

**UPPER MAKEFIELD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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

FOR THE YEAR ENDED DECEMBER 31, 2011

UPPER MAKEFIELD TOWNSHIP
Financial Statements
For the Year Ended December 31, 2011

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August 14, 2012

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, 2011 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, 2011 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, 2011

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, 2011. 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, 2011.

FINANCIAL HIGHLIGHTS

- The net assets (assets minus liabilities) of the Township as of December 31, 2011 were approximately \$45.9 million. Of this amount, \$40.6 million represents governmental net assets and, \$5.3 million represents business-type net assets. Of the net asset balance, \$9.2 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 \$1.6 million during the year ended December 31, 2011. The governmental net assets increased by \$1.596 million and the business-type net assets increased by \$.004 million.
- The general fund, the Township's primary operating fund, reported an increase in fund balance of \$.16 million. As of December 31, 2011 the general fund unassigned fund balance was \$2.15 million or 45% of total general fund expenditures for the year ended December 31, 2011.
- The Township's governmental and business-type cash and cash equivalents decreased \$3.26 million during 2011, with a corresponding increase in negotiable certificates of deposit of \$1.75 million.
- The Township paid down the remaining \$7.13 million balance of the 2007 note with \$2.19 million cash and a \$4.95 million electoral note (Series 2011). The Township paid \$.12 million interest on the 2007 note during 2011.
- The Township paid \$.29 million principal and .07 million on the series 2011 note.
- The Township paid \$1.06 million principal and \$.68 million interest on Series 2006 general obligation bonds during 2011.

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, 2011

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, debt service 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, 2011

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:

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets						
Current Assets:	\$ 10,066,762	\$ 11,513,717	\$ 2,155,704	\$ 2,052,298	\$ 12,222,466	\$ 13,566,015
Capital Assets	50,726,592	51,140,884	3,179,657	3,231,654	53,906,249	54,372,538
Other Assets	34,749	37,231	-	-	34,749	37,231
Total Assets	\$ 60,828,103	\$ 62,691,832	\$ 5,335,361	\$ 5,283,952	\$ 66,163,464	\$ 67,975,784
Liabilities and Net Assets						
Current Liabilities:	\$ 1,738,017	\$ 1,743,487	\$ 36,241	\$ 29,130	\$ 1,774,258	\$ 1,772,617
Noncurrent Liabilities:	18,511,626	21,966,460	-	-	18,511,626	21,966,460
Total Liabilities	20,249,643	23,709,947	36,241	29,130	20,285,884	23,739,077
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	31,658,153	28,424,659	3,179,657	3,231,654	34,837,810	31,656,313
Restricted	1,811,018	3,459,078	-	-	1,811,018	3,459,078
Unrestricted	7,109,289	7,098,148	2,119,463	2,023,168	9,228,752	9,121,316
Total Net Assets	40,578,460	38,981,885	5,299,120	5,254,822	45,877,580	44,236,707
Total Liabilities and Net Assets	\$ 60,828,103	\$ 62,691,832	\$ 5,335,361	\$ 5,283,952	\$ 66,163,464	\$ 67,975,784

The current assets of the Township are comprised of cash, short-term investments, accounts receivable, taxes receivable and prepaid expenses. The Township's capital assets are comprised of buildings, land, conservation easements, machinery and equipment, infrastructure and a water and sanitary sewer system.

UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2011

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 96.4% 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 75.9% 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, 2011 and 2010:

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Service	\$ 528,770	\$ 771,335	\$ 530,737	\$ 523,658	\$ 1,059,507	\$ 1,294,993
Grants and Contributions	926,664	921,060	-	-	926,664	921,060
General Revenues						
Taxes	7,099,983	6,402,865	-	-	7,099,983	6,402,865
Cable Franchise Fees	204,818	190,689	-	-	204,818	190,689
Investment Earnings	33,768	59,116	1,885	3,641	35,653	62,757
Gain on Sale of Assets	2,928	1,750	-	-	2,928	1,750
Miscellaneous	89,353	32,899	-	-	89,353	32,899
Total Revenues	<u>8,886,284</u>	<u>8,379,714</u>	<u>532,622</u>	<u>527,299</u>	<u>9,418,906</u>	<u>8,907,013</u>
Expenses						
General Government	1,150,885	1,195,845	-	-	1,150,885	1,195,845
Public Safety	3,567,874	3,885,481	-	-	3,567,874	3,885,481
Public Works (Highways & Streets)	1,220,719	1,225,040	-	-	1,220,719	1,225,040
Public Works (Water & Sewer System)	-	-	488,324	450,577	488,324	450,577
Culture & Recreation	212,536	173,604	-	-	212,536	173,604
Community Development	125,135	72,618	-	-	125,135	72,618
Interest on Long Term Debt	855,101	1,023,729	-	-	855,101	1,023,729
Other	113,957	35,032	-	-	113,957	35,032
Unallocated Depreciation	43,502	43,502	-	-	43,502	43,502
Total Expenses	<u>7,289,709</u>	<u>7,654,851</u>	<u>488,324</u>	<u>450,577</u>	<u>7,778,033</u>	<u>8,105,428</u>
Change in Net Assets	1,596,575	724,863	44,298	76,722	1,640,873	801,585
Net Assets - Beginning of Year	38,981,885	38,257,022	5,254,822	5,178,100	44,236,707	43,435,122
Net Assets - End of Year	\$ <u>40,578,460</u>	\$ <u>38,981,885</u>	\$ <u>5,299,120</u>	\$ <u>5,254,822</u>	\$ <u>45,877,580</u>	\$ <u>44,236,707</u>

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS
Governmental Funds

The governmental funds are comprised of the general fund, debt service 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, unassigned 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, 2011

The following table presents the Township's changes in Governmental fund balances for the years ended December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Revenues		
Taxes	\$ 6,963,665	\$ 6,376,080
Cable Franchise Fees	204,818	190,689
Licenses & Permits	18,315	15,560
Fines	37,213	49,564
Interest	19,472	44,822
Intergovernmental Revenue	765,856	576,874
Charges for Services	446,453	724,813
Miscellaneous Revenue	149,803	76,719
Total Revenues	<u>8,605,595</u>	<u>8,055,121</u>
Expenditures		
Current:		
General Government	897,727	940,712
Public Safety	2,459,489	2,815,070
Public Works (Highways & Streets)	822,309	846,125
Culture & Recreation	150,125	121,706
Community Development	125,135	73,594
Miscellaneous	1,558,554	1,433,975
Debt Service:		
Principal	8,485,679	1,474,444
Interest	873,509	1,024,257
Total Expenditures	<u>15,372,527</u>	<u>8,729,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,766,932)</u>	<u>(674,762)</u>
Other Financing Sources (Uses)		
Debt Issued	4,950,000	-
Total Other Financing Sources & Uses	<u>4,950,000</u>	<u>-</u>
Net Change in Fund Balances	(1,816,932)	(674,762)
Fund Balances - Beginning of Year	<u>9,816,819</u>	<u>10,491,581</u>
Fund Balances - End of Year	<u>\$ 7,999,887</u>	<u>\$ 9,816,819</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, 2011

General Fund Budgetary Highlights

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

	<u>Budget Amounts</u>	<u>Actual Amounts Budgetary Basis (Cash)</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Taxes	\$ 3,378,300	\$ 4,258,048	\$ 879,748
Licenses & Permits	205,580	221,210	15,630
Fines	58,200	37,556	(20,644)
Interest	14,000	4,971	(9,029)
Intergovernmental Revenue	373,100	551,410	178,310
Charges for Services	721,600	480,666	(240,934)
Miscellaneous Revenue	15,150	105,482	90,332
Total Revenues	<u>4,765,930</u>	<u>5,659,343</u>	<u>893,413</u>
Expenditures			
General Government	807,646	856,051	(48,405)
Public Safety	3,003,238	2,344,419	658,819
Public Works (Highways & Streets)	474,713	563,683	(88,970)
Culture & Recreation	-	250	(250)
Community Development	9,500	9,500	-
Miscellaneous	1,575,058	1,512,833	62,225
Total Expenditures	<u>5,870,155</u>	<u>5,286,736</u>	<u>583,419</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,104,225)</u>	<u>372,607</u>	<u>1,476,832</u>
Other Financing Sources (Uses)			
Interfund Transfers	722,335	(20,000)	(742,335)
Total Other Financing Sources & Uses	<u>722,335</u>	<u>(20,000)</u>	<u>(742,335)</u>
Net Change in Fund Balances	<u>\$ (381,890)</u>	<u>352,607</u>	<u>\$ 734,497</u>
Fund Balances - Beginning		<u>1,680,326</u>	
Fund Balances - Ending		<u>\$ 2,032,933</u>	

