

**UPPER MAKEFIELD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
WITH ACCOMPANYING AUDITOR'S REPORTS**

FOR THE YEAR ENDED DECEMBER 31, 2010

UPPER MAKEFIELD TOWNSHIP
Financial Statements
For the Year Ended December 31, 2010

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July 7, 2011

Independent Auditor's Report

Board of Supervisors
Upper Makefield Township
Newtown, Pennsylvania 18940

Dear Board Members:

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Upper Makefield Township (the Township) as of and for the year ended December 31, 2010 as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Township at December 31, 2010 and the changes in financial position and cash flows, where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, Schedules of Pension Plan Funding Progress, and Budgetary Comparison Schedules are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Burton & Browse LLP

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

The following discussion and analysis of the financial statements of Upper Makefield Township, Bucks County Pennsylvania (the Township) provides an overview of the financial activities of the Upper Makefield Township for the year ended December 31, 2010. Please read this management's discussion and analysis in conjunction with the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Township's financial condition as of December 31, 2010.

FINANCIAL HIGHLIGHTS

- The net assets (assets minus liabilities) of the Township as of December 31, 2010 were approximately \$44.2 million. Of this amount, \$39.0 million represents governmental net assets and, \$5.2 million represents business-type net assets. Of the net asset balance, \$9.1 million is unrestricted and available to meet the Township's ongoing obligations in accordance with Township fund designations and fiscal policies.
- The Township's net assets increased by \$.8 million during the year ended December 31, 2010. The governmental net assets increased by \$.7 million and the business-type net assets increased by \$.1 million.
- The general fund, the Township's primary operating fund, reported a decrease in fund balance of \$.7 million. As of December 31, 2010 the general fund unreserved fund balance was \$2.0 million or 36.1% of total general fund expenditures for the year ended December 31, 2010.
- The Township's governmental cash and cash equivalents decreased \$.7 million during 2010.
- The Township's pension fund investments increased in value by \$1.0 million during 2010.
- The Township established a real estate tax levy of 1 mil for the General Fund during 2010.
- The Township paid \$1.47 million principal and \$1.02 interest on outstanding bonds and notes during 2010.
- The Township paid \$.3 million for road improvement projects during 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's financial statements are composed of this Management's Discussion and Analysis (MD&A) and the basic financial statements. The MD&A provides analysis and overview of the Township's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also includes required and other supplementary information as listed in the table of contents.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements: a statement of net assets and a statement of activities. Fiduciary activities, whose resources are not available to finance Township programs, are excluded from these statements.

The *Statement of Net Assets* presents the Township's total assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

The *Statement of Activities* presents information showing how the Township's net assets changed during the current year. All revenues and expenses are reported in this statement regardless of the timing of cash flows. The focus of this statement is on the net cost of providing various activities to the citizens of the Township.

Both of these government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works – highways and streets, culture and recreation, community development, debt service and other. The business-type activities of the Township include sanitary sewer and water operations.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements are prepared using the economic resources measurement focus, reporting all inflows, outflows, and balances affecting the Township's fund balances. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The Township has three types of funds: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds

Governmental funds include the activities of most of the Township's basic services. These funds include the Township's general fund and various special revenue and capital project funds. Governmental Funds focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

Proprietary Funds

Water and Sewer Fund – This fund is used to account for water and sewer services provided by the Township to three developments located within the Township. This activity is financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Dutchess Farm Sewer Fund – This fund is used to account for sewer services provided by the Township to one development located within the Township. It is anticipated that the developer will donate the sewer plant to the Township during 2012.

Fiduciary Funds

Fiduciary Funds (Not included in government-wide statements) – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Township maintains two pension trust funds that cover pension benefits for members of the 1) Township police force and 2) other Township employees. In addition, the Township maintains developer escrow funds which are used to pay professional fees for specific planning and zoning requests.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

Notes to Basic Financial Statements

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

Required supplementary information is additional information consisting of schedules of funding progress for the Township's pension plans and budgetary comparison schedules for the general fund and each major special revenue fund required to have a budget.

