead to service disruptions or eliminations, or the Township's need to issue more debt.

	2025	2026	2027	2028	2029
General	\$ 5,248,014	\$ 2,616,052	\$ (714,106)	\$ (4,775,720)	\$ (7,611,305)
Capital Reserve	-	-	-	-	-
Bond	544,663	594,663	644,663	694,663	744,663
Debt Service	482,212	1,198,951	1,917,758	2,629,440	3,553,408
Special Project	1,484,603	-	-	-	-
Roadway Improvement	235,564	235,564	235,564	235,564	235,564
Street Light	219,053	244,297	267,730	289,304	308,839
9-11 Memorial	26	32	122	174	265
Fire Protection	173,081	169,649	149,890	118,207	67,960
Hydrant	17,226	(11,697)	(49,197)	(95,751)	(151,862)
Park & Recreation	70,772	32,998	(46,403)	(169,928)	(340,471)
Park & Recreation Fee-in-lieu	247,383	(43,377)	(28,710)	(13,603)	1,957
Traffic Impact	224,698	236,698	248,698	260,698	272,698
Regency Bridge	23,453	6,322	(11,323)	(29,497)	(48,216)
Tree	338,824	353,436	365,421	374,701	381,195
Liquid Fuels	335,020	335,020	335,020	335,020	335,020
Ambulance Rescue	16,408	19,815	24,610	30,801	38,397
Road Machinery	156,532	190,074	220,672	248,213	272,579
Patterson Farm	8,883	19,183	29,792	40,720	51,975
Sidewalk Fee-in-lieu	(9,920)	(4,985)	(50)	4,885	9,820
GOR Capital Reserve	15,748	15,948	16,148	16,348	16,548
Total	\$ 9,834,268	\$ 6,210,669	\$ 3,608,326	\$ 196,267	\$ (1,858,937)

ENTERPRISE FUNDS

SIGNIFICANT FACTORS AND TRENDS

This section outlines each of the Township's enterprise funds and the areas that have a significant impact on the revenues and expenses for each fund. An explanation is provided of past trends and our methodology for forecasting future revenues for 2025 to 2029.

SEWER FUND

As stated in the Financial Condition Assessment, the Township plans to close the Sewer Fund and net position balance to the General Fund. The Sewer Fund ended 2024 with a net position of \$3,372,432. For purposes of the Financial Trend Analysis, this entire fund balance was transferred to the General Fund in 2025, and this fund was closed.

COMMUNITY POOL FUND

It is anticipated that the charges for services in the Community Pool Fund will continue to increase each year. This revenue is made up of membership fees and miscellaneous sales. An increase of 2.5% is included in projections for 2025 through 2029, which is consistent with the growth in recent years and the 2025 budget.

Pool expenses consist mainly of personnel costs, and the cost of operating and maintaining the pool. Personnel costs were calculated and factored into the projections based on review of payroll expenses from 2020 through 2024, and the expectation that there will be no major increases in personnel counts in future years. Health insurance expenses were increased at 10%, consistent with the current expectations. All other expenses were increased based on the Consumer Price Index and no construction costs were included in the projections, as the Township currently does not have any planned projects for 2025 through 2029.

If the trends continue as is, pool expenses will continue increasing at a rate higher than pool revenues. Therefore, net position will continue to decline. In addition, it is important to keep in mind when reviewing net position in this fund that approximately \$700,000 of this fund's net position is invested in capital assets, causing negative unrestricted net position. The Township should consider in future years if a larger increase in fees will be necessary to offset the increased costs.



If the trends continue, pool expenses will increase at a rate higher than pool revenues. The Township should consider if a larger increase in fees will be necessary to offset the increased costs.

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operating revenues					
Charges for services	\$ 1,137,232	\$ 1,165,663	\$ 1,194,804	\$ 1,224,674	\$ 1,255,291
Miscellaneous	28,100	28,803	29,523	30,261	31,017
Total operating revenues	<u>1,165,332</u>	<u>1,194,466</u>	<u>1,224,327</u>	<u>1,254,935</u>	<u>1,286,308</u>
Operating Expenses					
Operations	<u>1,323,095</u>	<u>1,364,618</u>	<u>1,407,957</u>	<u>1,453,224</u>	<u>1,500,538</u>
Total operating expenditures	<u>1,323,095</u>	<u>1,364,618</u>	<u>1,407,957</u>	<u>1,453,224</u>	<u>1,500,538</u>
Nonoperating revenues and expenses					
Interest income	3,800	3,800	3,800	3,800	3,800
Transfer in	50,000	150,000	150,000	150,000	150,000
Transfer out - pension	(15,389)	(15,851)	(16,326)	(16,816)	(17,320)
Total nonoperating revenues and expenses	<u>38,411</u>	<u>137,949</u>	<u>137,474</u>	<u>136,984</u>	<u>136,480</u>
Changes in net position	<u>(119,352)</u>	<u>(32,203)</u>	<u>(46,156)</u>	<u>(61,305)</u>	<u>(77,750)</u>
Net Position, beginning	461,824	342,472	310,269	264,113	202,808
Net Position, ending	<u>\$ 342,472</u>	<u>\$ 310,269</u>	<u>\$ 264,113</u>	<u>\$ 202,808</u>	<u>\$ 125,058</u>