The following is a brief summary of general fund budget versus actual variances for the year ended December 31, 2011:

- Taxes - Actual amounts were greater than budgeted due to conservative budget estimates.
- Intergovernmental revenue – Actual amounts were greater than budgeted
- Charges for services – Actual amounts were less than budgeted due to a decrease in construction start-ups.
- Public Safety – Actual amounts were less than budgeted due to conservative budget estimates for code legal and engineering expenses.

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, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Land and Land Improvements	\$ 3,157,422
Infrastructure	15,052,084
Water and Sewer System	4,589,085
Buildings and Improvements	5,678,692
Equipment and Furniture	2,007,882
Conservation Easements	<u>34,213,440</u>
	64,698,605
Less Accumulated Depreciation	<u>(10,792,356)</u>
	<u>\$ 53,906,249</u>

Major capital asset transactions/events during the year ended December 31, 2011 included the following:

- The Township paid \$240,180 for drainage improvements to various Township roads.
- The Township paid \$53,878 for Washington Crossing Gateway project phase II.
- The Township paid \$38,936 for new vehicles, equipment and furniture.
- The Township paid \$23,584 for improvements to Lookout Park.

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, 2011, the Township had total long-term debt outstanding of \$19.2 million.

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

MANAGER'S DISCUSSION

The following is a list of projected financial highlights for the Township as of August 14, 2012:

In 2012, the Township will continue to manage insurance costs through participation in the Delaware Valley Health Insurance Trust, Workers Compensation Trust and Insurance Trust.

Starting in 2012, the Township has a four year agreement with the Police Union providing for a two and one half percent (2.5%) increase over 2010 costs. Employees in the Public Works Department are represented by the Teamsters Union and are in the second year of a three-year contract with a wage increase of two percent (2%) for 2012.

The 2012 Minimum Municipal Obligation is budgeted at \$240,651 for the Police Pension and \$166,939 for the Non-Police Pension. This obligation is offset by \$145,000 in anticipated revenue from the Commonwealth.

In 2012, the Township budgeted expenditures of \$120,000 from the Capital Reserve Fund to continue to prepare for conversion of police radios in 2013.

**UPPER MAKEFIELD TOWNSHIP
Management's Discussion and Analysis
For The Year Ended December 31, 2011**

MANAGER'S DISCUSSION – CONTINUED

Purchase of one police vehicle is budgeted in the Capital Reserve Fund at a cost of \$35,000.

The Township's 2012 infrastructure needs include \$170,000 for the Road Improvement Program and \$50,000 for bridge improvement projects.

The Riparian Restoration and Buffer Fund includes \$115,000 in budgeted expenditures for potential Riparian Restoration Grant projects.

In the Water and Sewer Fund – Heritage Hills, \$234,500 is allocated for capital improvements to the Heritage Hills Treatment Plant and Water Pumping Station.

During the 2012 budget process, the Board of Supervisors authorized transferring the entire fund balance (\$742,335) from the Cable Fund into the Capital Reserve Fund.

The refinancing of an existing \$8,000,000 Open Space Loan allowed for the restructuring of the Real Estate Tax millage in the overall Budget.

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 David R. Nyman, Interim 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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 7,103,062	\$ 1,025,040	\$ 8,128,102
Investments (Negotiable CD's)	750,000	1,000,000	1,750,000
Accounts Receivable	232,715	110,524	343,239
Taxes Receivable (net)	1,969,348	-	1,969,348
Prepaid Expenses	11,637	20,140	31,777
Total Current Assets	<u>10,066,762</u>	<u>2,155,704</u>	<u>12,222,466</u>
Capital Assets			
Conservation Easements	34,213,440	-	34,213,440
Other Capital Assets, net of Depreciation	16,513,152	3,179,657	19,692,809
Total Capital Assets	<u>50,726,592</u>	<u>3,179,657</u>	<u>53,906,249</u>
Other Assets			
Unamortized Bond Issuance Costs	34,749	-	34,749
Total Assets	<u>60,828,103</u>	<u>5,335,361</u>	<u>66,163,464</u>
Liabilities			
Current Liabilities:			
Accrued Payroll & Withholdings	93,129	-	93,129
Accounts Payable	185,332	27,573	212,905
Accrued Expenses	37,272	8,668	45,940
Interest Payable	26,108	-	26,108
Bonds & Notes Payable - Current Portion	1,396,176	-	1,396,176
Total Current Liabilities	<u>1,738,017</u>	<u>36,241</u>	<u>1,774,258</u>
Noncurrent Liabilities:			
Bonds & Notes Payable,			
Less Current Portion Above	17,837,648	-	17,837,648
Compensated Absences	473,844	-	473,844
Unamortized Bond Premium	200,134	-	200,134
Total Noncurrent Liabilities	<u>18,511,626</u>	<u>-</u>	<u>18,511,626</u>
Total Liabilities	<u>20,249,643</u>	<u>36,241</u>	<u>20,285,884</u>
Net Assets			
Invested in Capital Assets, net of Related Debt	31,658,153	3,179,657	34,837,810
Restricted	1,811,018	-	1,811,018
Unrestricted	7,109,289	2,119,463	9,228,752
Total Net Assets	<u>\$ 40,578,460</u>	<u>\$ 5,299,120</u>	<u>\$ 45,877,580</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Government-wide Statement of Activities
For the Year Ended December 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities	General Government & Administration	\$ 1,150,885	\$ 60,204	\$ -	(895,455)	\$ -	(895,455)
	Public Safety	3,567,874	430,674	-	(2,836,353)	-	(2,836,353)
	Public Works (Highways & Streets)	1,220,719	243,327	140,550	(807,645)	-	(807,645)
	Culture & Recreation	212,536	42,313	-	(166,723)	-	(166,723)
	Community Development	125,135	9,596	-	(115,539)	-	(115,539)
	Interest on Long Term Debt	855,101	-	-	(855,101)	-	(855,101)
	Other	113,957	-	-	(113,957)	-	(113,957)
	Unallocated Depreciation	43,502	-	-	(43,502)	-	(43,502)
	Total Governmental Activities	7,289,709	786,114	140,550	(5,834,275)	-	(5,834,275)
	Business-type Activities						
	Public Works (Sewer System)	19,979	-	-	-	75,420	75,420
	Public Works (Water & Sewer System)	468,345	-	-	-	(33,007)	(33,007)
	Total Business-type Activities	488,324	-	-	-	42,413	42,413
Total Government		\$ 7,778,033	\$ 1,059,507	\$ 140,550	(5,834,275)	42,413	(5,791,862)
General Revenues:							
Taxes:							
	Real Estate Taxes Levied for General Purposes				862,039	-	862,039
	Real Estate Taxes Levied for Debt Service				2,679,835	-	2,679,835
	Earned Income Taxes				3,558,109	-	3,558,109
	Cable Franchise Fees				204,818	-	204,818
	Investment Earnings				33,768	1,885	35,653
	Gain on Sale of Capital Assets				2,928	-	2,928
	Miscellaneous				89,353	-	89,353
	Transfers				-	-	-
	Total General Revenues & Transfers				7,430,850	1,885	7,432,735
Change in Net Assets							
					1,596,575	44,298	1,640,873
Net Assets - January 1							
					38,981,885	5,254,822	44,236,707
Net Assets - December 31							
					\$ 40,578,460	\$ 5,299,120	\$ 45,877,580