Other Supplementary Information

Other supplementary information, including additional statements can be found immediately following the notes to basic financial statements. These include the combining and individual fund statements for the other governmental funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed comparative Statement of Net Assets:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current Assets:	\$ 11,513,717	\$ 12,137,241	\$ 2,052,298	\$ 1,866,356	\$ 13,566,015	\$ 14,003,597
Capital Assets	51,140,884	51,225,267	3,231,654	3,344,822	54,372,538	54,570,089
Other Assets	37,231	39,713	-	-	37,231	39,713
Total Assets	\$ 62,691,832	\$ 63,402,221	\$ 5,283,952	\$ 5,211,178	\$ 67,975,784	\$ 68,613,399
Liabilities and Net Assets						
Current Liabilities:	\$ 1,743,487	\$ 1,697,729	\$ 29,130	\$ 33,078	\$ 1,772,617	\$ 1,730,807
Noncurrent Liabilities:	21,966,460	23,447,470	-	-	21,966,460	23,447,470
Total Liabilities	23,709,947	25,145,199	29,130	33,078	23,739,077	25,178,277
Net Assets						
Invested in Capital Assets, Net of Related Debt	28,424,659	27,125,396	3,231,654	3,344,822	31,656,313	30,470,218
Restricted	3,459,078	3,372,020	-	-	3,459,078	3,372,020
Unrestricted	7,098,148	7,759,606	2,023,168	1,833,278	9,121,316	9,592,884
Total Net Assets	38,981,885	38,257,022	5,254,822	5,178,100	44,236,707	43,435,122
Total Liabilities and Net Assets	\$ 62,691,832	\$ 63,402,221	\$ 5,283,952	\$ 5,211,178	\$ 67,975,784	\$ 68,613,399

The current assets of the Township are comprised of cash, short-term investments, and taxes and accounts receivable. The Township's capital assets are comprised of buildings, land, construction work in progress, conservation easements, machinery and equipment, infrastructure and water and sanitary sewer systems.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

Current liabilities primarily include accounts payable and current maturities of general obligation notes payable. The long-term liabilities figure reflects principal balances due in more than one year on various general obligation notes and accrued sick leave. The outstanding principal on bonds and notes makes up 89.7% of the long-term liabilities figure.

The difference between the assets and liabilities is labeled as net assets. Net assets are broken down as capital, restricted and unrestricted. Capital assets (net) are reported net of their accumulated depreciation and any outstanding principal owed on related debt. This represents 71.6% of the Township's total net assets. Restricted net assets are restricted either by Township enabling legislation or by the Commonwealth. They are restricted for items such as debt service, fire protection or road projects. The remaining unrestricted net assets may be used for any purpose that the Township sees fit. Unrestricted amounts are not currently the object of any tentative management plans.

The Following table presents the Township's changes in net assets for the years ended December 31, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Service	\$ 771,335	\$ 622,945	\$ 523,658	\$ 488,721	\$ 1,294,993	\$ 1,111,666
Grants and Contributions	921,060	1,133,446	-	-	921,060	1,133,446
General Revenues						
Taxes	6,402,865	6,142,307	-	-	6,402,865	6,142,307
Cable Franchise Fees	190,689	175,274	-	-	190,689	175,274
Investment Earnings	59,116	95,446	3,641	5,460	62,757	100,906
Gain on Sale of Assets	1,750	202	-	-	1,750	202
Miscellaneous	32,899	50,327	-	-	32,899	50,327
Total Revenues	8,379,714	8,219,947	527,299	494,181	8,907,013	8,714,128
Expenses						
General Government	1,195,845	1,182,910	-	-	1,195,845	1,182,910
Public Safety	3,885,481	3,782,190	-	-	3,885,481	3,782,190
Public Works (Highways & Streets)	1,225,040	1,188,891	-	-	1,225,040	1,188,891
Public Works (Water & Sewer System)	-	-	450,577	416,128	450,577	416,128
Culture & Recreation	173,604	209,984	-	-	173,604	209,984
Community Development	72,618	104,441	-	-	72,618	-104,441
Interest on Long Term Debt	1,023,729	1,057,267	-	-	1,023,729	1,057,267
Other	35,032	55,855	-	-	35,032	55,855
Unallocated Depreciation	43,502	46,454	-	-	43,502	46,454
Total Expenses	7,654,851	7,627,992	450,577	416,128	8,105,428	8,044,120
Change in Net Assets	724,863	591,955	76,722	78,053	801,585	670,008
Net Assets - Beginning of Year	38,257,022	37,665,067	5,178,100	5,100,047	43,435,122	42,765,114
Net Assets - End of Year	\$ 38,981,885	\$ 38,257,022	\$ 5,254,822	\$ 5,178,100	\$ 44,236,707	\$ 43,435,122

