

**UPPER MAKEFIELD TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
WITH ACCOMPANYING AUDITOR'S REPORTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**UPPER MAKEFIELD TOWNSHIP**  
 Financial Statements  
 For the Year Ended December 31, 2013

**Table of Contents**

	Page Number
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis (Unaudited)</b>	3-10
<b>Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Balance Sheet of the Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities	16
Proprietary Fund:	
Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Net Position	18
Statement of Cash Flows	19-20
Fiduciary Funds:	
Statement of Net Position	21
Statement of Changes in Net Position	22
Statement of Changes in Assets and Liabilities – Township Escrow Funds	23
Notes to Financial Statements	24-38
<b>Required Supplementary Information:</b>	
Pension Plan of Upper Makefield Township Police Analysis of Funding Progress	39
Pension Plan of Upper Makefield Township Non-Uniformed Employees Analysis of Funding Progress	40
Budgetary Comparison Schedules:	
Budget Comparison Schedule – General Fund	41
Budget Comparison Schedule – Open Space Fund	42
Budget Comparison Schedule – Riparian Buffer & Restoration Fund	43
Notes to Budgetary Comparison Schedule	44
<b>Supplementary Information Section:</b>	
Combining Balance Sheet – Other Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	46



936 Easton Rd., PO Box 754 Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446  
252 W. Swamp Rd., Unit 9, Doylestown, PA 18901 | 444 South State St. Suite B12, Newtown, PA 18940  
24 Arnett St. Suite 202, Lambertville, NJ 08530  
215-343-2727 | www.bbco-cpa.com

## **Independent Auditor's Report**

Board of Supervisors  
Upper Makefield Township  
Newtown, Pennsylvania 18940

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Makefield Township (the Township) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Makefield Township, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

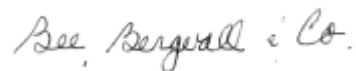
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension plan funding progress, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Makefield Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

June 27, 2014

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

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, 2013. 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, 2013.

**FINANCIAL HIGHLIGHTS**

- The net position (assets minus liabilities) of the Township as of December 31, 2013 was \$48,561,308. Of this amount, \$43,423,585 represents governmental net position and, \$5,137,723 represents business-type net position. Of the net position balance, \$9,863,206 is unrestricted and available to meet the Township's ongoing obligations in accordance with Township fund designations and fiscal policies.
- The Township's net position increased by \$1,990,980 during the year ended December 31, 2013. The governmental net position increased by \$2,105,972 and the business-type net position decreased by \$114,992.
- The general fund, the Township's primary operating fund, reported an increase in fund balance of \$980,758. As of December 31, 2013 the general fund unassigned fund balance was \$3,697,833 or 75% of total general fund expenditures for the year ended December 31, 2013.
- The Township's governmental and business-type cash and cash equivalents increased by \$796,371 during 2013, with a corresponding increase in negotiable certificates of deposit of \$4,710.
- The Township received \$19,382 From FHA/PENNDOT for traffic upgrades to Stoopville Rd. and \$32,408 from FEMA/PEMA for disaster assistance.
- The Township expended \$790,487 for various capital projects and capital purchases.
- The Township paid \$291,177 principal and \$110,404 interest on the series 2011 note.
- The Township paid \$1,150,000 principal and \$596,176 interest on Series 2006 general obligation bonds.

**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 position 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 Position* presents the Township's total assets and liabilities, with the difference between the two reported as net position. 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, 2013**

The *Statement of Activities* presents information showing how the Township's net position 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 Position 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 2014.

#### *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 position and changes in net position 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, 2013**

**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 position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed comparative Statement of Net Position:

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current Assets	\$ 10,781,428	\$ 9,903,706	\$ 1,874,548	\$ 2,137,535	\$ 12,655,976	\$ 12,041,241
Capital Assets	49,886,823	50,166,901	3,335,338	3,144,128	53,222,161	53,311,029
Other Assets	-	32,267	-	-	-	32,267
Total Assets	\$ 60,668,251	\$ 60,102,874	\$ 5,209,886	\$ 5,281,663	\$ 65,878,137	\$ 65,384,537
<b>Liabilities and Net Position</b>						
Current Liabilities	\$ 1,725,723	\$ 1,758,072	\$ 72,163	\$ 28,948	\$ 1,797,886	\$ 1,787,020
Noncurrent Liabilities	15,518,943	16,994,922	-	-	15,518,943	16,994,922
Total Liabilities	17,244,666	18,752,994	72,163	28,948	17,316,829	18,781,942
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	33,661,895	32,482,825	3,335,338	3,144,128	36,997,233	35,626,953
Restricted	1,700,869	1,476,926	-	-	1,700,869	1,476,926
Unrestricted	8,060,821	7,390,129	1,802,385	2,108,587	9,863,206	9,498,716
Total Net Position	43,423,585	41,349,880	5,137,723	5,252,715	48,561,308	46,602,595
Total Liabilities and Net Position	\$ 60,668,251	\$ 60,102,874	\$ 5,209,886	\$ 5,281,663	\$ 65,878,137	\$ 65,384,537

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, 2013**

Current liabilities primarily include accrued payroll, accounts payable and current maturities of general obligation bonds and notes payable. The long-term liabilities figure reflects principal balances due in more than one year on general obligation bonds, notes and accrued sick leave. The outstanding principal on bonds and notes make up 97% of the long-term liabilities figure.

The difference between the assets and liabilities is labeled as net position. Net position is 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 76% of the Township's total net position. Restricted amounts are restricted either by Township enabling legislation or by the Commonwealth for items such as debt service, fire protection or road projects. The remaining unrestricted amounts 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 position for the years ended December 31, 2013 and 2012:

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$ 413,114	\$ 426,608	\$ 453,390	\$ 493,279	\$ 866,504	\$ 919,887
Grants and Contributions	650,359	711,603	-	-	650,359	711,603
General Revenues						
Taxes	7,308,150	6,137,193	-	-	7,308,150	6,137,193
Cable Franchise Fees	222,955	208,884	-	-	222,955	208,884
Investment Earnings	52,366	50,328	5,043	6,051	57,409	56,379
Gain on Sale of Assets	12,029	7,850	-	-	12,029	7,850
Miscellaneous	6,411	101,984	-	-	6,411	101,984
Total Revenues	8,665,384	7,644,450	458,433	499,330	9,123,817	8,143,780
<b>Expenses</b>						
General Government	1,099,666	1,057,233	-	-	1,099,666	1,057,233
Public Safety	3,290,576	3,529,919	-	-	3,290,576	3,529,919
Public Works (Sanitation)	2,120	-	-	-	2,120	-
Public Works (Highways & Streets)	1,209,301	1,220,089	-	-	1,209,301	1,220,089
Public Works (Water & Sewer System)	-	-	573,425	545,735	573,425	545,735
Culture & Recreation	138,483	129,691	-	-	138,483	129,691
Community Development	15,600	22,870	-	-	15,600	22,870
Interest on Long Term Debt	704,904	756,019	-	-	704,904	756,019
Other	54,555	113,707	-	-	54,555	113,707
Unallocated Depreciation	44,207	43,502	-	-	44,207	43,502
Total Expenses	6,559,412	6,873,030	573,425	545,735	7,132,837	7,418,765
<b>Change in Net Position</b>	2,105,972	771,420	(114,992)	(46,405)	1,990,980	725,015
<b>Net Position - Beginning of Year</b>	41,317,613	40,578,460	5,252,715	5,299,120	46,570,328	45,877,580
<b>Net Position - End of Year</b>	\$ 43,423,585	\$ 41,349,880	\$ 5,137,723	\$ 5,252,715	\$ 48,561,308	\$ 46,602,595