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Balance Sheet

Governmental Funds

December 31, 2011

	General Fund	Open Space Fund	Riparian Buffer & Restoration Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash & Cash Equivalents	\$ 2,040,054	\$ 742,479	\$ 2,282,544	\$ 2,037,985	\$ 7,103,062
Investments (Negotiable CD's)	-	250,000	500,000	-	750,000
Accounts Receivable	232,117	-	-	598	232,715
Taxes Receivable	1,840,010	112,585	-	16,753	1,969,348
Prepaid Expenses	11,637	-	-	-	11,637
Total Assets	\$ 4,123,818	\$ 1,105,064	\$ 2,782,544	\$ 2,055,336	\$ 10,066,762
Liabilities					
Payroll Withholdings	\$ 7,121	\$ -	\$ -	\$ -	\$ 7,121
Accounts Payable	162,166	5,190	144	17,832	185,332
Accrued Expenses	37,272	-	-	-	37,272
Accrued Payroll	86,008	-	-	-	86,008
Deferred Revenue	1,673,479	67,603	-	10,060	1,751,142
Total Liabilities	1,966,046	72,793	144	27,892	2,066,875
Fund Balances					
Nonspendable:					
Prepaid Items	11,637	-	-	-	11,637
Restricted for:					
Debt Service	-	803,800	-	229,759	1,033,559
Highways & Streets	-	-	-	168,409	168,409
Local Fire Companies	-	-	-	358,178	358,178
Committed for:					
Open Space Purchases	-	228,471	-	-	228,471
Grants to Others	-	-	2,782,400	23,379	2,805,779
Park & Rec. Operations	-	-	-	67,454	67,454
Capital Purchases	-	-	-	436,233	436,233
General Operations	-	-	-	744,032	744,032
Unassigned:	2,146,135	-	-	-	2,146,135
Total Fund Balances	2,157,772	1,032,271	2,782,400	2,027,444	7,999,887
Total Liabilities and Fund Balances	\$ 4,123,818	\$ 1,105,064	\$ 2,782,544	\$ 2,055,336	\$ 10,066,762

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, 2011

Total Fund Balances - Governmental Funds	\$	7,999,887
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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.		1,575,805
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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		175,337
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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		34,749
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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	\$	60,109,520	
Accumulated depreciation		<u>(9,382,928)</u>	
			50,726,592

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	\$	(19,233,824)	
Accrued interest on Notes Payable		(26,108)	
Compensated absences		(473,844)	
Unamortized Bond Premium		<u>(200,134)</u>	
			<u>(19,933,910)</u>

Total Net Assets - Governmental Activities	\$	<u>40,578,460</u>
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See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
December 31, 2011

	General Fund	Open Space Fund	Riparian Buffer & Restoration Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Real Estate Taxes	\$ 230,026	\$ 2,464,012	\$ -	\$ 366,651	\$ 3,060,689
Real Estate Transfer Taxes	452,498	-	-	-	452,498
Earned Income Taxes	3,450,478	-	-	-	3,450,478
Cable Franchise Fees	204,818	-	-	-	204,818
Licenses & Permits	18,315	-	-	-	18,315
Fines	37,213	-	-	-	37,213
Interest	4,971	2,034	7,723	4,744	19,472
Intergovernmental Revenue	554,031	-	-	211,825	765,856
Charges for Services	442,953	-	-	3,500	446,453
Miscellaneous Revenue	102,940	-	-	46,863	149,803
Total Revenues	<u>5,498,243</u>	<u>2,466,046</u>	<u>7,723</u>	<u>633,583</u>	<u>8,605,595</u>
Expenditures					
Current:					
General Government	863,946	23,714	10,060	7	897,727
Public Safety	2,334,067	-	-	125,422	2,459,489
Public Works (Highways & Streets)	550,059	-	-	272,250	822,309
Culture & Recreation	250	-	-	149,875	150,125
Community Development	9,500	4,650	110,985	-	125,135
Miscellaneous	1,558,554	-	-	-	1,558,554
Debt Service:					
Principal	-	8,400,679	-	85,000	8,485,679
Interest	-	796,286	-	77,223	873,509
Total Expenditures	<u>5,316,376</u>	<u>9,225,329</u>	<u>121,045</u>	<u>709,777</u>	<u>15,372,527</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>181,867</u>	<u>(6,759,283)</u>	<u>(113,322)</u>	<u>(76,194)</u>	<u>(6,766,932)</u>
Other Financing Sources (Uses)					
Proceeds of General Long-Term Debt	-	4,950,000	-	-	4,950,000
Interfund Transfers	(20,000)	-	-	20,000	-
Total Other Financing Sources & Uses	<u>(20,000)</u>	<u>4,950,000</u>	<u>-</u>	<u>20,000</u>	<u>4,950,000</u>
Net Change in Fund Balances	<u>161,867</u>	<u>(1,809,283)</u>	<u>(113,322)</u>	<u>(56,194)</u>	<u>(1,816,932)</u>
Fund Balances - January 1	<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>
Fund Balances - December 31	<u>\$ 2,157,772</u>	<u>\$ 1,032,271</u>	<u>\$ 2,782,400</u>	<u>\$ 2,027,444</u>	<u>\$ 7,999,887</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, 2011

Total Net Change in Fund Balances - Governmental Funds **\$ (1,816,932)**

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	\$	356,578	
Sale of capital assets		(2,922)	
Depreciation expense		<u>(767,948)</u>	(414,292)

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. 136,319

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. 133,363

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	\$	11,814	
Issuance of Long-Term Debt		(4,950,000)	
Principal Repayments		<u>8,485,679</u>	3,547,493

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. 20,889

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). (10,265)

Change in Net Assets of Governmental Activities **\$ 1,596,575**

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Statement of Net Assets

Proprietary Funds

December 31, 2011

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 862,026	\$ 163,014	\$ 1,025,040
Investments (Negotiable CD's)	1,000,000	-	1,000,000
Accounts Receivable (net)	99,859	10,665	110,524
Prepaid Expenses	17,622	2,518	20,140
Total Current Assets	<u>1,979,507</u>	<u>176,197</u>	<u>2,155,704</u>
Capital Assets			
Water & Sewer System	4,589,085	-	4,589,085
Less: Accumulated Depreciation	<u>(1,409,428)</u>	<u>-</u>	<u>(1,409,428)</u>
Total Capital Assets	<u>3,179,657</u>	<u>-</u>	<u>3,179,657</u>
Total Assets	<u>5,159,164</u>	<u>176,197</u>	<u>5,335,361</u>
Liabilities			
Current Liabilities:			
Accounts Payable	27,573	-	27,573
Accrued Expenses	3,856	4,812	8,668
Total Liabilities	<u>31,429</u>	<u>4,812</u>	<u>36,241</u>
Net Assets			
Invested in Capital Assets	3,179,657	-	3,179,657
Unrestricted	1,948,078	171,385	2,119,463
Total Net Assets	<u>\$ 5,127,735</u>	<u>\$ 171,385</u>	<u>\$ 5,299,120</u>

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, 2011

	<u>Water & Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services:			
Resident User Fees	\$ 435,338	\$ 95,399	\$ 530,737
Total Operating Revenues	<u>435,338</u>	<u>95,399</u>	<u>530,737</u>
Operating Expenses:			
Administrative	29,153	6,444	35,597
Depreciation	114,416	-	114,416
Engineering Services	36,564	1,466	38,030
Electric	48,151	-	48,151
Fuel	-	351	351
Insurance	15,609	1,515	17,124
Legal	-	180	180
Licensed Operator	139,301	9,444	148,745
Supplies	4,257	40	4,297
Repairs & Maintenance	73,439	494	73,933
Telephone	1,537	-	1,537
Testing	5,918	45	5,963
Total Operating Expenses	<u>468,345</u>	<u>19,979</u>	<u>488,324</u>
Net Operating Income (Loss)	(33,007)	75,420	42,413
Non Operating Revenue:			
Interest	<u>1,772</u>	<u>113</u>	<u>1,885</u>
Change in Net Assets	(31,235)	75,533	44,298
Net Assets - January 1	<u>5,158,970</u>	<u>95,852</u>	<u>5,254,822</u>
Net Assets - December 31	<u>\$ 5,127,735</u>	<u>\$ 171,385</u>	<u>\$ 5,299,120</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011