GOLF COURSE FUND

For purposes of this report, the Golf Course Fund, the Golf Course Reserve Fund, and the Golf Bond Repayment Fund are presented as one fund.

The 2025 through 2029 revenues in the Golf Course Fund are anticipated to consist of charges for services, growing at a rate of 6.42%, which is based on prior rates analyzed during the Financial Condition Assessment.

The golf course is managed by an outside management company. Per review of prior revenues and expenses, it was noted that operating expenses in this fund ranged from 70% to 81% of operating revenues, with the average being 75.66%. Expenses were included in the Financial Trend Analysis at 75.66% of the charges for services, calculated at the rate discussed above. The 2025 activity also includes a transfer of \$455,000 to the General Fund, which was to pay back funds transferred to the Golf Course Fund during COVID. Starting in 2026, the Golf Course Fund will begin transferring \$455,000 to the Golf Bond Repayment Fund, to set aside funds which will be moved to another fund once a decision is made on the use of those funds, in addition to the \$75,000 that the Township began transferring in 2023. The only transfers expected in this fund from 2025 through 2029 are transfers of \$225,000 each year between the Golf Course Operating Fund and the Golf Course Reserve Fund.

Because revenues are anticipated to be greater than expenses each year, the fund's net position will continue to grow, as shown below. However, it is important to keep in mind that the Golf Fund has approximately \$14 million of capital assets, therefore, a large portion of this net position is invested in capital assets. In addition, with transfers of \$530,000 each year beginning in 2026 to the Golf Bond Repayment fund, approximately \$2.4 million of this fund's net position will be set aside to move to a separate fund once a decision is made on the use of those funds.

The fund's net position is expected to continue to grow. However, the Township should consider that a large portion of this net position is invested in capital assets.

	2025	2026	2027	2028	2029
Operating revenues					
Charges for services	\$ 4,721,391	\$ 5,024,505	\$ 5,347,078	\$ 5,690,360	\$ 6,055,681
Total operating revenues	<u>4,721,391</u>	<u>5,024,505</u>	<u>5,347,078</u>	<u>5,690,360</u>	<u>6,055,681</u>
Operating Expenses					
Operations	3,572,201	3,801,536	4,045,595	4,305,322	4,581,724
Depreciation	459,956	459,956	459,956	459,956	459,956
Total operating expenditures	<u>4,032,157</u>	<u>4,261,492</u>	<u>4,505,551</u>	<u>4,765,278</u>	<u>5,041,680</u>
Nonoperating revenues and expenses					
Interest income	12,617	12,617	12,617	12,617	12,617
Transfer in (Golf Fund to Golf Course Reserve)	225,000	225,000	225,000	225,000	225,000
Transfer in (Golf Fund to Golf Bond Repayment)	75,000	530,000	530,000	530,000	530,000
Transfer out (Golf Fund to Golf Course Reserve)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
Transfer out (Golf Fund to Golf Bond Repayment)	(75,000)	(530,000)	(530,000)	(530,000)	(530,000)
Transfer out (Golf Fund to General Fund)	(455,000)	-	-	-	-
Total nonoperating revenues and expenses	<u>(442,383)</u>	<u>12,617</u>	<u>12,617</u>	<u>12,617</u>	<u>12,617</u>
Changes in net position	<u>246,851</u>	<u>775,630</u>	<u>854,144</u>	<u>937,699</u>	<u>1,026,618</u>
Net Position, beginning	<u>13,702,943</u>	<u>13,949,794</u>	<u>14,725,424</u>	<u>15,579,568</u>	<u>16,517,267</u>
Net Position, ending	<u>\$ 13,949,794</u>	<u>\$ 14,725,424</u>	<u>\$ 15,579,568</u>	<u>\$ 16,517,267</u>	<u>\$ 17,543,885</u>
Net Position - Golf Fund and Golf Course Reserve Fund	\$ 237,087	\$ 773,087	\$ 1,309,087	\$ 1,845,087	\$ 2,381,087
Net Position - Golf Bond Repayment Fund	13,712,707	13,952,337	14,270,481	14,672,180	15,162,798
	<u>\$ 13,949,794</u>	<u>\$ 14,725,424</u>	<u>\$ 15,579,568</u>	<u>\$ 16,517,267</u>	<u>\$ 17,543,885</u>