**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, 2013**

The following table presents the Township's changes in Governmental fund balances for the years ended December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Taxes	\$ 7,351,170	\$ 6,605,252
Cable Franchise Fees	222,955	208,884
Licenses & Permits	15,985	15,050
Fines	31,970	34,132
Interest	38,068	36,033
Intergovernmental Revenue	600,222	781,756
Charges for Services	378,370	403,111
Miscellaneous Revenue	86,994	129,453
Total Revenues	<u>8,725,734</u>	<u>8,213,671</u>
<b>Expenditures</b>		
Current:		
General Government	884,557	837,088
Public Safety	2,273,236	2,616,277
Public Works (Sanitation)	2,120	-
Public Works (Highways & Streets)	950,112	657,289
Culture & Recreation	53,166	62,426
Community Development	15,600	22,870
Miscellaneous	1,371,144	1,399,906
Debt Service:		
Principal	1,441,176	1,396,176
Interest	706,883	755,452
Total Expenditures	<u>7,697,994</u>	<u>7,747,484</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,027,740</u>	<u>466,187</u>
<b>Other Financing Sources (Uses)</b>		
Debt Issued	<u>-</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,027,740	466,187
<b>Fund Balances - Beginning of Year</b>	<u>8,466,074</u>	<u>7,999,887</u>
<b>Fund Balances - End of Year</b>	<u>\$ 9,493,814</u>	<u>\$ 8,466,074</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, 2013**

**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>
<b>Revenues</b>			
Taxes	\$ 4,010,500	\$ 4,871,637	\$ 861,137
Licenses & Permits	220,620	233,698	13,078
Fines	43,500	32,552	(10,948)
Interest	5,000	22,714	17,714
Intergovernmental Revenue	586,772	392,564	(194,208)
Charges for Services	439,250	383,816	(55,434)
Miscellaneous Revenue	9,400	35,675	26,275
	<u>5,315,042</u>	<u>5,972,656</u>	<u>657,614</u>
<b>Expenditures</b>			
General Government	847,546	862,585	(15,039)
Public Safety	2,216,310	2,201,056	15,254
Public Works (Sanitation)	-	2,120	(2,120)
Public Works (Highways & Streets)	780,902	485,591	295,311
Culture & Recreation	250	150	100
Community Development	9,500	9,500	-
Miscellaneous	1,440,534	1,370,838	69,696
	<u>5,295,042</u>	<u>4,931,840</u>	<u>363,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,000</u>	<u>1,040,816</u>	<u>1,020,816</u>
<b>Other Financing Sources (Uses)</b>			
Interfund Transfers	<u>(20,000)</u>	<u>(31,898)</u>	<u>(11,898)</u>
Total Other Financing Sources & Uses	<u>(20,000)</u>	<u>(31,898)</u>	<u>(11,898)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>1,008,918</u>	<u>\$ 1,008,918</u>
<b>Fund Balances - Beginning</b>		<u>2,190,510</u>	
<b>Fund Balances - Ending</b>		<u>\$ 3,199,428</u>	

The following is a brief summary of general fund budget versus actual variances for the year ended December 31, 2013:

- Taxes – Actual amounts were more than budgeted due to conservative budgeting.
- Intergovernmental revenue – Actual amounts were less than budgeted due to a delayed Federal funded project for phase II upgrades to the Stoopville Road.
- Charges for services – Actual amounts were less than budgeted due to a decrease in construction start-ups.
- Miscellaneous revenue – Actual amounts were greater than budgeted due to unbudgeted worker's compensation reimbursements and contributions from private sources.
- Public Works – Actual amounts were less than budgeted due to a delayed Federal funded project for phase II upgrades to Stoopville Road.
- Miscellaneous Expenditures – Actual amounts were less than budgeted due to conservative budget estimates for employee benefits.

For more information see page 41 - Budgetary Comparison Schedule – General Fund.

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

Land and Land Improvements	\$ 3,175,422
Infrastructure	15,463,821
Water and Sewer System	4,982,616
Buildings and Improvements	5,678,692
Equipment and Furniture	2,161,857
Conservation Easements	<u>34,213,440</u>
	65,675,848
Less Accumulated Depreciation	<u>(12,453,687)</u>
	\$ <u>53,222,161</u>

Major capital asset transactions/events during the year ended December 31, 2013 included the following:

- The Township expended \$205,952 for road resurfacing projects.
- The Township expended \$61,054 for road drainage improvement projects.
- The Township expended \$204,357 for new vehicles and equipment.
- The Township expended \$311,760 for upgrades to the water & sewer system.

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, 2013, the Township had total long-term debt outstanding of \$16,396,471.

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 highlights for the Township as of June 27, 2014:

In 2014, the Township will continue to manage insurance costs through participation in the Delaware Valley Health Insurance Trust, Worker's Compensation Trust and Insurance Trust.

The Township is in the 3<sup>rd</sup> year of a 4 year contract with the Police Dept. which provides for a 3% increase.

In 2014, negotiations are ongoing with the Public Works Dept. Teamsters Union on a new contract.

The 2014 Minimum Municipal Obligation is budgeted at \$200,000 for the Police Pension and \$110,000 for the Non Police Pension. This obligation is offset by \$163,800 in anticipated revenue from the Commonwealth of PA.

In 2014, the Township budgeted expenditures of \$170,000 from the Capital Reserve Fund for the federally mandated replacement of all Township radios. A transfer of \$7,000 from the Emergency Services Fund will also be made in preparation for this replacement.

**UPPER MAKEFIELD TOWNSHIP  
Management's Discussion and Analysis  
For The Year Ended December 31, 2013**

**MANAGER'S DISCUSSION – CONTINUED**

Purchase of one police vehicle for \$47,000 is also budgeted in the Capital Reserve Fund.

Purchase of a new Flail Mower for \$81,712 with \$45,000 budgeted in the Liquid Fuels Fund and \$36,712 budgeted in the General Fund for the Public Works Dept.

The Township's 2014 infrastructure needs include \$255,000 for the Road Improvement Program and \$48,000 for bridge improvement projects and \$9,000 for drainage improvements.

In the Water and Sewer Fund – Heritage Hills has \$169,000 allocated for capital improvements to the Heritage Hills Wastewater Treatment Plant and Water Storage Tank.

In the Open Space Fund \$0 has been allocated for the preservation of open space, \$3,394,532 is budgeted to pay existing Open Space debt with an additional \$805,949 budgeted for additional prepayment of Open Space debt.

Other than those issues 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 Dave 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](http://www.upper-makefield.com).

