

UPPER MAKEFIELD TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2016



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Upper Makefield Township
Newtown, Pennsylvania

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 as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Upper Makefield Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Upper Makefield Township's 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.

Auditors' 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 auditors' 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, 2016, 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 (GAAP).

To the Board of Supervisors
Upper Makefield Township
Newtown, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2016, Upper Makefield Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

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 changes in net pension liability, pension contributions, pension investment returns 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 presented, in all material respects, in relation to the basic financial statements as a whole.



Oaks, Pennsylvania
September 13, 2017

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, 2016.

FINANCIAL HIGHLIGHTS

- The net position (assets minus liabilities) of the Township as of December 31, 2016, was \$55,308,365. Of this amount, \$50,458,014 represents governmental net position, and \$4,850,351 represents business-type net position. Of the net position, \$9,692,771 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 \$2,300,240 during the year ended December 31, 2016. The governmental net position increased by \$2,357,969 and the business-type net position decreased by \$57,729.
- The general fund, the Township's primary operating fund, reported an increase in fund balance of \$443,941. As of December 31, 2016, the general fund unassigned fund balance was \$3,486,681 or 60.18% of total general fund expenditures for the year ended December 31, 2016.
- The Township's governmental and business-type cash and cash equivalents decreased by \$1,174,206 during 2016.
- The Township expended \$1,670,816 for various capital projects and capital purchases.
- The Township authorized a \$600,000 loan from a bank for the purchase of a conservation easement. The loan was paid back in full in 2016.
- The Township paid \$2,306,177 of principal and \$351,546 of interest on outstanding General Obligation Bonds, Notes, and Loans during 2016.

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 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.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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, liabilities, and deferred inflows/outflows of resources, 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.
- 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* 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.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

- *Proprietary Funds* - Water and Sewer Fund and accompanying Capital Reserve Fund - These funds are 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 and accompanying Capital Reserve Fund - These funds are used to account for sewer services provided by the Township to one development located within the Township.

Enclave Water and Sewer Fund - These funds are used to account for water and sewer services provided by the Township to an individual development located within the Township. This activity is financed primarily by user charges.

- *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 aid 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.

Notes to the Basic Financial Statements

The Notes to the 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 changes in net pension liability, schedules of pension contributions, pension investment returns, 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 and fiduciary funds.

UPPER MAKEFIELD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current assets	\$ 10,257,934	\$ 10,137,776	\$ 1,319,196	\$ 1,528,580	\$ 11,577,130	\$ 11,666,356
Noncurrent assets	281,206	354,924	-	-	281,206	354,924
Capital assets	51,797,074	51,241,664	3,565,748	3,417,392	55,362,822	54,659,056
Deferred outflows of resources	597,335	629,797	-	-	597,335	629,797
TOTAL ASSETS	62,933,549	62,364,161	4,884,944	4,945,972	67,818,493	67,310,133
LIABILITIES						
Current liabilities	1,965,764	1,824,947	34,593	37,892	2,000,357	1,862,839
Noncurrent liabilities	10,037,050	11,865,923	-	-	10,037,050	11,865,923
Deferred inflows of resources	472,721	573,246	-	-	472,721	573,246
TOTAL LIABILITIES	12,475,535	14,264,116	34,593	37,892	12,510,128	14,302,008
NET POSITION						
Net investment in capital assets	40,877,800	38,716,805	3,565,748	3,489,381	44,443,548	42,206,186
Restricted	1,172,046	1,651,005	-	-	1,172,046	1,651,005
Unrestricted	8,408,168	7,732,235	1,284,603	1,418,699	9,692,771	9,150,934
TOTAL NET POSITION	\$ 50,458,014	\$ 48,100,045	\$ 4,850,351	\$ 4,908,080	\$ 55,308,365	\$ 53,008,125

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 water and sanitary sewer systems.

Current liabilities primarily include accrued payroll, accounts payable, interest payable, and current maturities of general obligation bonds and note payable. The long-term liabilities figure reflects principal balances due in more than one year on general obligation bonds, notes unamortized bond premiums, and accrued sick leave. The outstanding principal on bonds and note make up 93% of the long-term liabilities figure.

UPPER MAKEFIELD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

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 80% 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, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 648,487	\$ 769,525	\$ 580,053	\$ 490,044	\$ 1,228,540	\$ 1,259,569
Grants and contributions	850,284	922,859	17,280	-	867,564	922,859
General revenues						
Taxes	7,510,023	7,061,280	-	-	7,510,023	7,061,280
Cable franchise fees	254,808	241,443	-	-	254,808	241,443
Investment earnings	36,157	139,215	2,195	2,476	38,352	141,691
Loss on sale of capital assets	-	(5,209)	-	-	-	(5,209)
Miscellaneous	33,417	19,114	-	-	33,417	19,114
TOTAL REVENUES	9,333,176	9,148,227	599,528	492,520	9,932,704	9,640,747
EXPENSES						
General government	1,102,290	1,048,746	-	-	1,102,290	1,048,746
Public safety	4,127,150	3,730,735	-	-	4,127,150	3,730,735
Public works (highways and streets)	1,203,231	1,238,678	-	-	1,203,231	1,238,678
Public works (water and sewer system)	-	-	657,257	593,001	657,257	593,001
Culture and recreation	235,814	157,766	-	-	235,814	157,766
Community development	9,731	90,258	-	-	9,731	90,258
Interest on long term debt	249,380	1,022,448	-	-	249,380	1,022,448
Other	3,713	97,657	-	-	3,713	97,657
Unallocated depreciation	43,898	44,913	-	-	43,898	44,913
TOTAL EXPENSES	6,975,207	7,431,201	657,257	593,001	7,632,464	8,024,202
CHANGE IN NET POSITION	2,357,969	1,717,026	(57,729)	(100,481)	2,300,240	1,616,545
NET POSITION, BEGINNING	48,100,045	46,383,019	4,908,080	5,008,561	53,008,125	51,391,580
NET POSITION, ENDING	\$ 50,458,014	\$ 48,100,045	\$ 4,850,351	\$ 4,908,080	\$ 55,308,365	\$ 53,008,125

UPPER MAKEFIELD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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, restricted, committed, assigned and unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the year. However, the restricted, committed and the assigned fund balances are ear-marked for specific purposes.