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS
Governmental Funds

The governmental funds are comprised of the general fund, and various special revenue and capital projects funds. The measurement focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending at the end of the year.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

The following table presents the Township's changes in Governmental fund balances for the years ended December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Revenues		
Taxes	\$ 6,376,080	\$ 5,842,282
Cable Franchise Fees	190,689	175,274
Licenses & Permits	15,560	14,038
Fines	49,564	53,998
Interest	44,822	81,152
Intergovernmental Revenue	576,874	1,151,987
Charges for Services	724,813	561,747
Miscellaneous Revenue	76,719	112,006
Total Revenues	<u>8,055,121</u>	<u>7,992,484</u>
Expenditures		
Current:		
General Government	940,712	964,950
Public Safety	2,815,070	2,754,918
Public Works (Highways & Streets)	846,125	1,142,041
Culture & Recreation	121,706	174,853
Community Development	73,594	534,556
Miscellaneous	1,433,975	1,382,061
Debt Service:		
Principal	1,474,444	1,411,052
Interest	<u>1,024,257</u>	<u>1,050,920</u>
Total Expenditures	<u>8,729,883</u>	<u>9,415,351</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(674,762)</u>	<u>(1,422,867)</u>
Other Financing Sources (Uses)		
Debt Issued	<u>-</u>	<u>1,900,000</u>
Total Other Financing Sources & Uses	<u>-</u>	<u>1,900,000</u>
Net Change in Fund Balances	(674,762)	477,133
Fund Balances - Beginning of Year	<u>10,491,581</u>	<u>10,014,448</u>
Fund Balances - End of Year	<u>\$ 9,816,819</u>	<u>\$ 10,491,581</u>

Proprietary Funds

The Township's proprietary funds provide the same type of information found in the government-wide financial statements. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses proprietary funds to account for the sanitary sewer and water operations for four housing developments located in the Township. Please refer to the business-type activities section listed previously for discussion on the activity in the proprietary funds.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

General Fund Budgetary Highlights

The following table presents budget versus actual (cash basis) for the general fund.

	Budget Amounts	Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Positive (Negative)
Revenues			
Taxes	\$ 3,504,202	\$ 3,593,454	\$ 89,252
Licenses & Permits	190,180	202,533	12,353
Fines	61,000	54,341	(6,659)
Interest	52,000	20,135	(31,865)
Intergovernmental Revenue	337,757	344,761	7,004
Charges for Services	594,500	697,239	102,739
Miscellaneous Revenue	22,800	37,725	14,925
Total Revenues	<u>4,762,439</u>	<u>4,950,188</u>	<u>187,749</u>
Expenditures			
General Government	1,079,395	878,669	200,726
Public Safety	2,735,400	2,663,596	71,804
Public Works (Highways & Streets)	570,312	520,314	49,998
Culture & Recreation	-	25	(25)
Community Development	10,500	9,500	1,000
Miscellaneous	1,549,196	1,479,514	69,682
Total Expenditures	<u>5,944,803</u>	<u>5,551,618</u>	<u>393,185</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,182,364)</u>	<u>(601,430)</u>	<u>580,934</u>
Other Financing Sources (Uses)			
Interfund Transfers	(110,000)	(89,528)	20,472
Total Other Financing Sources & Uses	<u>(110,000)</u>	<u>(89,528)</u>	<u>20,472</u>
Net Change in Fund Balances	<u>\$ (1,292,364)</u>	<u>\$ (690,958)</u>	<u>\$ 601,406</u>
Fund Balances - Beginning		<u>2,371,284</u>	
Fund Balances - Ending		<u>\$ 1,680,326</u>	

The following is a brief summary of general fund budget versus actual variances for the year ended December 31, 2010:

- Taxes - Actual amounts were greater than budgeted due to conservative budget estimates.
- Interest on Township deposits – Actual amounts were less than budgeted due to declining interest rates offered by the Township's depositors.
- Charges for services – Actual amounts were more than budgeted due to an increase in construction start-ups.
- General Government – Actual amounts were less than budgeted due to conservative budget estimates for administrative salaries and legal costs.
- Public Safety – Actual amounts were less than budgeted due to conservative budget estimates for code legal and engineering expenses.
- Miscellaneous -- Actual amounts were less than budgeted due to conservative budget estimates for insurance and pension costs.