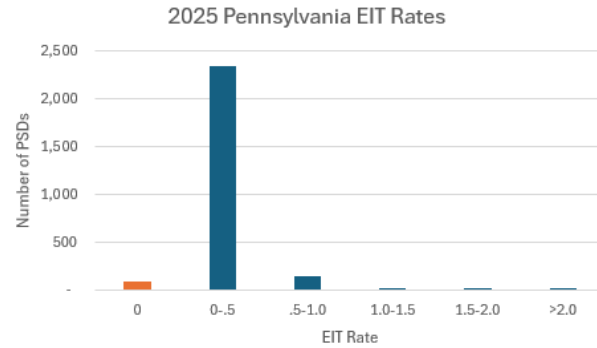
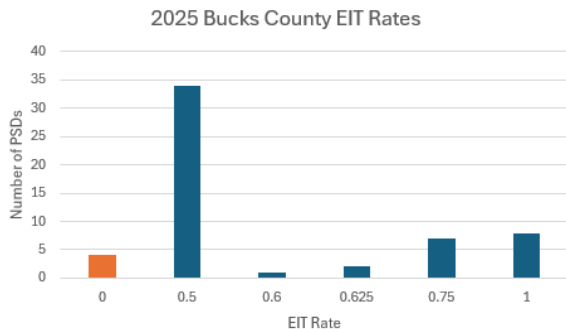
LOOKING FORWARD

Included in this section are recommendations for the Township to consider implementing in the future to help ensure financial stability.

EARNED INCOME TAX

The Township takes pride in not charging its residents earned income taxes. Instead, they rely on real estate taxes, local service taxes, and other revenue sources. However, as shown through the Financial Trend Analysis, these revenue sources are not growing at a rate as high as the increase in expenses each year, and the Township now has the need to find other revenue source options.

The charts below show the 2025 earned income tax rates charged by all PSDs within both Bucks County and within the entire state of Pennsylvania. As shown, the Township is one of the four PSDs within Bucks County who do not charge EIT, and one of the 91 PSDs within the state of Pennsylvania who does not charge EIT. Total PSDs in Bucks County and the State of Pennsylvania are 56 and 2,630, respectively.



A study was performed by Keystone Collections Group in 2023 that calculated the earned income tax the Township could be collecting on an annual basis at approximately \$20 million, if collected at the 1% rate, or approximately \$10 million, if collected at .5%. If this tax is charged to residents, this steady revenue stream would reduce the Township's reliance on other taxes and outside funding sources.

If earned income tax is charged to residents, the revenue would reduce the Township's reliance on other taxes and outside funding sources.

REAL ESTATE TAX

Bucks County is charging real estate taxes at 24.95 mills in 2025. Each year, when the budget is prepared, the Township reviews the allocation of real estate taxes between tax purposes/funds and budgets based on the needs of each fund. During this process, the Township should pay close attention to this allocation in future years, as many funds are operating with negative fund balance, which could be eliminated through the allocation of more real estate taxes to that fund. The Township needs to continue to monitor its general purpose millage allocation in comparison to the statutory cap of 14 mills under Pennsylvania's Second Class Township Code.



The Township needs to continue to monitor its general purpose millage allocation in comparison to the statutory cap of 14 mills under Pennsylvania's Second Class Township Code.

In addition, a county wide assessment in Bucks County has not been performed since 1972. Bucks County does continue to increase property values each year; however, they are based on market conditions rather than a full assessment. This treatment of the property assessments has led to very slight increases in real estate tax revenues over the years.

ANALYSIS OF REVENUE STREAMS AND SENSITIVITY

Certain revenue streams of a local government are very consistent and predictable, while others can vary significantly. Throughout the budgeting process, the Township should identify those variable revenue streams and any sensitivities outside of their control. This has become more apparent in recent years due to the challenges faced with COVID-19. The Township should ensure they have a handle on those revenue streams and their future activities.

The Township should develop procedures where they are analyzing these revenue streams for consistency with prior years, the budget, and other expectations. Consistent review of these revenue streams will help the Township identify any areas where the Township revenues are declining or where the Township is in need of finding other revenue sources, before it is too late.



The Township should develop procedures to analyze revenue streams for consistency with prior years, the budget, and other expectations.

GRANT FUNDING

The Township should be aware of the variety of grant funding available to them. These grants can come from anywhere such as the federal government, the state of Pennsylvania, or Foundations. There is a significant number of federal grants available right now. When planning the budget for future years, especially if a multi-year Capital Improvement Plan is created, the Township should consider where they can apply for grant funding to cover the costs of these projects or other operations within the Township. This is also in line with the Township's Capital Projects Funding Policy that states that grants are the first method the Township should use for obtaining funds for the carrying out of Capital Improvement Projects.