The following table presents the Township's changes in Governmental Fund balances for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
REVENUES		
Taxes	\$ 7,377,784	\$ 7,316,321
Cable franchise fees	254,808	241,443
Licenses and permits	30,599	39,025
Fines	25,653	30,335
Interest	36,157	38,621
Intergovernmental	651,606	586,675
Charges for services	625,878	668,230
Miscellaneous revenue	198,452	352,309
TOTAL REVENUES	<u>9,200,937</u>	<u>9,272,959</u>
EXPENDITURES		
Current		
General government	930,393	921,103
Public safety	2,815,946	2,787,826
Public works (highways and streets)	1,203,062	1,735,106
Culture and recreation	146,297	241,349
Community development	602,230	90,258
Miscellaneous	1,468,508	1,390,014
Debt service		
Principal	2,306,177	1,771,176
Interest	351,545	1,025,351
Issuance costs	-	50,880
TOTAL EXPENDITURES	<u>9,824,158</u>	<u>10,013,063</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(623,221)</u>	<u>(740,104)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds of refunding bonds	600,000	9,050,000
Bond premiums	154,625	241,656
Payment to refunded bond escrow agent	(154,625)	(8,560,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>600,000</u>	<u>731,656</u>
NET CHANGE IN FUND BALANCES	(23,221)	(8,448)
FUND BALANCES AT THE BEGINNING OF YEAR	<u>9,194,964</u>	<u>9,203,412</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,171,743</u>	<u>\$ 9,194,964</u>

UPPER MAKEFIELD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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 five 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

	Budget Amounts	Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 4,416,000	\$ 5,040,279	\$ 624,279
Licenses and permits	275,140	281,641	6,501
Fines	23,000	26,875	3,875
Interest	8,400	18,431	10,031
Intergovernmental	545,834	392,787	(153,047)
Charges for services	726,395	604,725	(121,670)
Miscellaneous revenue	90,750	37,331	(53,419)
TOTAL REVENUES	<u>6,085,519</u>	<u>6,402,069</u>	<u>316,550</u>
EXPENDITURES			
Current			
General government	840,031	856,796	16,765
Public safety	2,935,297	2,380,417	(554,880)
Public works (highways and streets)	1,074,637	985,387	(89,250)
Culture and recreation	45,025	33,025	(12,000)
Community development	-	-	-
Miscellaneous	1,544,831	1,469,466	(75,365)
TOTAL EXPENDITURES	<u>6,439,821</u>	<u>5,725,091</u>	<u>(714,730)</u>
Excess (deficiency) of revenues over expenditures	<u>(354,302)</u>	<u>676,978</u>	<u>1,031,280</u>
OTHER FINANCING USES			
Interfund transfers			
Transfers out	<u>(154,150)</u>	<u>(154,625)</u>	<u>(475)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (508,452)</u>	<u>522,353</u>	<u>\$ 1,030,805</u>
FUND BALANCES AT THE BEGINNING OF YEAR		<u>2,148,582</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 2,670,935</u>	

UPPER MAKEFIELD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

The following is a brief summary of general fund budget versus actual variances for the year ended December 31, 2016:

- Taxes - actual amounts were more than budgeted due to unanticipated earned income tax revenue.
- Charges for Services - Actual amounts were less than budgeted due to decrease in construction startups.
- Miscellaneous Revenue - Actual amounts were less than budgeted due to decrease in developer contributions.
- Public Safety - Actual amounts were less than budgeted due to conservative estimates for police officer's salaries and police car vehicle maintenance.
- Public Works (Highways and Streets) - Actual amounts were less than budgeted due to lower than expected bid prices for the 2017 roads project and delayed Federal funded project for Phase II upgrades to Stoopville Road.

For more information see page 57 - Budgetary Comparison Schedule - General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Land and land improvements	\$ 3,333,878
Infrastructure	17,723,372
Water and sewer system	5,642,715
Buildings and improvements	5,678,692
Equipment and furniture	2,576,496
Conservation easements	<u>35,428,271</u>
	70,383,424
Less accumulated depreciation	<u>(15,020,602)</u>
	<u>\$ 55,362,822</u>

Major capital asset transactions/events during the year ended December 31, 2016 included the following:

- The Township expended \$592,499 for conservation easements.
- The Township expended \$646,673 for road resurfacing projects.
- The Township expended \$113,467 for new vehicles and equipment.
- The Township expended \$312,355 for upgrades to the water & sewer system.

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

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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, 2016, the Township had total long-term debt outstanding of \$11,116,992.

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

MANAGER'S DISCUSSION

The following is a list of projected highlights for the Township as of July 1, 2017:

In 2017, the Township reduced the millage in the Open Space Fund by 2 mills and the Building Construction Fund by .25 mills respectively.

In 2017, 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 Police Dept. contract was settled by arbitration retroactive from January 1, 2016 through December 31, 2019.

The Township is in the third year of a 4 year Public Works Contract with the Teamsters Union.

The 2017 Minimum Municipal Obligation is budgeted at \$116,988 for the Police Pension and \$80,242 for the Non Police Pension. This obligation is offset by \$164,000 in anticipated revenue from the Commonwealth of PA.

In 2017, the Township budgeted expenditures of \$13,100 for the replacement of the gasoline pumping system, \$23,000 for website redesign, \$10,000 for the radio repeater antenna in the Police Building, \$170,000 for a Public Works building addition, \$5,000 for a small paver, and \$39,000 for salt barn renovations from the Capital Reserve Fund.

Purchase of two police vehicles for \$100,651 is also budgeted in the Capital Reserve Fund.

\$200,000 is allocated for road reconstruction and \$65,000 for road maintenance and stream bank stabilization in the Liquid Fuels Fund for the Public Works Department for 2017.

The Township's 2017 infrastructure needs to include \$544,000 for the Road/Storm Drainage Improvement Program.

The Water and Sewer Fund has \$463,900 allocated for operations of the Heritage Hills Wastewater Treatment Plant.

The Water and Sewer Capital Fund has \$145,000 allocated for upgrades to the Lakeside Groundwater Wells and Lift Station, and \$130,000 for the Heritage Hills Wastewater Treatment Plant Ultraviolet Light Disinfection System installation.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

In the Open Space Fund \$1,908,957 has been allocated to pay existing Open Space debt. The Township has completed refinancing the 2006 General Obligation Bond at a 2.0% interest rate and locked in a 2.5% interest rate for the remainder of the term of the Open Space Penn Community bank loan.

Park and Recreation Capital Fund has been budgeted at \$166,600 for an irrigation system, a water fountain, pavilion improvements at Brownsburg Park and design/engineering for future park entrance projects at both Lookout Park and Brownsburg Park.