For more information see page 36 - Budgetary Comparison Schedule – General Fund.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Township are presented in the chart below:

Land and Land Improvements	\$ 3,133,838
Infrastructure	14,758,026
Water and Sewer System	4,526,666
Buildings and Improvements	5,678,692
Equipment and Furniture	1,998,157
Conservation Easements	<u>34,213,440</u>
	64,308,819
Less Accumulated Depreciation	<u>(9,936,281)</u>
	<u>\$ 54,372,538</u>

Major capital asset transactions/events during the year ended December 31, 2010 included the following:

- The Township paid \$276,972 for drainage improvements to Eagle Road.
- The Township paid \$63,238 for new vehicles, equipment and furniture.
- The Township paid \$31,990 for improvements to Brownsburg and Lookout Parks.
- A conservation easement was donated to the Township valued at \$301,510.

Additional information on the Township's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

Long-term Debt

The Township's long-term debt has been utilized to construct the current Township administrative and police facilities and to acquire various conservation easements. As of December 31, 2010, the Township had total long-term debt outstanding of \$22.8 million.

Additional information on the Township's long-term debt can be found in Note 6 of the Notes to Basic Financial Statements.

**UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2010**

MANAGER'S DISCUSSION

The following is a list of projected financial highlights for the Township as of July 7, 2011:

In 2011, the Township will continue to manage insurance costs through participation in the Delaware Valley Health Insurance Trust, Workers Compensation Trust and Insurance Trust.

The Police Union is in the final year of a four-year contract. Police wages in 2011 reflect the negotiated four percent (4.5%) increase over 2010 costs. Employees in the Public Works Department are represented by the Teamsters Union. The Board of Supervisors recently approved a three-year contract with a wage increase of two percent (2%) for 2011.

The 2011 Minimum Municipal Obligation is budgeted at \$274,362 for the Police Pension and \$178,296 for the Non-Police Pension. This obligation is offset by \$148,000 in anticipated revenue from the Commonwealth.

In 2011, the Township will transfer \$20,000 from the General Fund and \$10,000 from the Emergency Services Fund into the Capital Reserve Fund to prepare for conversion of police radios in 2012.

The Township's 2011 infrastructure needs include \$185,000 for the Mt. Eyre Manor Drainage Project and \$75,000 for road/bridge improvement projects.

Purchase of one police vehicle is budgeted in the General Fund at a cost of \$45,000.

The Riparian Restoration and Buffer Fund includes \$250,000 in budgeted expenditures for Riparian Restoration Grant projects.

In the Water and Sewer Fund – Heritage Hills, \$140,000 is allocated for capital improvements to the Heritage Hills Treatment Plant.

During the 2011 budget process, the Board of Supervisors authorized transferring the entire fund balance (\$742,335) from the Cable Fund into the General Fund.

Other than those issued listed in the MD&A and in the Notes to the Basic Financial Statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township finances and to demonstrate the Township's accountability for the financial resources it receives. Questions concerning this report or requests for additional financial information should be directed to Stephanie Teoli, Township Manager, Upper Makefield Township, 1076 Eagle Road, Newtown, PA 18940, telephone (215) 968-3340, or visit the Township's web site at www.upper-makefield.com.

UPPER MAKEFIELD TOWNSHIP
Government-wide Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 9,479,218	\$ 1,913,551	\$ 11,392,769
Accounts Receivable	161,158	106,483	267,641
Taxes Receivable (net)	1,838,274	-	1,838,274
Prepaid Expenses	35,067	32,264	67,331
Total Current Assets	<u>11,513,717</u>	<u>2,052,298</u>	<u>13,566,015</u>
Capital Assets			
Conservation Easements	34,213,440	-	34,213,440
Other Capital Assets, net of Depreciation	16,927,444	3,231,654	20,159,098
Total Capital Assets	<u>51,140,884</u>	<u>3,231,654</u>	<u>54,372,538</u>
Other Assets			
Unamortized Bond Issuance Costs	37,231	-	37,231
Total Assets	<u>62,691,832</u>	<u>5,283,952</u>	<u>67,975,784</u>
Liabilities			
Current Liabilities:			
Accrued Payroll & Withholdings	101,016	-	101,016
Accounts Payable	114,421	29,130	143,551
Interest Payable	46,997	-	46,997
Bonds & Notes Payable - Current Portion	1,481,053	-	1,481,053
Total Current Liabilities	<u>1,743,487</u>	<u>29,130</u>	<u>1,772,617</u>
Noncurrent Liabilities:			
Bonds & Notes Payable,			
Less Current Portion Above	21,288,450	-	21,288,450
Compensated Absences	463,580	-	463,580
Unamortized Bond Premium	214,430	-	214,430
Total Noncurrent Liabilities	<u>21,966,460</u>	<u>-</u>	<u>21,966,460</u>
Total Liabilities	<u>23,709,947</u>	<u>29,130</u>	<u>23,739,077</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	28,424,659	3,231,654	31,656,313
Restricted	3,459,078	-	3,459,078
Unrestricted	7,098,148	2,023,168	9,121,316
Total Net Assets	<u>\$ 38,981,885</u>	<u>\$ 5,254,822</u>	<u>\$ 44,236,707</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Government-wide Statement of Activities
For the Year Ended December 31, 2010

Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government & Administration	\$ 1,195,845	\$ 436,527	\$ 39,056	\$ -	\$(720,262)	\$ -	\$(720,262)
Public Safety	3,885,481	302,087	278,908	-	(3,304,486)	-	(3,304,486)
Public Works (Highways & Streets)	1,225,040	29,448	242,428	-	(953,164)	-	(953,164)
Culture & Recreation	173,604	3,273	28,925	-	(141,406)	-	(141,406)
Community Development	72,618	-	-	331,743	259,125	-	259,125
Interest on Long Term Debt	1,023,729	-	-	-	(1,023,729)	-	(1,023,729)
Other	35,032	-	-	-	(35,032)	-	(35,032)
Unallocated Depreciation	43,502	-	-	-	(43,502)	-	(43,502)
Total Governmental Activities	7,654,851	771,335	589,317	331,743	(5,962,456)	-	(5,962,456)
Business-type Activities							
Public Works (Sewer System)	12,581	74,969	-	-	-	62,388	62,388
Public Works (Water & Sewer System)	437,996	448,689	-	-	-	10,693	10,693
Total Business-type Activities	450,577	523,658	-	-	-	73,081	73,081
Total Government	\$ 8,105,428	\$ 1,294,993	\$ 589,317	\$ 331,743	(5,962,456)	73,081	(5,889,375)
General Revenues:							
Taxes:							
Real Estate Taxes Levied for General Purposes					886,932	-	886,932
Real Estate Taxes Levied for Debt Service					2,566,406	-	2,566,406
Earned Income Taxes					2,949,527	-	2,949,527
Cable Franchise Fees					190,689	-	190,689
Investment Earnings					59,116	3,641	62,757
Gain on Sale of Capital Assets					1,750	-	1,750
Miscellaneous					32,899	-	32,899
Transfers					-	-	-
Total General Revenues & Transfers					6,687,319	3,641	6,690,960
Change in Net Assets					724,863	76,722	801,585
Net Assets - January 1					38,257,022	5,178,100	43,435,122
Net Assets - December 31					\$ 38,981,885	\$ 5,254,822	\$ 44,236,707

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Balance Sheet

Governmental Funds

December 31, 2010

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer & Restoration Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 1,688,675	\$ 2,807,808	\$ 2,896,074	\$ 2,086,660	\$ 9,479,217
Accounts Receivable	161,158	-	-	-	161,158
Taxes Receivable	1,741,750	84,023	-	12,503	1,838,276
Prepaid Expenses	<u>35,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,067</u>
Total Assets	<u>\$ 3,626,650</u>	<u>\$ 2,891,831</u>	<u>\$ 2,896,074</u>	<u>\$ 2,099,163</u>	<u>\$ 11,513,718</u>
Liabilities					
Payroll Withholdings	\$ 8,349	\$ -	\$ -	\$ -	\$ 8,349
Accounts Payable	103,530	2,173	352	8,367	114,422
Accrued Payroll	92,667	-	-	-	92,667
Deferred Revenue	<u>1,426,199</u>	<u>48,104</u>	<u>-</u>	<u>7,158</u>	<u>1,481,461</u>
Total Liabilities	<u>1,630,745</u>	<u>50,277</u>	<u>352</u>	<u>15,525</u>	<u>1,696,899</u>
Fund Balances					
Reserved for:					
Debt Service	-	2,586,753	-	320,879	2,907,632
Designated for:					
Open Space Purchases	-	254,801	-	-	254,801
Grants to Others	-	-	2,895,722	-	2,895,722
Unreserved, Undesignated					
Reported In:					
General Fund	1,995,905	-	-	-	1,995,905
Special Revenue Funds	-	-	-	464,968	464,968
Capital Project Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297,791</u>	<u>1,297,791</u>
Total Fund Balances	<u>1,995,905</u>	<u>2,841,554</u>	<u>2,895,722</u>	<u>2,083,638</u>	<u>9,816,819</u>
Total Liabilities and Fund Balances	<u>\$ 3,626,650</u>	<u>\$ 2,891,831</u>	<u>\$ 2,896,074</u>	<u>\$ 2,099,163</u>	<u>\$ 11,513,718</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Reconciliation of Balance Sheet of the Governmental Funds
to the Statement of Net Assets
December 31, 2010