**UPPER MAKEFIELD TOWNSHIP**  
**Government-wide Statement of Net Position**  
**December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8,238,312	\$ 733,687	\$ 8,971,999
Investments (Negotiable CD's)	758,587	1,007,474	1,766,061
Accounts Receivable	68,979	100,478	169,457
Taxes Receivable	1,715,550	-	1,715,550
Prepaid Expenses	-	32,909	32,909
Total Current Assets	<u>10,781,428</u>	<u>1,874,548</u>	<u>12,655,976</u>
Capital Assets			
Conservation Easements	34,213,440	-	34,213,440
Other Capital Assets, net of Depreciation	15,673,383	3,335,338	19,008,721
Total Capital Assets	<u>49,886,823</u>	<u>3,335,338</u>	<u>53,222,161</u>
Total Assets	<u>60,668,251</u>	<u>5,209,886</u>	<u>65,878,137</u>
<b>Liabilities</b>			
Current Liabilities:			
Accrued Payroll & Withholdings	97,957	-	97,957
Accounts Payable	70,958	61,003	131,961
Accrued Expenses	48,419	11,160	59,579
Interest Payable	22,213	-	22,213
Bonds & Notes Payable - Current Portion	1,486,176	-	1,486,176
Total Current Liabilities	<u>1,725,723</u>	<u>72,163</u>	<u>1,797,886</u>
Noncurrent Liabilities:			
Bonds & Notes Payable,			
Less Current Portion Above	14,910,294	-	14,910,294
Compensated Absences	437,107	-	437,107
Total Noncurrent Liabilities	<u>15,347,401</u>	<u>-</u>	<u>15,347,401</u>
Total Liabilities	<u>17,073,124</u>	<u>72,163</u>	<u>17,145,287</u>
<b>Deferred Inflows of Resources</b>			
Unamortized Bond Premium	171,542	-	171,542
Total Deferred Inflows	<u>171,542</u>	<u>-</u>	<u>171,542</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	33,661,895	3,335,338	36,997,233
Restricted	1,700,869	-	1,700,869
Unrestricted	8,060,821	1,802,385	9,863,206
Total Net Position	<u>\$ 43,423,585</u>	<u>\$ 5,137,723</u>	<u>\$ 48,561,308</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Government-wide Statement of Activities**  
**For the Year Ended December 31, 2013**

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General Government & Administration	\$ 1,099,666	\$ 177,150	\$ 34,037	\$ -	\$ (888,479)	\$ -	\$ (888,479)
Public Safety	3,290,576	208,935	292,521	32,408	(2,756,712)	-	(2,756,712)
Public Works (Sanitation)	2,120	200	-	-	(1,920)	-	(1,920)
Public Works (Highways & Streets)	1,209,301	23,669	240,889	6,978	(937,765)	-	(937,765)
Culture & Recreation	138,483	3,160	43,526	-	(91,797)	-	(91,797)
Community Development	15,600	-	-	-	(15,600)	-	(15,600)
Interest on Long Term Debt	704,904	-	-	-	(704,904)	-	(704,904)
Other	54,555	-	-	-	(54,555)	-	(54,555)
Unallocated Depreciation	44,207	-	-	-	(44,207)	-	(44,207)
<b>Total Governmental Activities</b>	<b>6,559,412</b>	<b>413,114</b>	<b>610,973</b>	<b>39,386</b>	<b>(5,495,939)</b>	<b>-</b>	<b>(5,495,939)</b>
<b>Business-type Activities</b>							
Public Works (Sewer System)	80,614	41,968	-	-	-	(38,646)	(38,646)
Public Works (Water & Sewer System)	492,811	411,422	-	-	-	(81,389)	(81,389)
<b>Total Business-type Activities</b>	<b>573,425</b>	<b>453,390</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(120,035)</b>	<b>(120,035)</b>
<b>Total Government</b>	<b>\$ 7,132,837</b>	<b>\$ 866,504</b>	<b>\$ 610,973</b>	<b>\$ 39,386</b>	<b>(5,495,939)</b>	<b>(120,035)</b>	<b>(5,615,974)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Real Estate Taxes Levied for General Purposes					1,124,899	-	1,124,899
Real Estate Taxes Levied for Debt Service					2,290,721	-	2,290,721
Earned Income Taxes					3,892,530	-	3,892,530
Cable Franchise Fees					222,955	-	222,955
Investment Earnings					52,366	5,043	57,409
Gain on Sale of Capital Assets					12,029	-	12,029
Miscellaneous					6,411	-	6,411
Transfers					-	-	-
<b>Total General Revenues &amp; Transfers</b>					<b>7,601,911</b>	<b>5,043</b>	<b>7,606,954</b>
<b>Change in Net Position</b>					<b>2,105,972</b>	<b>(114,992)</b>	<b>1,990,980</b>
<b>Net Position - January 1, as Restated</b>					<b>41,317,613</b>	<b>5,252,715</b>	<b>46,570,328</b>
<b>Net Position - December 31</b>					<b>\$ 43,423,585</b>	<b>\$ 5,137,723</b>	<b>\$ 48,561,308</b>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**

**Balance Sheet  
Governmental Funds  
December 31, 2013**

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer &amp; Restoration Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash & Cash Equivalents	\$ 3,204,378	\$ 929,187	\$ 2,289,324	\$ 1,815,423	\$ 8,238,312
Investments (Negotiable CD's)	3,403	251,763	503,420	-	758,586
Accounts Receivable	68,979	-	-	-	68,979
Taxes Receivable	1,632,199	71,831	-	11,521	1,715,551
Total Current Assets	<u>4,908,959</u>	<u>1,252,781</u>	<u>2,792,744</u>	<u>1,826,944</u>	<u>10,781,428</u>
Total Assets	<u>\$ 4,908,959</u>	<u>\$ 1,252,781</u>	<u>\$ 2,792,744</u>	<u>\$ 1,826,944</u>	<u>\$ 10,781,428</u>
<b>Liabilities</b>					
Payroll Withholdings	\$ 8,354	\$ -	\$ -	\$ -	\$ 8,354
Accounts Payable	45,784	-	3,500	21,673	70,957
Accrued Expenses	48,256	-	-	164	48,420
Accrued Payroll	89,603	-	-	-	89,603
Total Liabilities	<u>191,997</u>	<u>-</u>	<u>3,500</u>	<u>21,837</u>	<u>217,334</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue for:					
Property Taxes	9,426	44,083	-	7,070	60,579
Earned Income Taxes	1,004,147	-	-	-	1,004,147
Other Revenues	5,556	-	-	-	5,556
Total Deferred Inflows of Resources	<u>1,019,129</u>	<u>44,083</u>	<u>-</u>	<u>7,070</u>	<u>1,070,282</u>
<b>Fund Balances</b>					
Nonspendable: - - - - -					
Restricted for:					
Debt Service	-	1,012,283	-	285,486	1,297,769
Highways & Streets	-	-	-	151,348	151,348
Local Fire Companies	-	-	-	260,548	260,548
Committed for:					
Open Space Purchases	-	196,415	-	-	196,415
Grants to Others	-	-	2,789,244	29,963	2,819,207
Park & Rec. Operations	-	-	-	60,146	60,146
Capital Purchases	-	-	-	1,010,546	1,010,546
General Operations	-	-	-	-	-
Unassigned:	3,697,833	-	-	-	3,697,833
Total Fund Balances	<u>3,697,833</u>	<u>1,208,698</u>	<u>2,789,244</u>	<u>1,798,037</u>	<u>9,493,812</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,908,959</u>	<u>\$ 1,252,781</u>	<u>\$ 2,792,744</u>	<u>\$ 1,826,944</u>	<u>\$ 10,781,428</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Reconciliation of Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2013**

**Total Fund Balances - Governmental Funds** \$ 9,493,812

Amounts reported for governmental activities in the statement of net position 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. 1,064,726

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. 5,556

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	\$ 60,693,232	
Accumulated depreciation	(10,806,409)	
		49,886,823

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.