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, Township Manager, Upper Makefield Township, 1076 Eagle Road, Newtown, PA 18940, telephone (215) 968-3340, or visit the Township's website at www.uppermakefield.org.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,356,400	\$ 1,144,756	\$ 8,501,156
Investments	994,581	-	994,581
Accounts receivables	81,094	140,638	221,732
Taxes receivable	1,825,859	-	1,825,859
Prepaid expenses	-	33,802	33,802
TOTAL CURRENT ASSETS	10,257,934	1,319,196	11,577,130
Noncurrent assets			
Net pension asset	281,206	-	281,206
Conservation easements	35,428,271	-	35,428,271
Other capital assets, net of depreciation	16,368,803	3,565,748	19,934,551
TOTAL NONCURRENT ASSETS	52,078,280	3,565,748	55,644,028
TOTAL ASSETS	62,336,214	4,884,944	67,221,158
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	597,335	-	597,335
LIABILITIES			
Current liabilities			
Accrued payroll and withholdings	55,402	-	55,402
Accounts payable	134,335	34,593	168,928
Interest payable	14,851	-	14,851
Bonds and notes payable - current portion	1,761,176	-	1,761,176
TOTAL CURRENT LIABILITIES	1,965,764	34,593	2,000,357
Noncurrent liabilities			
Bonds and notes payable, Less current portion above	9,355,816	-	9,355,816
Compensated absences	483,516	-	483,516
Unamortized bond premium	197,718	-	197,718
TOTAL NONCURRENT LIABILITIES	10,037,050	-	10,037,050
TOTAL LIABILITIES	12,002,814	34,593	12,037,407
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	472,721	-	472,721
NET POSITION			
Net investment in capital assets	40,877,800	3,565,748	44,443,548
Restricted	1,172,046	-	1,172,046
Unrestricted	8,408,168	1,284,603	9,692,771
TOTAL NET POSITION	\$ 50,458,014	\$ 4,850,351	\$ 55,308,365

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Primary Government
					Activities	Business-Type Activities
PRIMARY GOVERNMENT						
Governmental activities						
General government	\$ 1,102,290	\$ 523,449	\$ 7,929	\$ -	\$ (570,912)	\$ (570,912)
Public safety	4,127,150	107,934	357,566	-	(3,661,650)	(3,661,650)
Public works (highways and streets)	1,203,231	12,102	367,722	-	(823,407)	(823,407)
Culture and recreation	235,814	5,002	117,067	-	(113,745)	(113,745)
Community development	9,731	-	-	-	(9,731)	(9,731)
Interest on long-term debt	249,380	-	-	-	(249,380)	(249,380)
Other	3,713	-	-	-	(3,713)	(3,713)
Unallocated depreciation	43,898	-	-	-	(43,898)	(43,898)
TOTAL GOVERNMENTAL						
ACTIVITIES	6,975,207	648,487	850,284	-	(5,476,436)	(5,476,436)
Business-type activities						
Public works (sewer system)	91,954	66,851	-	-	(25,103)	(25,103)
Public works (water and sewer system)	565,303	513,202	17,280	-	(34,821)	(34,821)
Total business-type activities	657,257	580,053	17,280	-	(59,924)	(59,924)
TOTAL PRIMARY GOVERNMENT						
ACTIVITIES	\$ 7,632,464	\$ 1,228,540	\$ 867,564	\$ -	(5,476,436)	(5,536,360)
General revenues						
Taxes						
Real estate taxes levied for general purposes					832,523	832,523
Real estate taxes levied for debt services					2,165,935	2,165,935
Earned income taxes					4,511,565	4,511,565
Cable franchise fees					254,808	254,808
Investment earnings					36,157	38,352
Miscellaneous					33,417	33,417
TOTAL GENERAL REVENUES					7,834,405	7,836,600
CHANGE IN NET POSITION					2,357,969	2,300,240
NET POSITION AT BEGINNING OF YEAR					48,100,045	53,008,125
NET POSITION AT END OF YEAR					\$ 50,458,014	\$ 55,308,365

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2016

	General Fund	Open Space Fund	Riparian Buffer and Restoration Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,674,186	\$ 819,606	\$ 1,743,022
Investments	4,581	-	990,000
Accounts receivable	81,094	-	-
Taxes receivable	1,746,690	67,123	-
TOTAL CURRENT ASSETS	<u>4,506,551</u>	<u>886,729</u>	<u>2,733,022</u>
TOTAL ASSETS	<u>\$ 4,506,551</u>	<u>\$ 886,729</u>	<u>\$ 2,733,022</u>
LIABILITIES			
Payroll withholdings	\$ 7,832	\$ -	\$ -
Accrued payroll	47,570	-	-
Accounts payable	117,635	4,731	-
TOTAL LIABILITIES	<u>\$ 173,037</u>	<u>\$ 4,731</u>	<u>\$ -</u>
Deferred inflows of resources			
Unavailable revenue for			
Property taxes	\$ -	\$ 42,073	\$ -
Earned income taxes	846,833	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 846,833</u>	<u>\$ 42,073</u>	<u>\$ -</u>
Fund balances			
Restricted for			
Debt service	\$ -	\$ 839,925	\$ -
Highways and streets	-	-	-
Local fire companies	-	-	-
Committed for			
Grants to others	-	-	2,733,022
Park and Rec. operations	-	-	-
Capital purchases	-	-	-
Unassigned	3,486,681	-	-
TOTAL FUND BALANCES	<u>3,486,681</u>	<u>839,925</u>	<u>2,733,022</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,506,551</u>	<u>\$ 886,729</u>	<u>\$ 2,733,022</u>

See accompanying notes to the basic financial statements.

<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,277,092	\$ 842,494	\$ 7,356,400
-	-	994,581
-	-	81,094
-	12,046	1,825,859
<u>1,277,092</u>	<u>854,540</u>	<u>10,257,934</u>
<u>\$ 1,277,092</u>	<u>\$ 854,540</u>	<u>\$ 10,257,934</u>

\$ -	\$ -	\$ 7,832
-	-	47,570
-	11,969	134,335
<u>-</u>	<u>11,969</u>	<u>189,737</u>
<u>\$ -</u>	<u>\$ 11,969</u>	<u>\$ 189,737</u>

\$ -	\$ 7,548	\$ 49,621
-	-	846,833
<u>-</u>	<u>7,548</u>	<u>896,454</u>
<u>\$ -</u>	<u>\$ 7,548</u>	<u>\$ 896,454</u>

\$ -	\$ 121,524	\$ 961,449
-	184,870	184,870
-	25,727	25,727
-	34,302	2,767,324
-	9,767	9,767
1,277,092	458,833	1,735,925
-	-	3,486,681
<u>1,277,092</u>	<u>835,023</u>	<u>9,171,743</u>