	Water & Sewer Enterprise Fund	Dutchess Farm Sewer Enterprise Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 432,364	\$ 94,333	\$ 526,697
Payments to Suppliers	(341,021)	(13,653)	(354,674)
Net Cash Provided (Used) by Operating Activities	<u>91,343</u>	<u>80,680</u>	<u>172,023</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 for Investing Activities			
Purchase of Negotiable CD's	(1,000,000)	-	(1,000,000)
Interest	1,772	113	1,885
Equipment Purchases	(62,419)	-	(62,419)
Net Cash Provided (Used) by Investing Activities	<u>(1,060,647)</u>	<u>113</u>	<u>(1,060,534)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(969,304)	80,793	(888,511)
Cash and Cash Equivalents - January 1	<u>1,831,330</u>	<u>82,221</u>	<u>1,913,551</u>
Cash and Cash Equivalents - December 31	<u>\$ 862,026</u>	<u>\$ 163,014</u>	<u>\$ 1,025,040</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2011

	<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)	\$ (33,007)	\$ 75,420	\$ 42,413
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	114,416	-	114,416
Change in Assets and Liabilities			
Receivables	(2,974)	(1,067)	(4,041)
Prepaid Expenses	10,610	1,515	12,125
Accounts Payable	(1,558)	4,812	3,254
Accrued Expenses	<u>3,856</u>	<u>-</u>	<u>3,856</u>
Net Cash Provided by Operating Activities	\$ <u>91,343</u>	\$ <u>80,680</u>	\$ <u>172,023</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP**Statement of Net Assets****Fiduciary Funds****Year Ended December 31, 2011**

	Police Pension Fund	Non-Uniformed Pension Fund	Escrow Fund
Assets			
Cash	\$ -	\$ -	\$ 842,223
Investments, at Fair Value	3,952,474	1,602,443	-
Prepaid Expenses	1,083	1,083	-
Interest Receivable	17,395	7,461	-
Total Assets	<u>3,970,952</u>	<u>1,610,987</u>	<u>\$ 842,223</u>
Liabilities			
Accounts Payable	890	1,025	\$ -
Escrow Deposits	-	-	<u>842,223</u>
Total Liabilities	<u>890</u>	<u>1,025</u>	<u>\$ 842,223</u>
Net Assets			
Held in Trust for Pension Benefits	<u>\$ 3,970,062</u>	<u>\$ 1,609,962</u>	

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2011

	Police Pension Fund	Non-Uniformed Pension Fund
Additions		
Contributions		
Employer	\$ 117,326	\$ 77,896
Plan Members	70,605	-
State Aid	157,036	100,400
Total Contributions	<u>344,967</u>	<u>178,296</u>
Investment Earnings		
Interest	48,803	20,085
Dividends	44,667	16,876
Net Realized Appreciation (Depreciation)	(27,343)	(7,974)
Total Investment Earnings	<u>66,127</u>	<u>28,987</u>
Total Additons	<u>411,094</u>	<u>207,283</u>
Deductions		
Benefits	72,694	26,063
Administrative Expenses	<u>45,507</u>	<u>22,501</u>
Total Deductions	<u>118,201</u>	<u>48,564</u>
Change in Net Assets	292,893	158,719
Net Assets - January 1	<u>3,677,169</u>	<u>1,451,243</u>
Net Assets - December 31	<u>\$ 3,970,062</u>	<u>\$ 1,609,962</u>

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies

General Statement

The Township of Upper Makefield was incorporated in 1692. The Township operates under a Board of Supervisors-Manager form of government and provides the following services: general township administration, public safety, roads and bridges, recreation and conservation of natural resources. In addition the Township owns and operates water and sewer systems for four developments located within the Township.

The Township complies with generally accepted accounting principles (GAAP) which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, for enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial Reporting Entity

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations as component units within the Township's reporting entity, as set forth in section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Township holds the corporate powers of the organization.
- The Township appoints a voting majority of the organization's board.
- The Township is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on the Township.
- There is a fiscal dependency by the organization on the Township.

Based on the aforementioned criteria, The Township of Upper Makefield has no component units.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities presents a comparison between direct and indirect expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses have been allocated based on estimated use of those resources. Program revenues include charges paid by the recipient for the services offered by the program and grants and contributions that are used to meet the operating requirements of a particular program. General revenues include taxes, franchise fees, and investment earnings.

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies – Continued

Basis of Presentation - Continued

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the financial reporting entity are described below:

1. *Governmental Funds*

General Fund - The general fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Open Space Fund (a special revenue fund) - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for open space purchases.

Riparian Buffer and Restoration Fund – This fund is used to account for financial resources to be used for grants to residents to preserve the integrity of the Riparian Water Shed.

2. *Proprietary Funds*

Water and Sewer Fund (an enterprise 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 (an enterprise 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.

Proprietary funds distinguish operating (water and sewer charges) from non-operating (interest earned) revenues.

3. *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.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources, as they are needed.

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 1 – Summary of Significant Accounting Policies – Continued

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when the revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statement and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay current liabilities. The Township considers governmental fund revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are: property taxes, earned income taxes, franchise fees, fines, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Cash and Cash Equivalents

The Township recognizes all highly liquid investments with a maturity of three months or less to be cash equivalents for the proprietary fund statement of cash flows.

Investments

The Township reports its investments at fair value.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost if purchased or fair market value at time of donation if donated. Repairs and maintenance are recorded as expenses.

The Township capitalizes fixed assets which have an original cost of \$2,000 or more and over five years of estimated useful life. Depreciation has been calculated on each class of depreciable property using the Straight-Line method. Estimated useful lives are as follows:

Buildings and Improvements	25-40 Years
Land Improvements	20-30 Years
Water and Sewer System	25-40 Years
Infrastructure	20-40 Years
Furniture and Equipment	5-10 Years

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 1 – Summary of Significant Accounting Policies – Continued

Intangible Assets

The Township has entered into a program to conserve natural resources of the community by purchasing conservation easements on selected properties. The Township has elected to capitalize all purchased conservation easements. The Township has elected not to depreciate these easements.

Real Estate Taxes

Real estate taxes attach as an enforceable lien on property when levied. Taxes are levied on March 1st and are payable on or before June 30th. Taxes paid prior to May 1st are payable at a 2% discount, and taxes paid after June 30th are assessed at a 10% penalty. The Township has an elected tax collector who bills and collects taxes. Assessed values are established by the County of Bucks using square foot market value, and "like kind" property comparisons. The Board of Supervisors adopts the real estate tax millage as part of the budget process. The approved millage is multiplied by the assessed value to arrive at the total levy. The millage rate for 2011 was 1.00 mills for the general fund, .75 mills for the fire protection fund, .85 mills for the building construction fund, and 10.7525 mills for the open space fund.