Bonds and Notes Payable	\$ (16,396,471)	
Accrued interest on Bonds and Notes Payable	(22,212)	
Compensated absences	(437,107)	
Unamortized Bond Premium	(171,542)	
		(17,027,332)

**Total Net Position - Governmental Activities** \$ 43,423,585



**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**December 31, 2013**

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer &amp; Restoration Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Real Estate Taxes	\$ 458,832	\$ 2,105,779	\$ -	\$ 363,802	\$ 2,928,413
Real Estate Transfer Taxes	497,624	-	-	-	497,624
Earned Income Taxes	3,925,133	-	-	-	3,925,133
Cable Franchise Fees	222,955	-	-	-	222,955
Licenses & Permits	15,985	-	-	-	15,985
Fines	31,970	-	-	-	31,970
Interest	22,714	3,020	8,710	3,624	38,068
Intergovernmental Revenue	381,048	-	-	219,174	600,222
Charges for Services	375,010	-	-	3,360	378,370
Miscellaneous Revenue	28,394	-	-	58,600	86,994
Total Revenues	<u>5,959,665</u>	<u>2,108,799</u>	<u>8,710</u>	<u>648,560</u>	<u>8,725,734</u>
<b>Expenditures</b>					
Current:					
General Government	867,030	2,470	952	14,105	884,557
Public Safety	2,218,260	-	-	54,976	2,273,236
Public Works (Sanitation)	2,120	-	-	-	2,120
Public Works (Highways & Streets)	478,805	-	-	471,307	950,112
Culture & Recreation	150	-	-	53,016	53,166
Community Development	9,500	2,600	3,500	-	15,600
Miscellaneous	1,371,144	-	-	-	1,371,144
Debt Service:					
Principal	-	1,346,176	-	95,000	1,441,176
Interest	-	636,661	-	70,222	706,883
Total Expenditures	<u>4,947,009</u>	<u>1,987,907</u>	<u>4,452</u>	<u>758,626</u>	<u>7,697,994</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,012,656</u>	<u>120,892</u>	<u>4,258</u>	<u>(110,066)</u>	<u>1,027,740</u>
<b>Other Financing Sources (Uses)</b>					
Interfund Transfers	<u>(31,898)</u>	<u>-</u>	<u>-</u>	<u>31,898</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>(31,898)</u>	<u>-</u>	<u>-</u>	<u>31,898</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	980,758	120,892	4,258	(78,168)	1,027,740
<b>Fund Balances - January 1</b>	<u>2,717,075</u>	<u>1,087,808</u>	<u>2,784,986</u>	<u>1,876,205</u>	<u>8,466,074</u>
<b>Fund Balances - December 31</b>	<u>\$ 3,697,833</u>	<u>\$ 1,208,700</u>	<u>\$ 2,789,244</u>	<u>\$ 1,798,037</u>	<u>\$ 9,493,814</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, 2013**

**Total Net Change in Fund Balances - Governmental Funds** \$ 1,027,740

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	\$	478,727	
Depreciation expense		<u>(758,805)</u>	(280,078)

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. (43,021)

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. (31,626)

The issuance and repayment of long-term debt provides/uses current financial resources to/from governmental funds. These transactions have no effect on net position. 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 Bond Premium	\$	14,296	
Principal Repayments		<u>1,441,176</u>	1,455,472

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. 1,979

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). (24,494)

**Change in Net Position of Governmental Activities** \$ 2,105,972

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2013**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 597,781	\$ 135,906	\$ 733,687
Investments (Negotiable CD's)	1,007,474	-	1,007,474
Accounts Receivable	90,098	10,380	100,478
Prepaid Expenses	<u>28,796</u>	<u>4,113</u>	<u>32,909</u>
Total Current Assets	<u>1,724,149</u>	<u>150,399</u>	<u>1,874,548</u>
Capital Assets			
Water & Sewer System	4,982,616	-	4,982,616
Less: Accumulated Depreciation	<u>(1,647,278)</u>	<u>-</u>	<u>(1,647,278)</u>
Total Capital Assets	<u>3,335,338</u>	<u>-</u>	<u>3,335,338</u>
Total Assets	<u>5,059,487</u>	<u>150,399</u>	<u>5,209,886</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	54,534	6,469	61,003
Accrued Expenses	<u>11,160</u>	<u>-</u>	<u>11,160</u>
Total Liabilities	<u>65,694</u>	<u>6,469</u>	<u>72,163</u>
<b>Net Position</b>			
Invested in Capital Assets	3,335,338	-	3,335,338
Unrestricted	<u>1,658,455</u>	<u>143,930</u>	<u>1,802,385</u>
Total Net Position	<u>\$ 4,993,793</u>	<u>\$ 143,930</u>	<u>\$ 5,137,723</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2013**

	<b>Water &amp; Sewer Enterprise Fund</b>	<b>Dutchess Farm Sewer Enterprise Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services:			
Resident User Fees	\$ 411,422	\$ 41,968	\$ 453,390
Total Operating Revenues	411,422	41,968	453,390
<b>Operating Expenses:</b>			
Administrative	37,498	4,372	41,870
Depreciation	120,550	-	120,550
Engineering Services	10,748	1,973	12,721
Electric	46,162	-	46,162
Fuel	5,216	-	5,216
Insurance	15,681	14,026	29,707
Licensed Operator	132,232	33,936	166,168
Supplies	7,239	3,712	10,951
Repairs & Maintenance	111,201	18,935	130,136
Telephone	2,463	-	2,463
Testing	3,821	3,660	7,481
Total Operating Expenses	492,811	80,614	573,425
<b>Net Operating Income</b>	(81,389)	(38,646)	(120,035)
<b>Non Operating Revenue:</b>			
Interest	4,649	394	5,043
<b>Change in Net Position</b>	(76,740)	(38,252)	(114,992)
<b>Net Position - January 1</b>	5,070,533	182,182	5,252,715
<b>Net Position - December 31</b>	\$ 4,993,793	\$ 143,930	\$ 5,137,723

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2013**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 415,889	\$ 41,540	\$ 457,429
Payments to Suppliers	(352,289)	(82,265)	(434,554)
Net Cash Provided (Used) by Operating Activities	<u>63,600</u>	<u>(40,725)</u>	<u>22,875</u>
<b>Cash Flows from Noncapital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Equipment Purchases	(311,760)	-	(311,760)
Net Cash Provided (Used) by Capital Financing Activities	<u>(311,760)</u>	<u>-</u>	<u>(311,760)</u>
<b>Cash Flows from Investing Activities</b>			
Interest	1,856	394	2,250
Net Cash Provided (Used) by Investing Activities	<u>1,856</u>	<u>394</u>	<u>2,250</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(246,304)	(40,331)	(286,635)
<b>Cash and Cash Equivalents - January 1</b>	<u>844,085</u>	<u>176,237</u>	<u>1,020,322</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 597,781</u>	<u>\$ 135,906</u>	<u>\$ 733,687</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2013**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (81,389)	\$ (38,646)	\$ (120,035)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	120,550	-	120,550
Change in Assets and Liabilities			
Receivables	4,466	(429)	4,037
Prepaid Expenses	(21,781)	(3,111)	(24,892)
Accounts Payable	30,594	1,461	32,055
Accrued Expenses	11,160	-	11,160
	<u>11,160</u>	<u>-</u>	<u>11,160</u>
Net Cash Provided by Operating Activities	\$ <u>63,600</u>	\$ <u>(40,725)</u>	\$ <u>22,875</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Net Position**  
**Fiduciary Funds**  
**Year Ended December 31, 2013**

	<b>Police Pension Fund</b>	<b>Non-Uniformed Pension Fund</b>	<b>Escrow Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash	\$ -	\$ -	\$ 717,330
Investments, at Fair Value	5,449,520	2,281,352	-
Prepaid Expenses	1,119	1,119	-
Interest Receivable	14,328	6,582	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>5,464,967</u>	<u>2,289,053</u>	<u>\$ 717,330</u>
 <b>Liabilities</b>			
Accounts Payable	750	750	\$ -
Escrow Deposits	-	-	717,330
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>750</u>	<u>750</u>	<u>\$ 717,330</u>
 <b>Net Position</b>			
Restricted for Pension Benefits	<u>\$ 5,464,217</u>	<u>\$ 2,288,303</u>	