<u>\$ 1,277,092</u>	<u>\$ 854,540</u>	<u>\$ 10,257,934</u>
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UPPER MAKEFIELD TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES		\$	9,171,743
Amounts reported for governmental activities in the statement of net position are different because:			
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.			
Net pension asset	\$	281,206	
Taxes receivable		<u>896,454</u>	1,177,660
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	\$	64,740,709	
Accumulated depreciation		<u>(12,943,635)</u>	51,797,074
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Net difference between projected and actual earnings on pension plan investments	\$	597,335	
Differences between expected and actual experience on pension plan liability		<u>(472,721)</u>	124,614
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 and therefore are not reported as liabilities in the funds. This includes general fund compensated absences.			
Bonds and note payable	\$	(9,355,816)	
Accrued interest on bonds and note payable		(14,851)	
Compensated absences		(483,516)	
Unamortized bond premium		<u>(1,958,894)</u>	<u>(11,813,077)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u>50,458,014</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	General Fund	Open Space Fund	Riparian Buffer and Restoration Fund
REVENUES			
Real estate taxes	\$ 35,260	\$ 1,991,498	\$ -
Real estate transfer taxes	618,748	-	-
Earned income taxes	4,375,248	-	-
Cable franchise fees	254,808	-	-
Licenses and permits	30,599	-	-
Fines	25,653	-	-
Interests	18,431	2,664	11,292
Intergovernmental	343,180	-	-
Charges for services	620,876	-	-
Miscellaneous	69,385	-	-
TOTAL REVENUES	6,392,188	1,994,162	11,292
EXPENDITURES			
Current			
General government	869,355	6,810	100
Public safety	2,426,141	-	-
Public works (highways and streets)	993,429	-	-
Culture and recreation	36,189	-	-
Community development	-	597,230	5,000
Miscellaneous	1,468,508	-	-
Debt service			
Principal	-	2,192,977	-
Interest	-	329,008	-
TOTAL EXPENDITURES	5,793,622	3,126,025	5,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	598,566	(1,131,863)	6,192
OTHER FINANCING SOURCES (USES)			
Proceeds from loan	-	600,000	-
Transfers in	-	-	-
Transfers out	(154,625)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(154,625)	600,000	-
NET CHANGE IN FUND BALANCES	443,941	(531,863)	6,192
FUND BALANCES AT THE BEGINNING OF YEAR	3,042,740	1,371,788	2,726,830
FUND BALANCES AT END OF YEAR	\$ 3,486,681	\$ 839,925	\$ 2,733,022

See accompanying notes to the basic financial statements.

<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 357,030	\$ 2,383,788
-	-	618,748
-	-	4,375,248
-	-	254,808
-	-	30,599
-	-	25,653
2,044	1,726	36,157
-	308,426	651,606
-	5,002	625,878
-	129,067	198,452
<u>2,044</u>	<u>801,251</u>	<u>9,200,937</u>
54,128	-	930,393
120,254	269,551	2,815,946
-	209,633	1,203,062
-	110,108	146,297
-	-	602,230
-	-	1,468,508
-	113,200	2,306,177
-	22,537	351,545
<u>174,382</u>	<u>725,029</u>	<u>9,824,158</u>
<u>(172,338)</u>	<u>76,222</u>	<u>(623,221)</u>
-	-	600,000
153,000	1,625	154,625
-	-	(154,625)
<u>153,000</u>	<u>1,625</u>	<u>600,000</u>
(19,338)	77,847	(23,221)
<u>1,296,430</u>	<u>757,176</u>	<u>9,194,964</u>
<u>\$ 1,277,092</u>	<u>\$ 835,023</u>	<u>\$ 9,171,743</u>

UPPER MAKEFIELD TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

Total Net Change in Fund Balances - Governmental Funds \$ (23,221)

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 capital outlays exceed depreciation expense in the current period.

Capital outlays	\$ 1,362,395	
Depreciation expense	<u>(806,985)</u>	555,410

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 decreased by this amount this year.

132,239

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 increased by this amount this year.

(76,251)

Borrowing of debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net position.

(600,000)

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		100,592
Principal Repayments		<u>2,306,177</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension asset and deferred items		(5,655)
Interest expense		1,573
Compensated absences		<u>(32,895)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,357,969**

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Water and Sewer Enterprise Fund</u>	<u>Water and Sewer Capital Reserve Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 108,200	\$ 946,560	\$ 89,996	\$ 1,144,756
Accounts receivable	94,687	-	45,951	140,638
Prepaid expenses	29,358	-	4,444	33,802
	<u>232,245</u>	<u>946,560</u>	<u>140,391</u>	<u>1,319,196</u>
TOTAL CURRENT ASSETS				
	<u>232,245</u>	<u>946,560</u>	<u>140,391</u>	<u>1,319,196</u>
CAPITAL ASSETS				
Water and sewer system	4,982,616	660,099	-	5,642,715
Less: Accumulated depreciation	(2,044,560)	(32,407)	-	(2,076,967)
	<u>2,938,056</u>	<u>627,692</u>	<u>-</u>	<u>3,565,748</u>
TOTAL CAPITAL ASSETS				
	<u>2,938,056</u>	<u>627,692</u>	<u>-</u>	<u>3,565,748</u>
TOTAL ASSETS				
	<u>3,170,301</u>	<u>1,574,252</u>	<u>140,391</u>	<u>4,884,944</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	21,068	2,017	11,508	34,593
	<u>21,068</u>	<u>2,017</u>	<u>11,508</u>	<u>34,593</u>
NET POSITION				
Net investment in capital assets	2,938,056	627,692	-	3,565,748
Unrestricted	211,177	944,543	128,883	1,284,603
	<u>211,177</u>	<u>944,543</u>	<u>128,883</u>	<u>1,284,603</u>
TOTAL NET POSITION				
	<u>\$ 3,149,233</u>	<u>\$ 1,572,235</u>	<u>\$ 128,883</u>	<u>\$ 4,850,351</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water and Sewer Enterprise Fund	Water and Sewer Capital Reserve Fund	Other Enterprise Funds	Total
OPERATING REVENUES				
Charges for services:				
Resident user fees	\$ 416,630	\$ -	\$ 163,423	\$ 580,053
Miscellaneous	<u>17,280</u>	<u>-</u>	<u>-</u>	<u>17,280</u>
TOTAL OPERATING REVENUES	<u>433,910</u>	<u>-</u>	<u>163,423</u>	<u>597,333</u>
OPERATING EXPENSES				
Administrative	54,492	-	25,953	80,445
Depreciation	140,518	19,547	-	160,065
Engineering services	24,540	-	7,904	32,444
Electric	46,243	-	10,950	57,193
Insurance	23,324	-	6,578	29,902
Licensed operator	123,154	-	46,678	169,832
Supplies	8,565	-	8,230	16,795
Repairs and maintenance	77,801	-	12,426	90,227
Telephone	2,741	-	469	3,210
Testing	<u>7,043</u>	<u>-</u>	<u>10,101</u>	<u>17,144</u>
TOTAL OPERATING EXPENSES	<u>508,421</u>	<u>19,547</u>	<u>129,289</u>	<u>657,257</u>
OPERATING INCOME (LOSS)	(74,511)	(19,547)	34,134	(59,924)
NONOPERATING REVENUES				
Interest	<u>353</u>	<u>1,690</u>	<u>152</u>	<u>2,195</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(74,158)	(17,857)	34,286	(57,729)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	(10,000)	(10,000)
Transfers out	<u>(50,000)</u>	<u>50,000</u>	<u>10,000</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(124,158)	32,143	34,286	(57,729)
NET POSITION AT BEGINNING OF YEAR	<u>3,273,391</u>	<u>1,540,092</u>	<u>94,597</u>	<u>4,908,080</u>
NET POSITION AT END OF YEAR	<u>\$ 3,149,233</u>	<u>\$ 1,572,235</u>	<u>\$ 128,883</u>	<u>\$ 4,850,351</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water and Sewer Enterprise Fund	Water and Sewer Capital Reserve Fund	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 414,471	\$ -	\$ 143,237	\$ 557,708
Other cash receipts	17,280	-	-	17,280
Payments to suppliers	<u>(390,392)</u>	<u>(3,935)</u>	<u>(131,790)</u>	<u>(526,117)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	41,359	(3,935)	11,447	48,871
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transfers	(50,000)	50,000	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchases	-	(308,421)	-	(308,421)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	<u>353</u>	<u>1,690</u>	<u>152</u>	<u>2,195</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,288)	(260,666)	11,599	(257,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	<u>116,488</u>	<u>1,207,226</u>	<u>78,397</u>	<u>1,402,111</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 108,200</u>	<u>\$ 946,560</u>	<u>\$ 89,996</u>	<u>\$ 1,144,756</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (74,511)	\$ (19,547)	\$ 34,134	\$ (59,924)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	140,518	19,547	-	160,065
Increase (decrease) in				
Accounts receivable	(2,159)	-	(20,186)	(22,345)
Prepaid expenses	(22,204)	-	(3,422)	(25,626)
Accounts payable	15,597	(2,091)	5,700	19,206
Accrued expenses	<u>(15,882)</u>	<u>(1,844)</u>	<u>(4,779)</u>	<u>(22,505)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,359</u>	<u>\$ (3,935)</u>	<u>\$ 11,447</u>	<u>\$ 48,871</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,013,450	\$ 1,013,450
Investments, at fair value	<u>9,396,627</u>	<u>-</u>	<u>9,396,627</u>
TOTAL ASSETS	<u>\$ 9,396,627</u>	<u>\$ 1,013,450</u>	<u>\$ 10,410,077</u>
Liabilities			
Accounts payable	\$ 1,780	\$ -	\$ 1,780
Escrow deposits	<u>-</u>	<u>1,013,450</u>	<u>1,013,450</u>
TOTAL LIABILITIES	<u>\$ 1,780</u>	<u>\$ 1,013,450</u>	<u>\$ 1,015,230</u>
NET POSITION			
Net position restricted for pension benefits	<u>\$ 9,394,847</u>	<u>\$ -</u>	<u>\$ 9,394,847</u>
TOTAL NET POSITION	<u>\$ 9,394,847</u>	<u>\$ -</u>	<u>\$ 9,394,847</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 165,314
Plan members	76,475
State aid	179,361
Total contributions	<u>421,150</u>
Investment earnings:	
Dividend	202,226
Net realized appreciation	294,870
Total investment earnings	<u>497,096</u>
TOTAL ADDITIONS	<u>918,246</u>
DEDUCTIONS	
Benefits	125,302
Administrative expenses	72,795
TOTAL DEDUCTIONS	<u>198,097</u>
CHANGE IN NET POSITION	720,149
NET POSITION AT THE BEGINNING OF YEAR	<u>8,674,698</u>
NET POSITION AT END OF YEAR	<u>\$ 9,394,847</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