Compensated Absences

The Township accrues accumulated unpaid sick leave when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in spendable form (such as prepayments) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Township itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Township itself takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body, or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 2 – Cash and Investments

Legal Requirements

Governmental and Business Type Activities

Under the 2nd Class Township Code of the Commonwealth of Pennsylvania, The Township is authorized to invest its Governmental and Business Type funds in the following:

- United States Treasury Bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by FDIC insurance or other like insurance.
- Certificates of Deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania insured by FDIC insurance or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or an assignment of assets. Certificates of deposit may not exceed 20% of the bank's total capital surplus.
- Commercial paper and prime commercial paper meeting certain requirements.
- Repurchase agreements, which are fully collateralized by obligations of the United States of America.
- Obligations backed by the full faith and credit of the following entities: The United States of America or any of its agencies or instrumentalities, The Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or any other political subdivision of the Commonwealth.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

Fiduciary Activities

Under the 2nd Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest in any form or type of investment that the Township deems prudent.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's bank deposits are covered by FDIC insurance or collateralized on a pooled basis as required by the Commonwealth's 2nd Class Township Code. As of December 31, 2011, \$6,344,411 of the Township's bank balance for governmental and business-type activities of \$8,385,266 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent
but not in the Township's name. \$6,344,411

As Of December 31, 2011, all of the Township's bank balance for fiduciary activities (developer escrows to pay for professional fees associated with specific projects) was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent
but not in the Township's name. \$842,223

Governmental and Business-Type Activity Investments

The following is a schedule of governmental and business-type activity investments which consist of Negotiable Certificates of Deposit with separate banks and insured by FDIC (no custodial credit risk):

	<u>Governmental</u>	<u>Business-type</u>
3-month maturity	\$ 50,000	\$ 200,000
6-month maturity	400,000	400,000
9-month maturity	50,000	200,000
12-month maturity	<u>250,000</u>	<u>200,000</u>
Total	\$ <u>750,000</u>	\$ <u>1,000,000</u>

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 2 – Cash and Investments - Continued

Fiduciary Activity (Pension Funds) Investments

Asset Allocation

It is the policy of the Township to allocate pension fund investments as follows: Equity exposure is set at 65% maximum and 35% minimum, the remainder being invested in fixed income securities. The Township police and non-uniformed pension funds are made up of the following investment types:

	Police <u>Pension Plan</u>	Non-Uniformed <u>Pension Plan</u>
Cash	\$ 8,374	\$ (3,616)
Money Market	146,537	71,872
Common Stocks	1,315,732	580,048
Mortgage Backed Securities	42,108	12,295
Corporate Bonds	305,702	90,662
U.S. Government Bonds	74,867	42,781
Municipal Bonds	654,527	311,449
Closed End Mutual Funds	1,404,547	497,303
Unsettled Purchases/Sales	<u>80</u>	<u>(351)</u>
Total	\$ <u>3,952,474</u>	\$ <u>1,602,443</u>

Custodial Credit Risk Investments

Township pension funds are held and administered by Citigroup Global Markets, Inc. Custodial credit risk is the risk that, in the event of the failure of Citigroup, the Township will not be able to recover the value of plan investments or collateral security that are in Citigroup's possession. The Township does not have an investment policy for custodial credit risk for fiduciary investments. Pension Plan assets exposed to custodial credit risk are insured by both the Securities Investor Protection Corporation for the first \$500,000 of plan assets, and through Lloyds of London for amounts over \$500,000. Therefore, at December 31, 2011, none of the Township's Police Pension Plan, and Non-uniformed Pension Plan investments-of \$3,952,474 and \$1,602,443, respectively-were exposed to custodial credit risk.

Credit Risk

Credit risk is the credit quality rating of debt securities owned by the Township. It is the Township's policy to invest its fiduciary funds in debt security portfolios with a minimum average credit rating of "A". Credit ratings for debt securities and money market funds that are subject to credit risk are as follows:

	Police <u>Pension Plan</u>	Non-Uniformed <u>Pension Plan</u>
Money Market Funds – Aaa	\$ 146,537	\$ 71,872
Mortgage Backed Securities – Aa	42,108	12,295
Corporate Bonds – Aa1	25,463	-0-
Corporate Bonds – Aa3	53,616	-0-
Corporate Bonds – A1	101,456	33,819
Corporate Bonds – A2	125,165	56,843
U.S. Government Bonds – Aa	74,867	42,781
Municipal Bonds – Aaa	52,343	26,171
Municipal Bonds – Aa	37,100	15,900
Municipal Bonds – Aa1	132,114	25,463
Municipal Bonds – Aa2	190,269	143,770
Municipal Bonds – Aa3	135,198	26,484
Municipal Bonds – A	54,225	27,113
Municipal Bonds – A1	26,956	20,226
Municipal Bonds – A2	26,323	26,323
Closed End Mutual Bond Funds – Aa	170,528	58,582
Closed End Mutual Bond Funds – A	53,976	18,443
Closed End Mutual Bond Funds – Baa	48,823	16,789
Closed End Mutual Bond Funds – B	<u>52,254</u>	<u>17,995</u>
Total	\$ <u>1,549,321</u>	\$ <u>640,869</u>

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification of Township investment portfolios. It is Township's policy to have no individual investment that exceeds 5% of the total assets of the fund. As of December 31, 2011 the Township's Pension funds had no holdings that exceed this percentage.

Interest Rate Risk

Interest rate risk is the risk that changing interest rates will negatively impact the fair value of the Township's investments in debt securities. It is the policy of the Township's plan administrator to utilize credit and duration analysis along with fundamental and technical research to control interest rate risk. Interest rate risk for securities subject to interest rate risk for Township fiduciary activities (pension plans) are as follows:

Police Pension Plan	Investment Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Mortgage Backed Securities				\$ 42,108	\$ 42,108
Corporate Bonds		\$ 79,079	\$ 57,401	169,222	305,702
U.S. Government Bonds		74,867			74,867
Municipal Bonds			54,813	599,714	654,527
Closed End Mutual Bond Funds		107,976	158,139	59,466	325,581
Total	\$ -0-	\$ 261,922	\$ 270,353	\$ 870,510	\$ 1,402,785

Non-Uniformed Pension Plan	Investment Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Mortgage Backed Securities				\$ 12,295	\$ 12,295
Corporate Bonds			\$ 22,960	67,702	90,662
U.S. Government Bonds			42,781		42,781
Municipal Bonds		\$ 20,226		291,223	311,449
Closed End Mutual Bond Funds		36,959	54,387	20,463	111,809
Total	\$ -0-	\$ 57,185	\$ 120,128	\$ 391,683	\$ 568,996

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will negatively impact the fair value of Township investments in foreign equities. It is the policy of the Township's plan administrator to invest in foreign equities that are denominated in American Depository Receipts (ADR). Pension plan investments in international ADR stocks are not subject to foreign currency risk since these investments are denominated in U.S. Dollars. Other Pension Plan investments that are subject to foreign currency risk are as follows:

Police Pension Plan	Currency	Fair Value
Common Stocks	Israeli Shekels	\$ 2,942
Common Stocks	Singapore Dollars	16,110
Common Stocks	Euros	5,516
Total		\$24,568

Non-Uniformed Pension Plan	Currency	Fair Value
Common Stocks	Israeli Shekels	\$ 1,471
Common Stocks	Singapore Dollars	7,086
Common Stocks	Euros	2,382
Total		\$10,939

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 3 – Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Governmental Activities				
Capital Assets not Subject To Depreciation:				
Land	\$ 1,487,583	\$ -0-	\$ -0-	\$ 1,487,583
Conservation Easements	<u>34,213,440</u>	<u>-0-</u>	<u>-0-</u>	<u>34,213,440</u>
Subtotal	<u>35,701,023</u>	<u>-0-</u>	<u>-0-</u>	<u>35,701,023</u>
Capital Assets Subject To Depreciation:				
Buildings & Imp.	5,678,692	-0-	-0-	5,678,692
Land Improvements	1,646,255	23,584	-0-	1,669,839
Infrastructure	14,758,026	294,058	-0-	15,052,084
Furniture & Equip.	1,998,157	38,936	(29,211)	2,007,882
Accumulated Depreciation	<u>(8,641,269)</u>	<u>(767,948)</u>	<u>26,289</u>	<u>(9,382,928)</u>
Subtotal	<u>15,439,861</u>	<u>(411,370)</u>	<u>(2,922)</u>	<u>15,025,569</u>
Total Gov't Activities	\$ <u>51,140,884</u>	\$ <u>(411,370)</u>	\$ <u>(2,922)</u>	\$ <u>50,726,592</u>
Business-Type Activities				
Capital Assets Subject To Depreciation:				
Water & Sewer Sys.	\$ 4,526,666	\$ 62,419	\$ -0-	\$ 4,589,085
Accumulated Depreciation	<u>(1,295,012)</u>	<u>(114,416)</u>	<u>-0-</u>	<u>(1,409,428)</u>
Total Bus-Type Activities	\$ <u>3,231,654</u>	\$ <u>(51,997)</u>	\$ <u>-0-</u>	\$ <u>3,179,657</u>