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2013**

	<b>Police Pension Fund</b>	<b>Non-Uniformed Pension Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions		
Employer	\$ 148,174	\$ 75,980
Plan Members	72,386	-
State Aid	97,148	62,111
Total Contributions	<u>317,708</u>	<u>138,091</u>
Investment Earnings		
Interest	66,839	34,954
Dividends	62,047	25,228
Net Realized Appreciation (Depreciation)	612,362	251,136
Total Investment Earnings	<u>741,248</u>	<u>311,318</u>
Total Additions	<u>1,058,956</u>	<u>449,409</u>
<b>Deductions</b>		
Benefits	45,514	26,063
Administrative Expenses	98,250	44,339
Total Deductions	<u>143,764</u>	<u>70,402</u>
<b>Change in Net Position</b>	915,192	379,007
<b>Net Position - Restricted - January 1</b>	<u>4,549,025</u>	<u>1,909,296</u>
<b>Net Position - Restricted - December 31</b>	<u>\$ 5,464,217</u>	<u>\$ 2,288,303</u>

See accompanying notes to basic financial statements



**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Changes in Assets and Liabilities-**  
**Township Escrow Funds**  
**For the Year Ended December 31, 2013**

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
<b>Assets:</b>				
Cash and cash equivalents	\$ <u>777,413</u>	\$ <u>63,780</u>	\$ <u>(123,863)</u>	\$ <u>717,330</u>
Total Assets	\$ <u><u>777,413</u></u>	\$ <u><u>63,780</u></u>	\$ <u><u>(123,863)</u></u>	\$ <u><u>717,330</u></u>
<b>Liabilities</b>				
Escrow Payable	\$ <u>777,413</u>	\$ <u>63,780</u>	\$ <u>(123,863)</u>	\$ <u>717,330</u>
Total Liabilities	\$ <u><u>777,413</u></u>	\$ <u><u>63,780</u></u>	\$ <u><u>(123,863)</u></u>	\$ <u><u>717,330</u></u>

See accompanying notes to basic financial statements

# UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2013

## 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.

### **Financial Reporting Entity**

Financial accountability is defined, in GASB Statement No. 14 "The Financial Reporting Entity," as amended by GASB No. 61. The Township has considered all potential organizations for which the nature and significance of their relationships with the Township are such exclusion would cause the Township's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the Township to impose its will on that organization, or 2) the potential for that organization to provide specific benefits or to impose specific financial burdens 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 Position 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.

#### *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.

## UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2013

### Note 1 - Summary of Significant Accounting Policies – Continued

#### Basis of Presentation - Continued

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 debt service and open space purchases.

**Riparian Buffer and Restoration Fund (a special revenue 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 2014.

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 position and changes in net position 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.

#### 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 position and the operating statements present increases (revenues) and decreases (expenses) in net position. 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.

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 1 – Summary of Significant Accounting Policies – Continued**

**Measurement Focus and Basis of Accounting - Continued**

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 include 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

**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.

## UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2013

### Note 1 – Summary of Significant Accounting Policies – Continued

#### **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 2013 was 2.00 mills for the general fund, .75 mills for the fire protection fund, .75 mills for the building construction fund, and 9.325 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, 2013

**Note 2 – Cash and Investments**

**Legal Requirements**

*Governmental and Business Type Activities*

Under the 2<sup>nd</sup> 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 2<sup>nd</sup> 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 2<sup>nd</sup> Class Township Code. As of December 31, 2013, \$7,263,073 of the Township's bank balance for governmental and business-type activities of \$9,045,054 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent  
but not in the Township's name. \$7,263,073

As of December 31, 2013, \$717,330 of the Township's bank balance of \$723,915 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. \$717,330

Cash equivalents include Morgan Stanley Active Assets Money Trust which seeks to maintain a share price of \$1.00 per share and is not subject to custodial credit risk. The total value of these cash equivalents at December 31, 2013 was \$255,443.

**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>
12-month or less maturity	\$758,587	\$1,007,474
Total	<u>\$755,587</u>	<u>\$1,007,474</u>

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**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	\$ 16,236	\$ (2,912)
Money Market	344,130	146,700
Equities	2,323,106	1,015,373
Mortgage Backed Securities	156,007	29,173
Corporate Bonds	256,632	81,523
Municipal Bonds	604,309	348,055
Closed end Mutual Funds	1,749,100	663,437
Unsettled Purchases/Sales	<u>-</u>	<u>3</u>
Total	\$ <u>5,449,520</u>	\$ <u>2,281,352</u>

***Custodial Credit Risk Investments***

Township pension funds are held and administered by Morgan Stanley Smith Barney LLC. Custodial credit risk is the risk that, in the event of the failure of Morgan Stanley Smith Barney, the Township will not be able to recover the value of plan investments or collateral security that are in Morgan Stanley Smith Barney'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, 2013, none of the Township's Police Pension Plan, and Non-uniformed Pension Plan investments of \$5,449,520 and \$2,281,352, 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	\$ 344,130	\$ 146,700
Mortgage Backed Securities - Aaa	156,007	29,173
Corporate Bonds - Aa3	52,067	-
Corporate Bonds - A1	91,808	30,603
Corporate Bonds - A2	112,758	50,921
Municipal Bonds - Aa1	52,558	45,075
Municipal Bonds - Aa2	305,345	183,326
Municipal Bonds - Aa3	114,011	64,244
Municipal Bonds - A1	132,395	55,411
Closed end Mutual Bond Funds - Aa1	16,874	7,617
Closed end Mutual Bond Funds - Aa2	53,741	18,463
Closed end Mutual Bond Funds - A2	523,697	200,663
Closed end Mutual Bond Funds - A3	54,628	18,666
Closed end Mutual Bond Funds - Baa	73,603	30,434
Closed end Mutual Bond Funds - Baa2	46,912	16,132
Closed end Mutual Bond Funds - B2	<u>160,395</u>	<u>62,023</u>
Total	\$ <u>2,290,929</u>	\$ <u>959,451</u>

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 2 – Cash and Investments – Continued**

***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, 2013 the Township Pension funds had no holdings which exceeded 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	\$ -	\$ -	\$ 141,024	\$ 14,983	\$ 156,007
Corporate Bonds	-	52,067	54,581	149,984	256,632
Municipal Bonds	-	78,434	118,518	407,357	604,309
Closed end Mutual Bond Funds	-	225,315	704,536	-	929,851
Total	\$ -	\$ 355,816	\$ 1,018,659	\$ 572,324	\$ 1,946,799

Non-Uniformed Pension Plan	Investment Maturities (in Years)				Total
	Less than 1	1-5	6-10	More than 10	
Mortgage Backed Securities	\$ -	\$ -	\$ -	\$ 29,173	\$ 29,173
Corporate Bonds	-	-	21,832	59,691	81,523
Municipal Bonds	5,026	49,221	89,070	204,738	348,055
Closed end Mutual Bond Funds	-	87,752	266,248	-	354,000
Total	\$ 5,026	\$ 136,973	\$ 377,150	\$ 293,602	\$ 812,751

***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. As of December 31, 2013 none of the Township's investments are subject to foreign currency risk.