Total Fund Balances - Governmental Funds \$ 9,816,819

Amounts reported for governmental activities in the statement of net assets are different because:

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 1,439,487

Accounts receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds 41,974

Unamortized bond issuance costs are recorded and amortized over the life expectancy of the bond issue in the statement of net assets but are expensed in the year of issuance for the governmental funds 37,231

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets and the accumulated depreciation are as follows:

Cost of assets	\$	59,782,153	
Accumulated depreciation		<u>(8,641,269)</u>	
			51,140,884

Certain long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. This includes general fund compensated absences.

Notes Payable	\$	(22,769,503)	
Accrued interest on Notes Payable		(46,997)	
Compensated absences		(463,580)	
Unamortized Bond Premium		<u>(214,430)</u>	
			<u>(23,494,510)</u>

Total Net Assets - Governmental Activities \$ 38,981,885

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
December 31, 2010

	General Fund	Open Space Fund	Riparian Buffer & Restoration Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Real Estate Taxes	\$ 248,116	\$ 2,448,268	\$ -	\$ 364,309	\$ 3,060,693
Real Estate Transfer Taxes	472,920	-	-	-	472,920
Earned Income Taxes	2,842,467	-	-	-	2,842,467
Cable Franchise Fees	190,689	-	-	-	190,689
Licenses & Permits	15,560	-	-	-	15,560
Fines	49,564	-	-	-	49,564
Interest	20,135	6,344	11,423	6,920	44,822
Intergovernmental Revenue	344,761	-	-	232,113	576,874
Charges for Services	721,540	-	-	3,273	724,813
Miscellaneous Revenue	40,044	-	-	36,675	76,719
Total Revenues	<u>4,945,796</u>	<u>2,454,612</u>	<u>11,423</u>	<u>643,290</u>	<u>8,055,121</u>
Expenditures					
Current:					
General Government	878,813	8,283	13,942	39,674	940,712
Public Safety	2,680,772	-	-	134,298	2,815,070
Public Works (Highways & Streets)	533,006	-	-	313,119	846,125
Culture & Recreation	25	-	-	121,681	121,706
Community Development	9,500	1,660	61,459	975	73,594
Miscellaneous	1,433,975	-	-	-	1,433,975
Debt Service:					
Principal	-	1,389,444	-	85,000	1,474,444
Interest	-	944,059	-	80,198	1,024,257
Total Expenditures	<u>5,536,091</u>	<u>2,343,446</u>	<u>75,401</u>	<u>774,945</u>	<u>8,729,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(590,295)</u>	<u>111,166</u>	<u>(63,978)</u>	<u>(131,655)</u>	<u>(674,762)</u>
Other Financing Sources (Uses)					
Interfund Transfers	<u>(89,528)</u>	<u>-</u>	<u>-</u>	<u>89,528</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>(89,528)</u>	<u>-</u>	<u>-</u>	<u>89,528</u>	<u>-</u>
Net Change in Fund Balances	(679,823)	111,166	(63,978)	(42,127)	(674,762)
Fund Balances - January 1	<u>2,675,728</u>	<u>2,730,388</u>	<u>2,959,700</u>	<u>2,125,765</u>	<u>10,491,581</u>
Fund Balances - December 31	<u>\$ 1,995,905</u>	<u>\$ 2,841,554</u>	<u>\$ 2,895,722</u>	<u>\$ 2,083,638</u>	<u>\$ 9,816,819</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances to Statement of Activities
Year Ended December 31, 2010

Total Net Change in Fund Balances - Governmental Funds \$ (674,762)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$	373,175	
Conservation easement donated to Township		301,510	
Depreciation expense		<u>(759,068)</u>	(84,383)

Because some taxes will not be collected for several months after the Township's fiscal year end, they are not considered as "available" revenues in the governmental funds. Tax revenues increased by this amount this year. 26,785