TOWNSHIP ESCROW FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
ASSETS				
Cash and cash equivalents	\$ <u>858,759</u>	\$ <u>156,691</u>	\$ <u>(2,000)</u>	\$ <u>1,013,450</u>
LIABILITIES				
Escrow payable	\$ <u>858,759</u>	\$ <u>156,691</u>	\$ <u>(2,000)</u>	\$ <u>1,013,450</u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - 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 five 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 where 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 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 therefore clearly identifiable to a particular function. Indirect expenses have been allocated based on estimated use of those resources. Program revenues includes charges paid by the recipient for the services offered by the program and grants and contributions that are used to meet the operating requirements of a particular program. General revenues include taxes, franchise fees, and investment earnings.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

The Township reports the following major Governmental Funds:

The 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 real estate taxes that are legally restricted to expenditures for debt service and debt proceeds which are committed for open space purchases.

Riparian Buffer and Restoration Fund (a special revenue fund) - This fund is used to account for a committed developer contribution to be used for grants to residents to preserve the integrity of the Riparian Water Shed.

Capital Reserve Fund (a capital projects fund) - This fund is used to account for financial resources to be used for governmental equipment, infrastructure and facilities upgrades.

The Township reports the following major 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.

Water and Sewer Capital Reserve Fund (an enterprise fund) - This fund is used to account for financial resources to be used for capital improvements associated with water and sewer facilities owned and operated by the Township.

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

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following 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.

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 of 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.

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 the collectible within the current period or soon enough thereafter to be used to pay current liabilities. The Township considers governmental fund revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively. 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 THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - 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 2016 was .75 mills for the fire protection fund, .75 mills for the building construction fund, and 8.325 mills for the open space fund

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities, or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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 U.S generally accepted accounting principles. Actual results could differ from those estimates.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance and GASB Statement No. 54

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***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 (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township 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 Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- ***Unassigned Fund Balance*** - This residual classification is used for all negative fund balances in special revenue, capital projects, and debt service funds; or any residual amounts in the general fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position

In the government-wide financial statements, net position is classified in the following categories:

- **Net investment in capital assets** - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
- **Restricted net position** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This category represents net position of the entity, not restricted for any project or other purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category.

1. Differences between expected and actual experience on pension plan liability is reported in the government-wide statement of net position. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category.

1. Differences between projected and actual earnings on pension plan investments is reported in the government-wide statement. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.
2. The governmental funds report unavailable revenues from two sources: property taxes and earned income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - CASH AND INVESTMENTS

Legal Requirements

Governmental and Business Type Activities

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

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

Fiduciary Activities

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of depository insurance limits. The Township does not have a deposit policy for custodial credit risk.

As of December 31, 2016, \$ 9,162,947 of the Township's bank balance for governmental and business-type activities of \$ 9,659,896 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent but not in the Township's name.
\$9,162,947

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - CASH AND INVESTMENTS (Continued)

As of December 31, 2016, \$1,013,450 of the Township's bank balance of \$1,013,450 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.
 \$1,013,450

Investments

As of December 31, 2016, the Township had the following investments:

<u>Investment Type</u>	<u>Investment Maturities Less Than 1 Year</u>	<u>Fair Value</u>	<u>Amortized Cost</u>
INVESTMENTS OF GOVERNMENTAL FUNDS			
State investment pools	\$ <u>994,581</u>	\$ <u>-</u>	\$ <u>994,581</u>
INVESTMENTS OF POLICE AND NON-UNIFORMED PENSION FUNDS			
Money Market	\$ 85,509	\$ 85,509	\$ -
Equities	4,161,040	4,161,040	-
Mutual Stock Funds	118,438	118,438	-
Mutual Mixed Asset Funds	1,771,328	1,771,328	-
Mutual Bond Funds	<u>3,260,312</u>	<u>3,260,312</u>	<u>-</u>
	<u>\$ 9,396,627</u>	<u>\$ 9,396,627</u>	<u>\$ -</u>

A portion of the Township's investments is in the PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2016, is \$994,581. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are value at amortized cost in accordance with GASB Statement No. 79.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - 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:

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
Money Market	\$ 65,723	\$ 19,785
Equities	2,930,128	1,230,912
Mutual Stock Funds	82,939	35,499
Mutual Mixed Asset Funds	1,277,566	493,762
Mutual Bond Funds	<u>2,259,013</u>	<u>1,001,300</u>
Total	<u>\$ 6,615,369</u>	<u>\$ 2,781,258</u>

Custodial Credit Risk Investments

Township pension funds are held and administered by RBC Wealth Management. Custodial credit risk is the risk that, in the event of the failure orb Wealth Management, the Township will not be able to recover the value of plan investments or collateral security that are in RBC Wealth Management'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, 2016, none of the Township's Police Pension Plan, and Non-Uniformed Pension Plan investments of \$6,615,369 and \$2,781,258, respectively was 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:

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>	<u>Credit Rating</u>
Money Market Funds	\$ 65,723	\$ 19,785	Not rated
Mutual Bond Funds	<u>2,259,013</u>	<u>1,001,300</u>	Not rated
Total	<u>\$ 2,324,736</u>	<u>\$ 1,021,085</u>	

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - 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, 2016, 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:

	Investment Maturity
	<u>Less Than</u>
	<u>1 year</u>
Police Pension Plan	
Mutual Bond Funds	\$ <u><u>2,259,013</u></u>
	Investment Maturity
	<u>Less Than</u>
	<u>1 year</u>
Non-Uniformed Pension Plan	
Mutual Bond Funds	\$ <u><u>1,001,299</u></u>

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, 2016, none of the Township's investments are subject to foreign currency risk.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - CASH AND INVESTMENTS (Continued)

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's investments in money markets, equities, and mutual funds are recurring fair value measurements. These investments are value using quoted market prices (Level 1 inputs).

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	2016 Additions	2016 Disposals	Ending Balance
Governmental activities				
Capital assets not subject to depreciation				
Land	\$ 1,487,583	\$ -	\$ -	\$ 1,487,583
Conservation easements	34,835,772	592,499	-	35,428,271
Total capital assets not being depreciated	<u>36,323,355</u>	<u>592,499</u>	<u>-</u>	<u>36,915,854</u>
Capital assets subject to depreciation				
Buildings and improvements	5,678,692	-	-	5,678,692
Land improvements	1,846,295	-	-	1,846,295
Infrastructure	17,076,699	646,673	-	17,723,372
Furniture and equipment	2,453,273	123,223	-	2,576,496
Total capital assets being depreciated	<u>27,054,959</u>	<u>769,896</u>	<u>-</u>	<u>27,824,855</u>
Less accumulated depreciation for				
Buildings and improvements	2,133,623	149,021	-	2,282,644
Land improvements	677,378	61,543	-	738,921
Infrastructure	7,543,821	439,813	-	7,983,634
Furniture and equipment	1,781,828	156,608	-	1,938,436
Total accumulated depreciation	<u>12,136,650</u>	<u>806,985</u>	<u>-</u>	<u>12,943,635</u>
Total capital assets subject to depreciation, net	<u>\$ 51,241,664</u>	<u>\$ 555,410</u>	<u>\$ -</u>	<u>\$ 51,797,074</u>
Business-type activities				
Capital assets subject to depreciation				
Water and sewer system	\$ 5,334,294	\$ 308,421	\$ -	\$ 5,642,715
Less accumulated depreciation	<u>(1,916,902)</u>	<u>(160,065)</u>	<u>-</u>	<u>(2,076,967)</u>
Total business-type activities	<u>\$ 3,417,392</u>	<u>\$ 148,356</u>	<u>\$ -</u>	<u>\$ 3,565,748</u>

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C - CAPITAL ASSETS (Continued)

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

Governmental activities		
General government and administration	\$	12,348
Public safety		146,899
Public works - roads		509,450
Culture and recreation		94,390
Unallocated		<u>43,898</u>
 Total	\$	<u><u>806,985</u></u>
 Business-type activities:		
Water and sewer system	\$	<u><u>160,065</u></u>

NOTE D - 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, 2015 actuarial valuation:

	<u>Police</u>	<u>Non-Uniform</u>
Inactive employees (or their beneficiaries) currently receiving benefits	3	3
Inactive employees entitled to benefits but not yet receiving them	2	5
Active employees	<u>15</u>	<u>11</u>
	<u><u>20</u></u>	<u><u>19</u></u>

Plan Descriptions

The Upper Makefield Township Police Pension Plan (the Plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 18, as amended, adopted pursuant to Act 600. The Plan was amended and restated by Ordinance No. 181, effective January 1, 1994. The Plan covers all full-time members of the police department. An employee enters the plan upon employment. The Plan is governed by the Board of Supervisors of which may amend plan provisions, and which is responsible for the management of Plan Assets. The plan is administered by Township employees. The Board of Supervisors has delegated the authority to manage certain Plan assets to RBC Wealth Management. The Plan is required to file Form PC- 201 C biennially with the Public Employee Retirement Commission (PERC).

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

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, effective August 3, 1988. The Plan covers all full-time non-uniformed Township employees. An employee enters the plan upon employment. The Plan is governed by the Board of Supervisors which may amend plan provisions, and which is responsible for the management of Plan assets. The Township is administered by Township employees. The Board of Supervisors has delegated the authority to manage certain Plan assets to RBC Wealth Management. The Plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC).

Benefits Provided

Police Pension Plan: The pension plan provides members and their beneficiaries' retirement, death, and disability benefits. All fulltime Officers are eligible for participation and are fully vested after 12 years of service. The normal retirement date is age 50 and 25 years of service. The normal retirement benefit is a monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment. Disability benefits are equal to 50% of the member's salary at the time the disability was incurred. Death benefits are equal to 50% of the member's salary at the time of death.

Non-Uniform Pension Plan: The pension plan provides members and their beneficiaries' retirement and death benefits. All fulltime employees are eligible for participation and are fully vested after 8 years of service. The normal retirement date is age 65. The normal retirement benefit is a monthly benefit equal to 2.0% of average monthly compensation, multiplied by years of credit service. Average monthly compensation is base salary averaged over the last 60 months of service. The death benefit is a lump sum payment equal to the present value of the accrued benefit at death.

Measurement Focus and Basis of Accounting

Basis of Accounting: The Pension Plans financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plans. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by Commonwealth Statutes.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - 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. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions Required and Contributions Made

Member contributions are determined on an annual basis. For the year ended December 31, 2016, the Police member contributions were 5% of covered payroll. Non-Uniform members were not required to contribute. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The Pension Plans 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.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$179,361 for the pensions for the year ended December 31, 2016.

