

**FINANCIAL SUMMARY REPORT
UNION TOWNSHIP
5. SUMMARY AND CONCLUSIONS**

Overall, the estimated projections for the 2005 budget are that the Township will end the year with approximately a \$15,000 - \$25,000 deficit in fund balance if all of the current liabilities are paid and after the disbandment of the police department. This projection could be positively impacted by a higher than predicted collection of earned income tax, zoning and building permit fees or solid waste benefit fees. Likewise, further containment of costs could result in a change in the projected deficit. However, most of the costs that have been estimated are fixed costs or expenses that have already been incurred by the Township for fiscal year 2005.

The Township has been carrying a deficit balance for a number of years and this deficit has rolled over and become larger with each fiscal period. (See Exhibits 28 and 29.) The problem is exacerbated by the cash basis accounting system that allows the Township to push current year expenditures into future periods without reporting them as payables. Without this information, the Township has not included the calculation of payables in the budgeting process and subsequently, the expenses are under-reported and millage is not set at the proper level.

In any event, the Township should be able to easily handle the small projected deficit by slowing down some payment of bills in December and budgeting for the shortfall in the 2006 budget. It is imperative that the deficit be taken into consideration by the Township during its budgeting process in order to avoid the cumulative effect of carrying over a deficit from year to year.

It is absolutely critical that the Township initiate an early budgeting session in the month of September and consider the suggested preliminary budget estimates included in Appendix D of this report. Based on a review of the 2006 budget projected revenue and anticipated expenses, the following strategy is proposed:

1. The Township should consider taking a Tax and Revenue Anticipation Note to cover the short term deficit that will be faced at year end. This will allow the Township to pay bills timely and to avoid penalties. It also helps to mend the reputation of the Township with its vendors and other payees. As long as the

Budget includes the pay back of the TRAN and the associated interest payment, the Township should have the funds necessary to make the proper payments.

2. The Township Supervisors should levy a millage rate that provides enough revenue to cover the 2006 expenses and the carry over of any liabilities from 2005. Any excess should be identified as a "Transfer to the Reserve Fund."
3. The Township should adopt the accounting and purchase order procedure that are included in this report in Appendix C and should ensure that the procedures are followed.
4. The Supervisors should require monthly budget reports by the 15th of each calendar month and a Treasurer's report that reconciles the bank account balances to ledger activity. It is important for the Supervisors to know what has been received and/or expended from each line item and how the bank balances relate to the ledger balances.
5. Specific, accurate calculations, and prior year experience should be utilized when making budget projections. The following "Budgeting Pitfalls" should be avoided.

Budget Pitfalls

- ☞ Budgeting non-existent revenue.
- ☞ Over estimating revenue and under estimating expenses.
- ☞ Failing to follow through on programs or policies that are established as part of the budget process.
- ☞ The "once-a-year budget" approach.
- ☞ Showing and considering the Tax Anticipation Loan as a revenue.
- ☞ Failure to face up to a tax increase or to make the budget cuts necessary to balance the budget.
- ☞ Failure to identify new or increased costs during the budget process.
- ☞ Spending in excess of what is actually included in the budget plan.

In order to implement the above recommendations, the following additional recommendations are made:

1. The Township should invest in updated computer hardware, software, and support for the financial operation including internet connections so that bank reconciliation and activity can be monitored. The financial system is the heart of the organization and must be maintained adequately in order to obtain the best information on a timely basis for tracking, reporting, and budgeting.