**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 3 – Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Balance Jan. 1, 2013</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance Dec. 31, 2013</u>
Governmental Activities				
Capital Assets not Subject to Depreciation:				
Land	\$ 1,487,583	\$ -	\$ -	\$ 1,487,583
Conservation Easements	34,213,440	-	-	34,213,440
Subtotal	<u>35,701,023</u>	<u>-</u>	<u>-</u>	<u>35,701,023</u>
Capital Assets Subject to Depreciation:				
Buildings & Improvements	5,678,692	-	-	5,678,692
Land Improvements	1,687,839	-	-	1,687,839
Infrastructure	15,196,815	267,006	-	15,463,821
Furniture & Equipment	2,018,408	211,721	(68,272)	2,161,857
Accumulated Depreciation	<u>(10,115,876)</u>	<u>(758,805)</u>	<u>68,272</u>	<u>(10,806,409)</u>
Subtotal	<u>14,465,878</u>	<u>(280,078)</u>	<u>-</u>	<u>14,185,800</u>
Total Gov't Activities	<u>\$ 50,166,901</u>	<u>\$ (280,078)</u>	<u>\$ -</u>	<u>\$ 49,886,823</u>
	<u>Balance Jan. 1, 2013</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance Dec. 31, 2013</u>
Business-type Activities				
Capital Assets Subject to Depreciation:				
Water & Sewer System	\$ 4,670,856	\$ 311,760	\$ -	\$ 4,982,616
Accumulated Depreciation	<u>(1,526,728)</u>	<u>(120,550)</u>	<u>-</u>	<u>(1,647,278)</u>
Total Business-type Activities	<u>\$ 3,144,128</u>	<u>\$ 191,210</u>	<u>\$ -</u>	<u>\$ 3,335,338</u>

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

Governmental Activities:

General Government and Administration	\$ 6,376
Public Safety	130,987
Public Works - Roads	491,919
Culture & Recreation	85,316
Unallocated	44,207
Total	<u>\$ 758,805</u>

Business-type Activities:

Water & Sewer System	<u>\$ 120,550</u>
----------------------	-------------------

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 4 - Pension Plans**

The Township sponsors two single employer defined benefit pension plans, the Police Pension Plan and the Non Uniform Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements.

The following table provides information concerning types of covered employees for each of the Township's Plans as part of the January 1, 2013 actuarial valuation:

	<u>Police</u>	<u>Non-Uniform</u>
Active plan members	15	14
Retirees and beneficiaries currently receiving benefits	3	3
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>	<u>3</u>
Total membership	<u><u>20</u></u>	<u><u>20</u></u>

Plan Description

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, 2013 using a cost method of entry age normal and an amortization method of level dollar, closed. For 2013, the contribution rate for members was 5%. The Plan has 3 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, 2013 using a cost method of entry age normal and an amortization method of level dollar, closed. For 2013, the contribution rate for members was 0%. The Plan has 8 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, 2013, the Township's total payroll for all employees was \$2,383,948. The Township received State Aid for pensions totaling \$159,259 of which \$97,148 was distributed to the Police Pension Plan and \$62,111 to the Non-Uniform Pension Plan. The total net pension expense to the Township (after the above reimbursement) for 2013 was \$296,540.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The plan's financial statements are prepared using the accrual basis of accounting. Plan member, employer contributions, benefits and refund are recognized in the period in which the cash is transacted.

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 4 - Pension Plans – Continued**

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contributions Required and Contributions Made

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Police Pension Plan for 2013 was as follows:

	Police Pension Plan	Non Uniformed Pension Plan
Annual required contribution	\$ 245,322	\$ 138,091
Interest on net pension obligation	(165)	(28)
Adjustments to annual required contribution	<u>(355)</u>	<u>(58)</u>
Annual pension cost	244,802	138,005
Contributions made	<u>(245,322)</u>	<u>(138,091)</u>
Increase (decrease) in net pension obligation	(520)	(86)
Net pension obligation (asset) at beginning of year	<u>(2,602)</u>	<u>(367)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (3,122)</u></u>	<u><u>\$ (453)</u></u>

Funded Status and Funding Progress

The funded status of the Pension Plans as of January 1, 2013, the most recent valuation date, was as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Projected Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
Police	\$ 4,496,746	\$ 4,631,355	\$ 134,609	97.1%	\$ 1,444,513	9.3%
Non Uniformed	1,891,104	2,068,737	177,633	91.4%	782,824	22.7%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Three Year Trend Information

<b>Police</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 274,362	100.0%	\$ (3,142)
12/31/2012	240,651	100.0%	(2,602)
12/31/2013	245,322	100.0%	(3,122)
<b>Non-Uniformed</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 178,296	100.0%	\$ (414)
12/31/2012	166,939	100.0%	(367)
12/31/2013	138,091	100.0%	(453)

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**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, 2013, the liability to the Township for compensated absences was \$437,107. 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 May 13, 2011 the Township issued General Obligation Note, Series 2011, in the amount of \$4,950,000 (electoral). The proceeds of this note were to refinance the remaining balance of the General Obligation Note, Series 2007 (electoral). The 2011 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%.

All outstanding debt is backed by the full faith and credit of the Township. At December 31, 2013, the Township has \$1,520,000 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 debt outstanding at December 31, 2013:

<u>Year of Issue</u>	<u>Original Issue</u>	<u>Balance Janaury 1</u>	<u>Issued During Year</u>	<u>Principal Repayments</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
2006	\$ 20,235,000	\$ 13,470,000	\$ -	\$ (1,150,000)	\$ 12,320,000	\$ 1,195,000
2011	4,950,000	4,367,647	-	(291,176)	4,076,471	291,176
Total	<u>\$ 25,185,000</u>	<u>\$ 17,837,647</u>	<u>\$ -</u>	<u>\$ (1,441,176)</u>	<u>\$ 16,396,471</u>	<u>\$ 1,486,176</u>

Annual principal payment requirements are as follows:

<u>Year</u>	<u>Series 2006 Bond Due 12/15/25</u>	<u>Series 2011 Note Due 6/8/27</u>	<u>Total</u>
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	1,365,000	291,176	1,656,176
2018	1,430,000	291,176	1,721,176
2019-2023	5,455,000	1,455,883	6,910,883
2024-2027	310,000	1,164,706	1,474,706
Total	<u>\$ 12,320,000</u>	<u>\$ 4,076,469</u>	<u>\$ 16,396,469</u>

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 6 – Long Term Debt – Continued**

Annual interest payment requirements are as follows:

Year	Series 2006	Series 2011	Total
	Bond Due 12/15/25	Note Due 6/8/27	
2014	\$ 555,926	\$ 101,912	\$ 657,838
2015	496,176	94,632	590,808
2016	436,564	139,765	576,329
2017	241,139	176,162	417,301
2018	241,139	160,147	401,286
2019-2023	680,090	560,515	1,240,605
2024-2027	19,740	152,496	172,236
Total	\$ <u>2,670,774</u>	\$ <u>1,385,629</u>	\$ <u>4,056,403</u>

Expected interest rates for the notes are as follows:

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

**Note 7 – Subsequent Events**

On April 15, 2014 the Township made a one time only additional principal payment of \$805,949 on the 2011 note leaving a remaining principal balance of \$3,270,522.

**Note 8 – 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; Beirne Wealth Consulting for non-uniformed employees and American Funds for uniformed employees.

**Note 9 – 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, 2013, consisted of the following amounts:

	General Fund	Liquid Fuels	Rev Run	Park & Rec	Capital Reserve Fund
	\$ (11,898)	\$ 11,898	\$ -	\$ -	\$ -
	(20,000)	-	-	20,000	-
	-	-	(7,000)	-	7,000
Total	\$ <u>(31,898)</u>	\$ <u>11,898</u>	\$ <u>(7,000)</u>	\$ <u>20,000</u>	\$ <u>7,000</u>

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 10 – Fund Equity**

Governmental fund balances and Fiduciary fund net position 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 Position 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.