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return: For the year ended December 31, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense was 5.62 percent for Non-Uniform and 5.74 percent for Police. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

Net Pension Liability

The components of the net pension liability of the Township at December 31, 2016 were as follows:

	<u>Police</u>	<u>Non-uniform</u>
Total pension liability	\$ 6,496,591	\$ 2,630,313
Plan fiduciary net position	<u>6,624,439</u>	<u>2,783,671</u>
Net pension asset	<u>\$ (127,848)</u>	<u>\$ (153,358)</u>
Plan fiduciary net position as a percentage of the total pension asset	<u>102.0%</u>	<u>105.8%</u>

Actuarial Assumptions: The total pension liability in the January 1, 2015 actuarial valuation for Police and Non-Uniform was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>
Inflation	3.0%	3.0%
Salary increases	5.0%	5.0% (including inflation)
Investment rate of return	7.5%	7.5% (net of pension plan investment expense, including inflation)
Postretirement cost of living increase	0.0%	0.0%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table. Rates are projected to improve with 75% of scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014. The net pension liability was measured as of December 31, 2016 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation not funded through the MMO) are developed for each major asset class.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	35-65%	6.3%
Fixed income	35-65%	2.0%
Cash	0.0%	0.0%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<u>Police Pension Plan</u>			
BALANCE AT DECEMBER 31, 2015	\$ 5,920,871	\$ 6,122,820	\$ (201,949)
Changes for the year			
Service cost	219,457	-	219,457
Interest	456,822	-	456,822
Contributions			
Employer	-	218,989	(218,989)
State aid	-	-	-
Employee	-	76,126	(76,126)
Net investment income	-	352,869	(352,869)
Benefit payments	(100,559)	(100,559)	-
Administrative expense	-	(45,806)	45,806
Net changes	575,720	501,619	74,101
BALANCE AT DECEMBER 31, 2016	\$ 6,496,591	\$ 6,624,439	\$ (127,848)
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>Non-Uniformed Pension Plan</u>			
BALANCE AT DECEMBER 31, 2015	\$ 2,410,041	\$ 2,563,016	\$ (152,975)
Changes for the year			
Service cost	62,405	-	62,405
Interest	184,454	-	184,454
Contributions			
Employer	-	125,685	(125,685)
Net investment income	-	144,225	(144,225)
Benefit payments	(26,587)	(26,587)	-
Administrative expense	-	(22,668)	22,668
Net changes	220,272	220,655	(383)
BALANCE AT DECEMBER 31, 2016	\$ 2,630,313	\$ 2,783,671	\$ (153,358)

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net pension liability (asset)			
Police	\$ <u>731,646</u>	\$ <u>(127,848)</u>	\$ <u>(842,037)</u>
Non-Uniform	\$ <u>90,521</u>	\$ <u>(153,358)</u>	\$ <u>(364,371)</u>

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2016, the Township recognized pension expense of \$276,660 for Police Pension and \$73,669 for Non-Uniform Pension. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ -	\$ 266,774
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>420,569</u>	<u>-</u>
TOTAL	<u>\$ 420,569</u>	<u>\$ 266,774</u>
<u>Non Uniform Pension</u>		
Differences between expected and actual experience	\$ -	\$ 205,947
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>176,766</u>	<u>-</u>
TOTAL	<u>\$ 176,766</u>	<u>\$ 205,947</u>

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - PENSION PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Police</u>	<u>Non uniform</u>
2017	\$ 91,322	\$ (3,152)
2018	91,322	(3,152)
2019	91,324	(3,153)
2020	(20,131)	(19,724)
2021	(41,683)	-
Thereafter	<u>(58,359)</u>	<u>-</u>
Total	<u>\$ 153,795</u>	<u>\$ (29,181)</u>

Payable to the Pension Plan: For the year ended December 31, 2016, there was no amount payable for contributions to the pension plan.

NOTE E - 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, 2016, the liability to the Township for compensated absences was \$483,516. The liability was determined by multiplying the accumulated available sick days, for each employee by the applicable daily rate.

NOTE F - 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 were originally 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 April 15, 2015 the Township advanced refunded \$8,560,000, by depositing the funds with an escrow agent of the remaining balance of \$11,125,000 of these bonds with General Obligation Bonds Series 2015. As a result, the refunded debt is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. At December 31, 2016, the principal amount of the bonds outstanding but considered defeased totals \$8,560,000. Accordingly, such defeased obligations do not appear as liabilities on the Government-wide Statement of Net Position as of December 31, 2016. The non-refunded balance of \$1,310,000 at December 31, 2015 matured in 2016.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F - LONG-TERM DEBT (Continued)

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 December 1, 2025. The note bears an interest rate of 2.50% 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%.

On April 15, 2015, the Township issued General Obligation Bonds, Series 2015, in the amount of \$9,050,000. The proceeds of the bonds were used to advance refund \$8,560,000 of the remaining balance of \$11,125,000 of General Obligation Bonds, Series 2006. The remainder proceeds were used to pay closing costs to establish an escrow account for the payment of the remaining balance of the 2006 bonds. The bonds are scheduled to mature in annual increments starting December 15, 2015 through December 15, 2025. The bonds bear interest at various rates from 2.0% to 4.0%.

In 2016, the Township authorized a \$600,000 loan from a bank for the purchase of a conservation easement. The loan was paid back in full in 2016.

All outstanding debt is backed by the full faith and credit of the Township. At December 31, 2016, the Township has \$1,098,550 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.

Annual principal payment requirements are as follows:

Year	Governmental Activities		Unamortized Bond Premium	Total
	2011 Note Due 12/01/25	2015 Bond Due 12/15/25		
2017	\$ 291,176	\$ 1,470,000	\$ 21,969	\$ 1,783,145
2018	291,176	1,505,000	21,969	1,818,145
2019	291,176	1,425,000	21,969	1,738,145
2020	291,176	1,355,000	21,969	1,668,145
2021	291,176	1,095,000	21,969	1,408,145
2022-2025	941,112	1,870,000	87,874	2,898,986
Total	\$ 2,396,992	\$ 8,720,000	\$ 197,718	\$ 11,314,710

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F - LONG-TERM DEBT (Continued)

Annual interest payment requirements are as follows:

Year	Governmental Activities		Total
	2011 Note Due 12/01/25	2015 Bond Due 12/15/25	
2017	\$ 60,329	\$ 222,883	\$ 283,212
2018	52,949	184,783	237,732
2019	45,568	145,133	190,701
2020	38,208	88,133	126,341
2021	30,807	61,033	91,840
2022-2025	50,435	67,365	117,800
Total	\$ 278,296	\$ 769,330	\$ 1,047,626

Expected interest rates for the notes are as follows:

	Series 2011	Series 2015
Type	Variable	Variable
Interest range	1.9%-5.5%	2.0%-4.0%

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 12,823,169	\$ 600,000	\$ (2,306,177)	\$ 11,116,992	\$ 1,761,176
Unamortized bond premium	298,310	-	(100,592)	197,718	-
Total bonds payable	<u>13,121,479</u>	<u>600,000</u>	<u>(2,406,769)</u>	<u>11,314,710</u>	<u>1,761,176</u>
Compensated absences	450,621	32,895	-	483,516	-
Total	\$ 13,572,100	\$ 632,895	\$ (2,406,769)	\$ 11,798,226	\$ 1,761,176

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F - LONG-TERM DEBT (Continued)

Debt service for general obligation bonds and notes are funded primarily from real estate taxes. Any liabilities for compensated absences are generally liquidated by the general fund. Currently there is no net pension obligation.