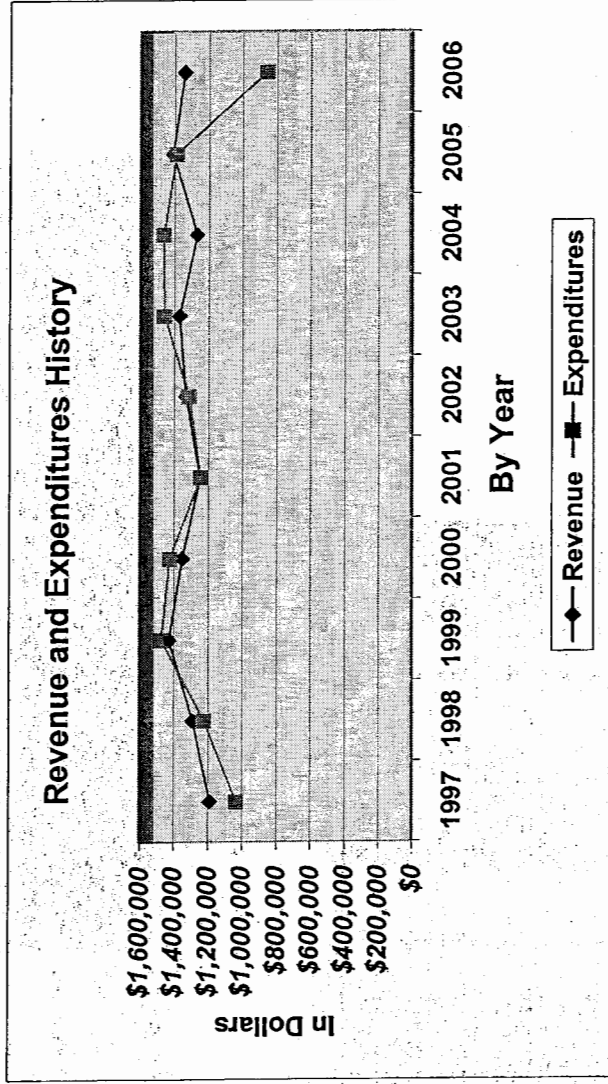
The Township should continually invest in software enhancements, training, and support for this operation.

2. Additional training should be provided for the Township Secretary in accounting functions, computer operations, and municipal reporting activities. Financial activities related to reconciliation of bank statements, proper coding of expenses and revenues, proper reporting of liabilities, and tracking of important revenue sources should be included in training sessions.
3. The purchase order system should be set up and rigidly enforced in order to establish encumbrances of funds when the purchase is made and to control spending early in the process.
4. The Board of Supervisors should develop a multi-year capital planning process that addresses future infrastructure and equipment needs. The capital budget that includes roads, sewer projects, facilities and equipment purchases should be reviewed and updated annually during the budget process. All proposed expenditures and all associated funding streams should be identified so that the proper financial support can be developed. A dedicated real estate tax levy can be used to support capital borrowing for these purposes.
5. The Township should explore additional consolidated and/or shared municipal services such as public works, regional planning & zoning, recreation, and sewer operations. The Township shares borders with nine communities and is in close proximity to at least half a dozen others – many of the services provided by Townships are similar and can be done jointly to achieve efficiencies. In addition, purchasing activities and bidding activities can result in savings and more effective goods and services for the residents.

UNION TOWNSHIP HISTORY REVENUE AND EXPENDITURES WITH PROJECTIONS

Year	Total Revenue	Total Expenditures	Difference
1997	\$1,188,127	\$1,035,012	\$153,115
1998	\$1,290,153	\$1,223,301	\$66,852
1999	\$1,428,696	\$1,473,111	-\$44,415
2000	\$1,351,753	\$1,424,573	-\$72,820
2001	\$1,248,974	\$1,245,902	\$3,072
2002	\$1,332,126	\$1,313,786	\$18,340
2003	\$1,371,307	\$1,459,275	-\$87,968
2004	\$1,269,857	\$1,465,385	-\$195,528
2005	\$1,410,719	\$1,389,044	\$21,675
2006	\$1,341,662	\$857,099	\$484,564

Projections
Projections



UNION TOWNSHIP HISTORY PROJECTED ACCUMULATED FUND BALANCE

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Year	Beg Cash	Total Revenue	Total Expenditures	Difference
1997		\$1,188,127	\$1,035,012	\$153,115
1998	\$153,115	\$1,290,153	\$1,223,301	\$219,967
1999	\$219,967	\$1,428,696	\$1,473,111	\$175,552
2000	\$175,552	\$1,351,753	\$1,424,573	\$102,732
2001	\$102,732	\$1,248,974	\$1,245,902	\$105,804
2002	\$105,804	\$1,332,126	\$1,313,786	\$86,759
2003	\$86,759	\$1,371,307	\$1,459,275	\$151,798
2004	\$151,798	\$1,269,857	\$1,465,385	-\$43,730
2005	-\$43,730	\$1,410,719	\$1,389,044	-\$22,055
2006	-\$22,055	\$1,341,662	\$857,099	\$462,509

Projections
Projections