**Note 11 – Net Position Restricted by Enabling Legislation**

The following is a listing of net position balances at December 31, 2013 that are restricted by enabling legislation of the Township:

Restricted for debt service open space fund	\$ 1,005,255
Restricted for debt service building construction fund	284,326
Restricted for road projects per Commonwealth allocation	151,348
Restricted for fire protection services fire fund	<u>259,940</u>
Total	\$ <u>1,700,869</u>

**Note 12 – Commitments**

As of December 31, 2013, the Township is committed under contract for the following construction projects:

	<u>Water Storage Tank Painting</u>
Total Contract Amount	\$ 246,788
Expenses Incurred to 12/31/13	<u>0</u>
Commitment at 12/31/13	\$ <u>246,788</u>

## UPPER MAKEFIELD TOWNSHIP

Notes to Basic Financial Statements

December 31, 2013

### Note 13 – 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 the following insurance policies to minimize these risks.

The Township participates in a public entity risk pool (Delaware Valley Insurance Trust – DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' policies for its members. The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions. The insurance expense for the year ended December 31, 2013 was \$54,555. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2013 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$14,542.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2013 was \$54,787. At December 31, 2013, there were no additional assessments due or anticipated.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool. The insurance expense for the year ended December 31, 2013 was \$593,120 for medical coverage.

The Township continues to carry insurance for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

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.

### Note 14 – New Accounting Pronouncements

Statement No. 65 - *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for financial statements for fiscal years beginning after December 15, 2012. Upper Makefield Township has implemented this standard for the year ended December 31, 2013.

Under these Statements, deferred outflows and inflows have been defined as relating to service concession arrangements, hedging derivative instruments, debt issuance costs, nonexchange transactions, sales of future revenues, leases, insurance activities, lending activities, commitment fees, purchase of a loan, mortgage banking, and regulated operations.

Net Assets have been renamed net position to comply with this standard. Under GASB No. 65, debt issuance costs are written off in the year incurred. Unamortized issuance costs totaling \$32,267 are a prior period adjustment and the Township's net position as of December 31, 2013 has been restated as follows:

**UPPER MAKEFIELD TOWNSHIP**

Notes to Basic Financial Statements

December 31, 2013

**Note 14 – New Accounting Pronouncements - Continued**

	January 1, 2013
Net position, as previously reported	\$ 46,602,595
Reduction of assets	
2006 Debt Issue Costs	<u>(32,267)</u>
Net Position, restated	<u>\$ 46,570,328</u>



**Required Supplementary Information**

**UPPER MAKEFIELD TOWNSHIP**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Police Pension Plan**  
**Year Ended December 31, 2013**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
1/1/13	4,496,746	4,631,355	134,609	97.1%	1,444,513	9.3%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER**  
**AND OTHER CONTRIBUTING ENTITIES**

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contributions from Other Entities</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
2004	\$ 129,837	\$ 64,925	\$ 64,912	\$ 64,912	\$ 100.0%
2005	146,488	80,833	65,655	65,655	100.0%
2006	164,737	91,079	73,658	73,658	100.0%
2007	181,831	85,375	96,456	96,456	100.0%
2008	191,129	92,926	98,203	98,203	100.0%
2009	211,379	100,272	111,107	111,107	100.0%
2010	262,220	171,450	90,770	90,770	100.0%
2011	274,362	117,326	157,036	157,036	100.0%
2012	240,651	144,668	95,983	95,983	100.0%
2013	245,322	148,174	97,148	97,148	100.0%

**UPPER MAKEFIELD TOWNSHIP**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Non-Uniformed Employees Pension Plan**  
**Year Ended December 31, 2013**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
1/1/13	1,891,104	2,068,737	177,633	91.4%	782,824	22.7%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER**  
**AND OTHER CONTRIBUTING ENTITIES**

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contributions from Other Entities</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
2004	\$ 73,979	\$ 36,993	\$ 36,986	\$ 73,979	\$ 100.0%
2005	75,538	33,856	41,682	75,538	100.0%
2006	90,842	50,224	40,618	90,842	100.0%
2007	102,257	48,013	54,244	102,257	100.0%
2008	92,271	48,368	43,903	92,271	100.0%
2009	75,222	36,184	39,038	75,222	100.0%
2010	169,620	111,587	58,033	169,620	100.0%
2011	178,296	77,896	100,400	178,296	100.0%
2012	166,939	105,573	61,366	166,939	100.0%
2013	138,091	75,980	62,111	138,091	100.0%

**UPPER MAKEFIELD TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary Basis (Cash)</b>	<b>Variance With Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,010,500	\$ 4,010,500	\$ 4,871,637	\$ 861,137
Licenses & Permits	220,620	220,620	233,698	13,078
Fines	43,500	43,500	32,552	(10,948)
Interest	5,000	5,000	22,714	17,714
Intergovernmental Revenue	586,772	586,772	392,564	(194,208)
Charges for Services	439,250	439,250	383,816	(55,434)
Miscellaneous Revenue	9,400	9,400	35,675	26,275
	<u>5,315,042</u>	<u>5,315,042</u>	<u>5,972,656</u>	<u>657,614</u>
<b>Expenditures</b>				
General Government	847,546	847,546	862,585	(15,039)
Public Safety	2,216,310	2,216,310	2,201,056	15,254
Public Works (Sanitation)	-	-	2,120	(2,120)
Public Works (Highways & Streets)	780,902	780,902	485,591	295,311
Culture & Recreation	250	250	150	100
Community Development	9,500	9,500	9,500	-
Miscellaneous	1,440,534	1,440,534	1,370,838	69,696
	<u>5,295,042</u>	<u>5,295,042</u>	<u>4,931,840</u>	<u>363,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,000</u>	<u>20,000</u>	<u>1,040,816</u>	<u>1,020,816</u>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	<u>(20,000)</u>	<u>(20,000)</u>	<u>(31,898)</u>	<u>(11,898)</u>
Total Other Financing Sources & Uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>(31,898)</u>	<u>(11,898)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,008,918</u>	<u>\$ 1,008,918</u>
<b>Fund Balances - January 1</b>			<u>2,190,510</u>	
<b>Fund Balances - December 31</b>			<u>\$ 3,199,428</u>	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Open Space Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,194,000	\$ 2,194,000	\$ 2,112,120	\$ (81,880)
Interest	2,000	2,000	3,020	1,020
Total Revenues	2,196,000	2,196,000	2,115,140	(80,860)
<b>Expenditures</b>				
Current:				
General Government	12,500	12,500	2,470	10,030
Community Development	1,049,385	1,049,385	5,200	1,044,185
Debt Service:				
Principal	1,346,176	1,346,176	1,346,176	-
Interest	636,662	636,662	636,662	-
Total Expenditures	3,044,723	3,044,723	1,990,508	1,054,215
Excess (Deficiency) of Revenues Over Expenditures	(848,723)	(848,723)	124,632	973,355
<b>Other Financing Sources (Uses)</b>				
Proceeds of General Long-Term Debt	-	-	-	-
Total Other Financing Sources & Uses	-	-	-	-
<b>Net Change in Fund Balances</b>	\$ (848,723)	\$ (848,723)	124,632	\$ 973,355
<b>Fund Balances - January 1</b>			1,056,318	
<b>Fund Balances - December 31</b>			\$ 1,180,950	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Riparian Buffer & Restoration Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Over (Under)
	Orginal	Final		
<b>Revenues</b>				
Interest	\$ 12,000	\$ 12,000	\$ 8,710	\$ (3,290)
Total Revenues	12,000	12,000	8,710	(3,290)
<b>Expenditures</b>				
Current:				
General Government	12,500	12,500	1,039	11,461
Community Development	640,893	640,893	-	640,893
Total Expenditures	653,393	653,393	1,039	652,354
Excess (Deficiency) of Revenues Over Expenditures	(641,393)	(641,393)	7,671	649,064
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	-	-	-	-
Total Other Financing Sources & Uses	-	-	-	-
<b>Net Change in Fund Balances</b>	\$ (641,393)	\$ (641,393)	7,671	\$ 649,064
<b>Fund Balances - January 1</b>			2,785,074	
<b>Fund Balances - December 31</b>			\$ 2,792,745	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
Notes to Budgetary Comparison Schedules  
December 31, 2013

**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 supervisors' meeting in December, the Board of Supervisors submits a proposed operating budget for the fiscal year commencing the following January 1<sup>st</sup>. 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.