Depreciation expense was charged as a direct expense to programs of the Township as follows:

Governmental Activities:	
General Government and Administration	\$ 11,318
Public Safety	150,293
Public Works – Roads	476,841
Culture & Recreation	85,994
Unallocated	<u>43,502</u>
Total	\$ <u>882,364</u>
Business-Type Activities:	
Water and Sewer	\$ <u>114,416</u>

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 4 - Pension Plans

The Upper Makefield Township Police Pension Plan (the Plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 181, as amended, adopted pursuant to Act 600. The Plan covers all full-time members of the police department. The plan provides retirement benefits to plan members. Contribution rates under Act 205 require that annual contributions be based upon the plan's minimum municipal obligation. The MMO is based upon the plan's biennial actuarial valuation. The actuarial valuation date was January 1, 2011 using a cost method of entry age normal and an amortization method of level dollar, closed. For 2011, the contribution rate for members was 5%. The Plan has 10 years of remaining amortization period and the asset valuation method used is fair value. The actuarial investment rate of return, assumed to be at 7.5% of expenses and the projected salary increases to be 5.0%. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program that must be used for pension funding. The municipality according to Act 205 must pay any funding requirements established by the MMO in excess of employee contributions and state aid.

The Upper Makefield Township Non-Uniformed Employees Pension Plan (the Plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 141, as amended. The Plan covers all full-time non-uniformed Township employees. The plan provides retirement benefits to plan members. Contribution rates under Act 205 require that annual contributions be based upon the plan's minimum municipal obligation. The MMO is based upon the plan's biennial actuarial valuation. The actuarial valuation date was January 1, 2011 using a cost method of entry age normal and an amortization method of level dollar, closed. For 2011, the contribution rate for members was 0%. The Plan has 12 years of remaining amortization period and the asset valuation method used is fair value. The actuarial investment rate of return, assumed to be at 7.5% of expenses and the projected salary increases to be 5.0%. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program that must be used for pension funding. The municipality according to Act 205 must pay any funding requirements established by the MMO in excess of employee contributions and state aid.

For the year ended December 31, 2011, the Township's total payroll for all employees was \$2,425,602. The Township received State Aid for pensions totaling \$257,436 of which \$157,036 was distributed to the Police Pension Plan and \$100,400 to the Non-Uniform Pension Plan. The total net pension expense to the Township (after the above reimbursement) for 2011 was \$195,222.

Note 5 - Compensated Absences

The Township has established policies for paying employees, at the time of termination or retirement, for certain accumulated but unused absences. On leaving, an employee will be compensated for all unused sick time up to 1200 hours for Non-Uniformed Personnel, and 800 hours for full time Police Officers. At December 31, 2011, the liability to the Township for compensated absences was \$473,844. The liability was determined by multiplying the accumulated available sick days, for each employee by the applicable daily rate.

Note 6 – Long Term Debt

On March 15, 2006, The Township issued General Obligation Bonds, Series of 2006, in the amount of \$20,235,000. The proceeds of the bonds were used to retire six notes: Series 1999 through 2003B or \$18,030,000 (electoral). The remainder proceeds (\$2,205,000 non-electoral) were used to construct a new police building. The bonds are scheduled to mature in annual increments starting December 15, 2006 through December 15, 2025. The bonds bear interest at various rates from 3.5% to 5.0%.

On March 30, 2011 The Township made one time only additional principal payment of \$2,184,503 on the 2007 note leaving a remaining principal balance of \$4,950,000. This remaining balance was re-financed with an electoral general obligation note (Series 2011) on May 13, 2011. The note is scheduled to mature in annual increments of \$291,176 starting December 1, 2011 through June 8, 2027. The note bears an interest rate of 2.50% (payable semi-annually) until June 1, 2016 and thereafter on each subsequent five year anniversary date where the rate will reset to 1.90% in excess of the tax-free equivalent of the five year U.S. Treasury Rate then in effect, however, the rate shall not exceed 5.50%.

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 6 – Long Term Debt Continued

All outstanding debt is backed by the full faith and credit of the Township. At December 31, 2011, the Township has \$1,705,000 of non-electoral debt outstanding. The Township is in compliance with all significant requirements of the various note covenants. The Township is not obligated in any manner for special assessment debt.

The following is a summary of the Township's general obligation bonds and notes outstanding as December 31, 2011:

Year of Issue	Original Issue	Balance January 1	Issued During Year	Principal Repayments	Balance December 31	Due Within One Year
2006	\$ 20,235,000	\$ 15,635,000	\$ -	\$ (1,060,000)	\$ 14,575,000	\$ 1,105,000
2007	8,000,000	7,134,503	-	(7,134,503)	-	-
2011	4,950,000	-	4,950,000	(291,176)	4,658,824	291,176
Total	\$ 33,185,000	\$ 22,769,503	\$ 4,950,000	\$ (8,485,679)	\$ 19,233,824	\$ 1,396,176

Annual principal repayment requirements are as follows:

	Series 2006 Bond Due 12/15/25	Series 2011 Note Due 6/8/27	Total
Year			
2012	\$ 1,105,000	\$ 291,176	\$ 1,396,176
2013	1,150,000	291,176	1,441,176
2014	1,195,000	291,176	1,486,176
2015	1,255,000	291,176	1,546,176
2016	1,310,000	291,176	1,601,176
2017-2021	6,565,000	1,455,884	8,020,884
2022-2026	1,995,000	1,455,884	3,450,884
2027	-	291,176	291,176
Total	\$ 14,575,000	\$ 4,658,824	\$ 19,233,824

Annual interest payment requirements are as follows:

	Series 2006 Bond Due 12/15/25	Series 2011 Note Due 6/8/27	Total
Year			
2012	\$ 640,376	\$ 116,471	\$ 756,847
2013	596,176	109,191	705,367
2014	555,926	101,912	657,838
2015	496,176	94,632	590,808
2016		148,500	148,500
2017-2021	1,345,919	720,662	2,066,581
2022-2026	272,753	320,294	593,047
2027	-	16,015	16,015
Total	\$ 3,907,326	\$ 1,627,677	\$ 5,535,003

Expected interest rates for the notes are as follows:

	Series 2006 Variable	Series 2011 fixed to 6/1/16
Type		
Interest Range	3.5%-5.0%	2.5%-5.5%

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 7 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Contributions are invested with outside trustees; ICMA Retirement Corporation for non-uniformed employees, and American Funds for uniformed employees.

Note 8 – Interfund Transfers

The Township uses unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2011, consisted of the following amounts:

	<u>General Fund</u>	<u>Rev Run Fund</u>	<u>Capital Reserve Fund</u>
	\$ (20,000)		\$ 20,000
		\$ (10,000)	10,000
Total	\$ (20,000)	\$ (10,000)	\$ 30,000

Note 9 – Fund Equity

Governmental fund balances and Fiduciary fund net assets are categorized as follows:

Fund Balance Restricted for Debt Service – This restriction was created to segregate a portion of the open space fund and the entire balance of the building construction fund for debt service. The restriction was established to satisfy legal restrictions imposed by the tax levy.

Fund Balance Restricted for Highways & Streets – The restriction was created for the Liquid Fuels fund to satisfy Commonwealth restrictions imposed by the liquid fuels municipal allocation.

Fund Balance Restricted for Local Fire Companies – The restriction was created to segregate the Fire fund to satisfy legal restrictions imposed by the tax levy.