REVENUE DIVERSIFICATION INITIATIVES

In addition to ongoing efforts to optimize existing revenue streams, the Township is actively exploring several new sources of revenue to support long-term financial stability. Among these are a potential parking fee, which would introduce paid parking facilities for the first time, currently viewed as a conservative "belt and suspenders" measure. An amusement tax is also under consideration, with preliminary estimates suggesting it could generate approximately \$500,000, annually. In addition, a stormwater fee is under consideration, with projected revenues of approximately \$1.5 to \$2 million; however, this fee is intended to fund specific infrastructure needs that may not result in significant net budget impact.

The Township is also monitoring developments that could increase real estate tax revenue including the Shady Brook development and a proposal by the Pennsylvania State Association of Township Supervisors to raise the maximum allowable millage rate for second class townships from 14 to 30 mills. The county wide reassessment process also remains a key variable that could significantly impact future real estate tax revenues.

MONITORING OF PERSONNEL COSTS

The Township's largest expense is related personnel costs. It is important that the Township continues to monitor these personnel costs to ensure responsible spending but also continue to increase wages at a rate consistent with the market to ensure employees are satisfied and motivated. It is equally important for the Township to make sure they have enough employees to provide all essential services and support for its residents.

CAPITAL IMPROVEMENT PLAN

The Township does not currently prepare a multi-year Capital Improvement Plans that allows them to accurately plan out the future capital projects and needs of the Township. The Township currently determines the capital needs of the Township one year at a time, during the annual budget preparation process. The preparation of a multi-year plan will help the Township anticipate significant future capital costs and begin allocating resources as early as possible to cover those costs. It will also provide the Township with adequate time to research and obtain grant funding for certain projects. A multi-year Capital Improvement Plan should be developed and published on the Township's website to provide residents with a clear understanding and transparency of future capital expenses that will be incurred by the Township.



The Township should prepare a multi-year Capital Improvement Plan and publish it to the Township's website to provide residents with a clear understanding and transparency of future capital expenses.

GOVERNMENTAL FUNDS

It was noted that the Township maintains over 20 governmental funds, with some of these funds serving the same purpose, and some funds that are combined to be reported as one fund for external financial reporting but accounted for separately in the Township's accounting system. Having too many funds can create inefficiencies and complexities for the Township when monitoring all these funds. There is an administrative burden that is created for the accounting, budgeting, and reporting for all these funds and this can lead to errors in accounting and budgeting. The Township should review the purpose of each fund and determine if certain funds can be combined or closed. The Township should maintain only the minimum number of funds necessary for legal and operational requirements. This will ensure more accuracy and efficiency in the accounting for each fund. This process should also include a review of funds that are carrying a negative fund balance, and consideration of ways to eliminate these negative fund balances.



The Township should review the purpose of each fund and determine if certain funds can be combined or closed.

In addition, when a fund also has a capital reserve fund associated it with it, the Township should create a written policy that outlines the funding source of the capital reserve and minimum balance to be maintained.

FUND BALANCE POLICY

It is imperative that the Township ensure they are maintaining enough fund balance to cover the Township's costs. The Township needs to ensure they are monitoring fund balance and properly planning for where it will be in the future, to avoid sudden tax increases or reliance on other revenue sources to cover deficits. In 2024, the Township implemented a formal fund balance policy requiring a minimum year-end General Fund unrestricted fund balance of 25% (three months of reserves) with a goal of 40% of the current year's total General Fund expenditures. In 2025, the remaining \$3.4 million in the Sewer Fund was transferred to the General Fund, providing a one-time injection of funds that, if managed strategically, could help the Township achieve and sustain compliance with the fund balance policy. Since approving the fund balance policy in 2024, the Township has not been in compliance. The Township should review its anticipated fund balance annually during the budget process and ensure plans are in place to replenish reserves when they fall below the policy minimum.



Since approving the fund balance policy in 2024, the township has not been in compliance.

USE OF THE SEWER SALE TRUST FUND

It is anticipated that various funds within the Township will continue to or begin operating with negative fund balance in future years. If necessary, and no other revenue streams or cutting of expenses is an option, as a last resort, the Township should consider whether a withdrawal or loan from the Sewer Sale Trust fund is the best option. Per the trust agreement, the Township has the ability to distribute trust assets or receive loans from the trust, with board approval. The Township should try to maintain the assets in this Trust, and only use this option if absolutely necessary, as this Trust continues to provide diversification of revenue streams and distributions each year that are used by the Township General Fund.



Lower Makefield Township