**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).

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer and Restoration Fund</u>
Total revenues as reported in the budgetary comparison schedule (cash basis)	\$ 5,972,656	\$ 2,115,140	\$ 8,710
Change in taxes receivable	(137,192)	(13,370)	-
Change in accounts receivable	(54,567)	-	-
Change in accounts payable	112,917	-	-
Change in deferred revenue	65,851	7,028	-
Total revenues as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 5,959,665</u>	<u>\$ 2,108,798</u>	<u>\$ 8,710</u>
Total expenditures as reported in the budgetary comparison schedule (cash basis)	\$ 4,931,840	\$ 1,990,508	\$ 1,039
Change in accounts receivable	(1,136)	-	-
Change in accrued payroll	3,378	-	-
Change in accounts payable	(35,329)	(2,601)	3,413
Change in accrued expenses	48,256	-	-
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 4,947,009</u>	<u>\$ 1,987,907</u>	<u>\$ 4,452</u>

**Note 3 – Excess of Expenditures over Appropriations**

For the year ended December 31, 2013, expenditures exceeded appropriations in the Liquid Fuels, Park & Rec, Capital Reserve, Water & Sewer and Dutchess Farm 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, 2013**

	Special Revenue Funds				Capital Projects Funds			Debt Service Fund		Total Other Governmental Funds
	Liquid Fuels 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	Building Construction Fund	
<b>Assets</b>										
Current Assets										
Cash & Cash Equivalents	\$ 170,654	\$ 258,323	\$ 29,963	\$ 21,115	\$ 62,168	\$ 268,881	\$ 605,322	\$ 115,737	\$ 283,260	\$ 1,815,423
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	5,760	-	-	-	-	-	-	5,761	11,521
Total Current Assets	<u>170,654</u>	<u>264,083</u>	<u>29,963</u>	<u>21,115</u>	<u>62,168</u>	<u>268,881</u>	<u>605,322</u>	<u>115,737</u>	<u>289,021</u>	<u>1,826,944</u>
Total Assets	<u>\$ 170,654</u>	<u>\$ 264,083</u>	<u>\$ 29,963</u>	<u>\$ 21,115</u>	<u>\$ 62,168</u>	<u>\$ 268,881</u>	<u>\$ 605,322</u>	<u>\$ 115,737</u>	<u>\$ 289,021</u>	<u>\$ 1,826,944</u>
<b>Liabilities</b>										
Accounts Payable	\$ 19,142	\$ -	\$ -	\$ -	\$ 2,022	\$ 100	\$ 209	\$ 200	\$ -	\$ 21,673
Accrued Expenses	164	-	-	-	-	-	-	-	-	164
Total Liabilities	<u>19,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,022</u>	<u>100</u>	<u>209</u>	<u>200</u>	<u>-</u>	<u>21,837</u>
<b>Deferred Inflows of Resources</b>										
Unavailable Revenue for:										
Property Taxes	-	3,535	-	-	-	-	-	-	3,535	7,070
Total Deferred Inflows of Resources	<u>-</u>	<u>3,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,535</u>	<u>7,070</u>
<b>Fund Balance</b>										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	285,486	285,486
Highways & Streets	151,348	-	-	-	-	-	-	-	-	151,348
Local Fire Companies	-	260,548	-	-	-	-	-	-	-	260,548
Assigned for:										
Grants to Others	-	-	29,963	-	-	-	-	-	-	29,963
Parks & Rec. Operations	-	-	-	-	60,146	-	-	-	-	60,146
Capital Purchases	-	-	-	21,115	-	268,781	605,113	115,537	-	1,010,546
General Operations	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>151,348</u>	<u>260,548</u>	<u>29,963</u>	<u>21,115</u>	<u>60,146</u>	<u>268,781</u>	<u>605,113</u>	<u>115,537</u>	<u>285,486</u>	<u>1,798,037</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 170,654</u>	<u>\$ 264,083</u>	<u>\$ 29,963</u>	<u>\$ 21,115</u>	<u>\$ 62,168</u>	<u>\$ 268,881</u>	<u>\$ 605,322</u>	<u>\$ 115,737</u>	<u>\$ 289,021</u>	<u>\$ 1,826,944</u>

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, 2013**

	Special Revenue Funds				Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds	
	Liquid Fuels 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		Building Construction Fund
<b>Revenues</b>										
Real Estate Taxes	\$ -	\$ 170,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,131	\$ 363,802
Interest	641	292	27	26	124	438	1,318	205	553	3,624
Intergovernmental Revenue	219,174	-	-	-	-	-	-	-	-	219,174
Charges for Services	-	-	-	200	3,160	-	-	-	-	3,360
Miscellaneous Revenue	574	-	14,500	-	-	37,026	-	6,500	-	58,600
<b>Total Revenues</b>	<b>220,389</b>	<b>170,963</b>	<b>14,527</b>	<b>226</b>	<b>3,284</b>	<b>37,464</b>	<b>1,318</b>	<b>6,705</b>	<b>193,684</b>	<b>648,560</b>
<b>Expenditures</b>										
Current:										
General Government	-	-	-	-	-	-	14,105	-	-	14,105
Public Safety	-	13,494	-	-	-	-	41,482	-	-	54,976
Public Works (Highways & Streets)	326,133	-	-	-	-	-	145,174	-	-	471,307
Culture & Recreation	-	-	-	-	37,053	8,605	-	7,358	-	53,016
Conservation of Natural Resources	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	95,000	95,000
Interest	-	-	-	-	-	-	-	-	70,222	70,222
<b>Total Expenditures</b>	<b>326,133</b>	<b>13,494</b>	<b>-</b>	<b>-</b>	<b>37,053</b>	<b>8,605</b>	<b>200,761</b>	<b>7,358</b>	<b>165,222</b>	<b>758,626</b>
Excess (Deficiency) of Revenues Over Expenditures	(105,744)	157,469	14,527	226	(33,769)	28,859	(199,443)	(653)	28,462	(110,066)
<b>Other Financing Sources (Uses)</b>										
Interfund Transfers	11,898	-	(7,000)	-	20,000	-	7,000	-	-	31,898
<b>Total Other Financing Sources &amp; Uses</b>	<b>11,898</b>	<b>-</b>	<b>(7,000)</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>31,898</b>
<b>Net Change in Fund Balances</b>	<b>(93,846)</b>	<b>157,469</b>	<b>7,527</b>	<b>226</b>	<b>(13,769)</b>	<b>28,859</b>	<b>(192,443)</b>	<b>(653)</b>	<b>28,462</b>	<b>(78,168)</b>
<b>Fund Balances - January 1</b>	<b>245,194</b>	<b>103,079</b>	<b>22,436</b>	<b>20,889</b>	<b>73,915</b>	<b>239,922</b>	<b>797,556</b>	<b>116,190</b>	<b>257,024</b>	<b>1,876,205</b>
<b>Fund Balances - December 31</b>	<b>\$ 151,348</b>	<b>\$ 260,548</b>	<b>\$ 29,963</b>	<b>\$ 21,115</b>	<b>\$ 60,146</b>	<b>\$ 268,781</b>	<b>\$ 605,113</b>	<b>\$ 115,537</b>	<b>\$ 285,486</b>	<b>\$ 1,798,037</b>

See accompanying notes to basic financial statements