Fund Balance Committed for Open Space Purchases – This commitment was created by the board of supervisors to set aside all monies received from note issues by the open space fund for conservation of natural resources within the Township.

Fund balance Committed for Grants to Others – This commitment was created by the board of supervisors to set aside all monies received 1) a developer for the preservation of the Riparian watershed to fund grants to homeowner's based upon engineering studies 2) proceeds of the annual Revolutionary Run race to fund an annual grant to the local ambulance service.

Undesignated Fund Balance – remaining fund balances that are neither reserved nor designated for special purposes.

Net Assets Held in Trust for Pension Benefits – The reserve for pensions was created to restrict the use of all resources contributed to or earned by both pension funds. State statutes require that such a fund balance be fully restricted.

UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2011

Note 10 – Net Assets Restricted by Enabling Legislation

The following is a listing of net asset balances at December 31, 2011 that are restricted by enabling legislation of the Township:

Restricted for debt service open space fund	\$ 1,051,770
Restricted for debt service building construction fund	231,300
Restricted for road projects per Commonwealth allocation	168,409
Restricted for fire protection services fire fund	<u>359,539</u>
Total	\$ <u>1,811,018</u>

Note 11 – Commitments

As of December 31, 2011, the Township is committed under contract for the following construction projects:

	<u>2011 Capital Improvements</u>
Total Contract Amount	\$ 192,699
Expenses Incurred to 12/31/11	<u>173,429</u>
Commitment at 12/31/11	\$ <u>19,270</u>

Note 12 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township uses an insurance carrier to minimize these risks. Predetermined limits and deductible amounts are stated in the policy.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this insurance coverage in any of the past five years.

Required Supplementary Information

UPPER MAKEFIELD TOWNSHIP
Required Supplementary Information
Schedule of Funding Progress - Police Pension Plan
Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/97	995,128	845,116	(150,012)	117.8%	254,873	-58.9%
1/1/99	1,328,574	1,097,899	(230,675)	121.0%	389,444	-59.2%
1/1/01	1,569,220	1,587,479	18,259	98.8%	564,056	3.2%
1/1/03	1,631,149	1,969,673	338,524	82.8%	715,962	47.3%
1/1/05	1,846,813	2,518,228	671,415	73.3%	873,546	76.9%
1/1/07	2,375,330	2,970,745	595,415	80.0%	1,134,229	52.5%
1/1/09	2,673,746	3,618,813	945,067	73.9%	1,410,226	67.0%
1/1/11	3,548,132	4,281,491	733,359	82.9%	1,508,749	48.6%

UPPER MAKEFIELD TOWNSHIP
Required Supplementary Information
Schedule of Funding Progress - Non-Uniformed Employees Pension Plan
Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/97	375,349	381,460	6,111	98.4%	326,314	1.9%
1/1/99	535,017	484,231	(50,786)	110.5%	326,190	-15.6%
1/1/01	662,677	542,448	(120,229)	122.2%	396,395	-30.3%
1/1/03	694,991	783,075	88,084	88.8%	584,910	15.1%
1/1/05	805,677	1,042,526	236,849	77.3%	640,263	37.0%
1/1/07	1,038,287	1,081,548	43,261	96.0%	753,674	5.7%
1/1/09	1,083,425	1,497,097	413,672	72.4%	726,533	56.9%
1/1/11	1,414,452	1,837,587	423,135	77.0%	874,397	48.4%

UPPER MAKEFIELD TOWNSHIP
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis (Cash)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,378,300	\$ 3,378,300	\$ 4,258,048	\$ 879,748
Licenses & Permits	205,580	205,580	221,210	15,630
Fines	58,200	58,200	37,556	(20,644)
Interest	14,000	14,000	4,971	(9,029)
Intergovernmental Revenue	373,100	373,100	551,410	178,310
Charges for Services	721,600	721,600	480,666	(240,934)
Miscellaneous Revenue	15,150	15,150	105,482	90,332
	<u>4,765,930</u>	<u>4,765,930</u>	<u>5,659,343</u>	<u>893,413</u>
Expenditures				
General Government	807,646	807,646	856,051	(48,405)
Public Safety	3,003,238	3,003,238	2,344,419	658,819
Public Works (Highways & Streets)	474,713	474,713	563,683	(88,970)
Culture & Recreation	-	-	250	(250)
Community Development	9,500	9,500	9,500	-
Miscellaneous	1,575,058	1,575,058	1,512,833	62,225
	<u>5,870,155</u>	<u>5,870,155</u>	<u>5,286,736</u>	<u>583,419</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,104,225)</u>	<u>(1,104,225)</u>	<u>372,607</u>	<u>1,476,832</u>
Other Financing Sources (Uses)				
Interfund Transfers	<u>722,335</u>	<u>722,335</u>	<u>(20,000)</u>	<u>(742,335)</u>
Total Other Financing Sources & Uses	<u>722,335</u>	<u>722,335</u>	<u>(20,000)</u>	<u>(742,335)</u>
Net Change in Fund Balances	<u>\$ (381,890)</u>	<u>\$ (381,890)</u>	<u>352,607</u>	<u>\$ 734,497</u>
Fund Balances - January 1			<u>1,680,326</u>	
Fund Balances - December 31			<u>\$ 2,032,933</u>	

See accompanying notes to budgetary comparison schedules

UPPER MAKEFIELD TOWNSHIP
Budgetary Comparison Schedule
Open Space Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis (Cash)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,296,500	\$ 2,296,500	\$ 2,454,949	\$ 158,449
Interest	<u>5,900</u>	<u>5,900</u>	<u>2,034</u>	<u>(3,866)</u>
Total Revenues	<u>2,302,400</u>	<u>2,302,400</u>	<u>2,456,983</u>	<u>154,583</u>
Expenditures				
Current:				
General Government	45,000	45,000	23,697	21,303
Community Development	2,500,000	2,500,000	1,650	2,498,350
Debt Service:				
Principal	1,366,053	1,366,053	8,400,679	(7,034,626)
Interest	<u>948,981</u>	<u>948,981</u>	<u>796,286</u>	<u>152,695</u>
Total Expenditures	<u>4,860,034</u>	<u>4,860,034</u>	<u>9,222,312</u>	<u>(4,362,278)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,557,634)</u>	<u>(2,557,634)</u>	<u>(6,765,329)</u>	<u>(4,207,695)</u>
Other Financing Sources (Uses)				
Proceeds of General Long-Term Debt	-	-	4,950,000	4,950,000
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>	<u>4,950,000</u>	<u>4,950,000</u>
Net Change in Fund Balances	\$ <u>(2,557,634)</u>	\$ <u>(2,557,634)</u>	(1,815,329)	\$ <u>742,305</u>
Fund Balances - January 1			<u>2,841,554</u>	
Fund Balances - December 31			\$ <u>1,026,225</u>	

See accompanying notes to budgetary comparison schedules

UPPER MAKEFIELD TOWNSHIP
Budgetary Comparison Schedule
Riparian Buffer & Restoration Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis (Cash)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 9,000	\$ 9,000	\$ 7,723	\$ (1,277)
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>7,723</u>	<u>(1,277)</u>
Expenditures				
Current:				
General Government	20,000	20,000	10,268	9,732
Community Development	<u>250,000</u>	<u>250,000</u>	<u>110,985</u>	<u>139,015</u>
Total Expenditures	<u>270,000</u>	<u>270,000</u>	<u>121,253</u>	<u>148,747</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(261,000)</u>	<u>(261,000)</u>	<u>(113,530)</u>	<u>147,470</u>
Other Financing Sources (Uses)				
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (261,000)</u>	<u>\$ (261,000)</u>	<u>(113,530)</u>	<u>\$ 147,470</u>
Fund Balances - January 1			<u>2,895,722</u>	
Fund Balances - December 31			<u>\$ 2,782,192</u>	

See accompanying notes to budgetary comparison schedules

UPPER MAKEFIELD TOWNSHIP
Notes to Budgetary Comparison Schedules
December 31, 2011

Note 1 - Budgetary Data

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Thirty days prior to the final supervisor's meeting in December, the Board of Supervisors submits a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenses and the means of financing them.
2. The proposed operating budget is advertised in the newspaper at least thirty days prior to the final budget hearing.
3. At the last Board of Supervisors' meeting in December, the budget is adopted by resolution.
4. Within 30 days of adoption, the approved budget is advertised in the newspaper as being approved and available for inspection.
5. Budgetary data are included in the Township management information system and are employed as a management control device during the year.
6. Budgets for the General, Special Revenue and Capital Projects Funds are adopted substantially on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

UPPER MAKEFIELD TOWNSHIP
Notes to Budgetary Comparison Schedules
December 31, 2011

Note 2 - Budget to Actual Reconciliation

An explanation of the differences between budgetary revenues and expenditures (cash basis) and revenues and expenditures determined in accordance with generally accepted accounting principles (modified accrual).