Because some revenues will not be collected for several months after the Township's fiscal year end, they are not considered as "available" revenues in the governmental funds. Revenues decreased by this amount this year. 5,686

The issuance and repayment of long-term debt provides/uses current financial resources to/from governmental funds. These transactions have no effect on net assets. Also governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The net effects of these differences in the current period are:

Amortization of Issuance Costs and Premium	\$	11,813	
Principal Repayments		<u>1,474,444</u>	1,486,257

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 3,009

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (37,729)

Change in Net Assets of Governmental Activities \$ 724,863

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Statement of Net Assets

Proprietary Funds

December 31, 2010

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 1,831,330	\$ 82,221	\$ 1,913,551
Accounts Receivable (net)	96,885	9,598	106,483
Prepaid Expenses	28,231	4,033	32,264
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,956,446	95,852	2,052,298
Capital Assets			
Water & Sewer System	4,526,666	-	4,526,666
Less: Accumulated Depreciation	(1,295,012)	-	(1,295,012)
	<hr/>	<hr/>	<hr/>
Total Capital Assets	3,231,654	-	3,231,654
	<hr/>	<hr/>	<hr/>
Total Assets	5,188,100	95,852	5,283,952
Liabilities			
Current Liabilities:			
Accounts Payable	29,130	-	29,130
	<hr/>	<hr/>	<hr/>
Total Liabilities	29,130	-	29,130
Net Assets			
Invested in Capital Assets	3,231,654	-	3,231,654
Unrestricted	1,927,316	95,852	2,023,168
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 5,158,970	\$ 95,852	\$ 5,254,822
	<hr/>	<hr/>	<hr/>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services:			
Resident User Fees	\$ 448,689	\$ 74,969	\$ 523,658
Total Operating Revenues	<u>448,689</u>	<u>74,969</u>	<u>523,658</u>
Operating Expenses:			
Administrative	28,334	4,421	32,755
Depreciation	113,168	-	113,168
Engineering Services	34,887	666	35,553
Electric	44,780	-	44,780
Fuel	1,030	-	1,030
Insurance	15,626	1,145	16,771
Legal	90	-	90
Licensed Operator	127,876	6,349	134,225
Supplies	3,757	-	3,757
Repairs & Maintenance	63,997	-	63,997
Telephone	1,441	-	1,441
Testing	3,010	-	3,010
Total Operating Expenses	<u>437,996</u>	<u>12,581</u>	<u>450,577</u>
Net Operating Income	10,693	62,388	73,081
Non Operating Revenue:			
Interest	3,533	108	3,641
Net Income Before Other Financing Sources (Uses)	<u>14,226</u>	<u>62,496</u>	<u>76,722</u>
Other Financing Sources (Uses)			
Interfund Transfers	-	-	-
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	14,226	62,496	76,722
Net Assets - January 1	<u>5,144,744</u>	<u>33,356</u>	<u>5,178,100</u>
Net Assets - December 31	<u>\$ 5,158,970</u>	<u>\$ 95,852</u>	<u>\$ 5,254,822</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 452,159	\$ 72,315	\$ 524,474
Payments to Suppliers	(348,983)	(17,606)	(366,589)
Net Cash Provided (Used) by Operating Activities	<u>103,176</u>	<u>54,709</u>	<u>157,885</u>
Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest	<u>3,533</u>	<u>108</u>	<u>3,641</u>
Net Cash Provided (Used) by Investing Activities	<u>3,533</u>	<u>108</u>	<u>3,641</u>
Net Increase (Decrease) in Cash and Cash Equivalents	106,709	54,817	161,526
Cash and Cash Equivalents - January 1	<u>1,724,621</u>	<u>27,404</u>	<u>1,752,025</u>
Cash and Cash Equivalents - December 31	<u>\$ 1,831,330</u>	<u>\$ 82,221</u>	<u>\$ 1,913,551</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2010

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 10,693	\$ 62,388	\$ 73,081
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	113,168	-	113,168
Change in Assets and Liabilities			
Receivables	3,470	(2,653)	817
Prepaid Expenses	(21,200)	(4,033)	(25,233)
Accounts Payable	<u>(2,955)</u>	<u>(993)</u>	<u>(3,948)</u>
Net Cash Provided by Operating Activities	<u>\$ 103,176</u>	<u>\$ 54,709</u>	<u>\$ 157,885</u>

See accompanying notes to basic financial statements