	General Fund	Open Space Fund	Riparian Buffer and Restoration Fund
Total revenues as reported in the budgetary comparison schedule (cash basis)	\$ 5,659,343	\$ 2,456,983	\$ 7,723
Change in taxes receivable	98,260	28,562	-
Change in accounts receivable	70,959	-	-
Change in deferred revenue	(330,319)	(19,499)	-
Total revenues as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 5,498,243</u>	<u>\$ 2,466,046</u>	<u>\$ 7,723</u>
 Total expenditures as reported in the budgetary comparison schedule (cash basis)	 \$ 5,286,736	 \$ 9,222,312	 \$ 121,253
Change in deferred revenue	(88,470)	-	-
Change in accrued payroll	(1,228)	-	-
Change in accounts payable	58,636	3,017	(208)
Change in accrued expenses	37,272	-	-
Change in prepaid expenses	23,430	-	-
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 5,316,376</u>	<u>\$ 9,225,329</u>	<u>\$ 121,045</u>

Note 3 - Excess of expenditures over appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations in the Liquid Fuels, Repetitive Grant, Open Space, Riparian Buffer, Rev Run, Park and Rec, 3-Year Cap, and Tree Bank funds. These over-expenditures were financed either by interfund transfers or prior year reserves.

Supplementary Information Section

UPPER MAKEFIELD TOWNSHIP
Combining Balance Sheet
Other Governmental Funds
December 31, 2011

	Special Revenue Funds					Capital Projects Funds				Debt Service Fund		Total Other Governmental Funds
	Liquid Fuels Fund	Repetitive Flood Grant Fund	Fire Fund	Rev. Run Emergency Svc. Fund	Operation & Maint. Fund	Park & Recreation Fund	Park 3 Year Cap Fund	Capital Reserve Fund	Tree Bank Fund	Cable TV Fund	Building Construction Fund	
Assets												
Cash & Cash Equivalents	\$ 172,885	\$ -	\$ 355,041	\$ 23,379	\$ 20,857	\$ 67,929	\$ 224,618	\$ 90,276	\$ 112,765	\$ 744,032	\$ 226,203	\$ 2,037,985
Accounts Receivable	-	-	-	-	-	330	268	-	-	-	-	598
Taxes Receivable	-	-	7,853	-	-	-	-	-	-	-	8,900	16,753
Total Assets	\$ 172,885	\$ -	\$ 362,894	\$ 23,379	\$ 20,857	\$ 68,259	\$ 224,886	\$ 90,276	\$ 112,765	\$ 744,032	\$ 235,103	\$ 2,055,336
Liabilities												
Accounts Payable	\$ 4,476	\$ -	\$ -	\$ -	\$ -	\$ 805	\$ 12,551	\$ -	\$ -	\$ -	\$ -	\$ 17,832
Deferred Revenue	-	-	4,716	-	-	-	-	-	-	-	5,344	10,060
Total Liabilities	4,476	-	4,716	-	-	805	12,551	-	-	-	5,344	27,892
Fund Balances												
Restricted for:												
Debt Service	-	-	-	-	-	-	-	-	-	-	229,759	229,759
Highways & Streets	168,409	-	-	-	-	-	-	-	-	-	-	168,409
Local Fire Companies	-	-	358,178	-	-	-	-	-	-	-	-	358,178
Assigned for:												
Grants to Others	-	-	-	23,379	-	-	-	-	-	-	-	23,379
Parks & Rec. Operations	-	-	-	-	-	67,454	-	-	-	-	-	67,454
Capital Purchases	-	-	-	-	20,857	-	212,335	90,276	112,765	-	-	436,233
General Operations	-	-	-	-	-	-	-	-	-	744,032	-	744,032
Total Fund Balances	168,409	-	358,178	23,379	20,857	67,454	212,335	90,276	112,765	744,032	229,759	2,027,444
Total Liabilities and Fund Balances	\$ 172,885	\$ -	\$ 362,894	\$ 23,379	\$ 20,857	\$ 68,259	\$ 224,886	\$ 90,276	\$ 112,765	\$ 744,032	\$ 235,103	\$ 2,055,336

See accompanying notes to basic financial statements

UPPER MAKEFIELD TOWNSHIP
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
December 31, 2011

	Special Revenue Funds					Capital Projects Funds					Debt Service Fund		Total Other Governmental Funds
	Liquid Fuels Fund	Repetitive Flood Grant Fund	Fire Fund	Rev. Run Emergency Svc. Fund	Operation & Maint. Fund	Park & Recreation Fund	Park 3 Year Cap Fund	Capital Reserve Fund	Tree Bank Fund	Cable TV Fund	Building Construction Fund		
Revenues													
Real Estate Taxes	\$ -	\$ -	\$ 171,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194,783	\$ -	366,651
Interest	332	-	927	50	61	280	258	78	341	2,176	241	-	4,744
Intergovernmental Revenue	206,375	-	-	-	-	-	5,450	-	-	-	-	-	211,825
Charges for Services	-	-	-	-	-	3,500	-	-	-	-	-	-	3,500
Miscellaneous Revenue	-	-	-	10,000	-	-	36,863	-	-	-	-	-	46,863
Total Revenues	206,707	-	172,795	10,050	61	3,780	42,571	78	341	2,176	195,024	-	633,583
Expenditures													
Current:													
General Government	-	7	-	-	-	-	-	-	-	-	-	-	7
Public Safety	-	-	123,622	1,800	-	-	-	-	-	-	-	-	125,422
Public Works (Highways & Streets)	272,250	-	-	-	-	-	-	-	-	-	-	-	272,250
Culture & Recreation	-	-	-	-	-	41,715	104,004	-	4,156	-	-	-	149,875
Conservation of Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal	-	-	-	-	-	-	-	-	-	-	85,000	-	85,000
Interest	-	-	-	-	-	-	-	-	-	-	77,223	-	77,223
Total Expenditures	272,250	7	123,622	1,800	-	41,715	104,004	-	4,156	-	162,223	-	709,777
Excess (Deficiency) of Revenues Over Expenditures	(65,543)	(7)	49,173	8,250	61	(37,935)	(61,433)	78	(3,815)	2,176	32,801	-	(76,194)
Other Financing Sources (Uses)													
Interfund Transfers	-	-	-	(10,000)	-	-	-	-	-	-	-	-	20,000
Total Other Financing Sources & Uses	-	-	-	(10,000)	-	-	-	-	-	-	-	-	20,000
Net Change in Fund Balances	(65,543)	(7)	49,173	(1,750)	61	(37,935)	(61,433)	30,078	(3,815)	2,176	32,801	-	(56,194)
Fund Balances - January 1	233,952	7	309,005	25,129	20,796	105,389	273,768	60,198	116,580	741,856	196,958	-	2,083,638
Fund Balances - December 31	\$ 168,409	\$ -	\$ 358,178	\$ 23,379	\$ 20,857	\$ 67,454	\$ 212,335	\$ 90,276	\$ 112,765	\$ 744,032	\$ 229,759	\$ -	\$ 2,027,444

See accompanying notes to basic financial statements