NOTE G - 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 H - 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, 2016, consisted of the following amounts:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ (154,625)
Capital reserve fund	153,000	-
Non-major funds	<u>1,625</u>	<u>-</u>
	<u>\$ 154,625</u>	<u>\$ (154,625)</u>

NOTE I - 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 and 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.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE I - FUND EQUITY (Continued)

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 homeowners based upon engineering studies 2) proceeds of the annual Revolutionary Run race to fund an annual grant to the local ambulance service.

Unassigned 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 J - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The following is a listing of net position balances at December 31, 2016 that are restricted by enabling legislation of the Township:

Restricted for debt service and open space purchases, open space fund	\$ 839,925
Restricted for debt service building construction fund	121,524
Restricted for road projects per Commonwealth allocation	184,870
Restricted for fire protection services fire fund	<u>25,727</u>
	<u>\$ 1,172,046</u>

NOTE K - 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, 2016 was \$50,879. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2016, there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$10,708.

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - RISK MANAGEMENT (Continued)

The Township is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The insurance expense for the year ended December 31, 2016 was \$89,587. At December 31, 2016, there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$19,829.

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, 2016 was \$680,927 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.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MAKEFIELD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN
LIABILITY AND RELATED RATIOS
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 219,457	\$ 209,007	\$ 202,290
Interest	456,822	414,765	398,907
Differences between expected and actual experience	-	(350,140)	-
Benefit payments, including refunds of employee contributions	<u>(100,559)</u>	<u>(47,341)</u>	<u>(45,357)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	575,720	226,291	555,840
Total pension liability, beginning	<u>5,920,871</u>	<u>5,694,580</u>	<u>5,138,740</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,496,591</u>	<u>\$ 5,920,871</u>	<u>\$ 5,694,580</u>
PLAN FIDUCIARY NET POSITION			
Contributions, employer	\$ 218,989	\$ 211,931	\$ 206,884
Contributions - employee	76,126	80,924	75,443
Net investment income	352,869	(101,988)	334,862
Benefit payments, including refunds of member contributions	(100,559)	(47,341)	(45,357)
Administrative expense			
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>(45,806)</u>	<u>(45,549)</u>	<u>(6,261)</u>
Plan fiduciary net position, beginning	<u>6,122,820</u>	<u>6,024,843</u>	<u>5,459,272</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 6,624,439</u>	<u>\$ 6,122,820</u>	<u>\$ 6,024,843</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (127,848)</u>	<u>\$ (201,949)</u>	<u>\$ (330,263)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>102.0%</u>	<u>103.4%</u>	<u>105.8%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,587,652</u>	<u>\$ 1,664,075</u>	<u>\$ 1,551,293</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>-8.1%</u>	<u>-12.1%</u>	<u>-21.3%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER MAKEFIELD TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 218,989	\$ 211,932	\$ 206,884
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>218,989</u>	<u>211,932</u>	<u>206,884</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>1,587,652</u>	\$ <u>1,664,075</u>	\$ <u>1,551,593</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>13.8%</u>	<u>12.7%</u>	<u>13.3%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	3 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	3%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.5%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	Normal retirement age
Mortality	RP2000 Combined Healthy Mortality Table

(1)-covered employee payroll taken from January 1, 2007 through January 1, 2013 actuarial valuations.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 245,322	\$ 240,651	\$ 274,362	\$ 262,220	\$ 211,379	\$ 191,129	\$ 181,831
<u>245,322</u>	<u>240,651</u>	<u>274,362</u>	<u>262,220</u>	<u>211,379</u>	<u>191,129</u>	<u>181,831</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ <u>1,444,513</u>	\$ <u>1,444,513</u>	\$ <u>1,508,749</u>	\$ <u>1,508,749</u>	\$ <u>1,410,226</u>	\$ <u>1,410,226</u>	\$ <u>1,134,229</u>
(1)	(1)	(1)	(1)	(1)	(1)	(1)
<u>17.0%</u>	<u>16.7%</u>	<u>18.2%</u>	<u>17.4%</u>	<u>15.0%</u>	<u>13.6%</u>	<u>16.0%</u>

UPPER MAKEFIELD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED
EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 62,405	\$ 66,982	\$ 92,072
Interest	184,454	169,259	177,566
Differences between expected and actual experience	-	(323,631)	-
Benefit payments, including refunds of employee contributions	<u>(26,587)</u>	<u>(31,432)</u>	<u>(31,909)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	220,272	(118,822)	237,729
Total pension liability, beginning	<u>2,410,041</u>	<u>2,528,863</u>	<u>2,291,134</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,630,313</u>	<u>\$ 2,410,041</u>	<u>\$ 2,528,863</u>
PLAN FIDUCIARY NET POSITION			
Contributions, employer	\$ 125,685	\$ 121,251	\$ 142,886
Contributions - employee	-	-	-
Net investment income	144,225	(39,579)	138,953
Benefit payments, including refunds of member contributions	(26,587)	(31,432)	(31,909)
Administrative expense	<u>(22,668)</u>	<u>(22,981)</u>	<u>(6,841)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	220,655	27,259	243,089
Plan fiduciary net position, beginning	<u>2,563,016</u>	<u>2,535,757</u>	<u>2,292,668</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,783,671</u>	<u>\$ 2,563,016</u>	<u>\$ 2,535,757</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (153,358)</u>	<u>\$ (152,975)</u>	<u>\$ (6,894)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY			
	<u>105.8%</u>	<u>106.3%</u>	<u>100.3%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 684,343</u>	<u>\$ 696,057</u>	<u>\$ 604,307</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>-22.41%</u>	<u>-22.0%</u>	<u>-1.1%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER MAKEFIELD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED
EMPLOYEES' PENSION PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 125,685	\$ 121,251	\$ 142,886
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>125,685</u>	<u>121,251</u>	<u>142,886</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 671,235</u>	<u>\$ 696,057</u>	<u>\$ 604,307</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>18.72%</u>	<u>17.42%</u>	<u>23.64%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	8 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	3%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.5%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	Normal retirement age
Mortality	RP-2000 Table (Blue Collar) with Scale AA

(1)-covered employee payroll taken from January 1, 2007 through January 1, 2013 actuarial valuations.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 138,091	\$ 166,939	\$ 178,296	\$ 169,620	\$ 75,222	\$ 92,271	\$ 102,257
<u>138,091</u>	<u>166,939</u>	<u>178,296</u>	<u>169,620</u>	<u>75,222</u>	<u>92,271</u>	<u>102,257</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>782,824</u></u> (1)	\$ <u><u>782,824</u></u> (1)	\$ <u><u>874,397</u></u> (1)	\$ <u><u>874,397</u></u> (1)	\$ <u><u>726,533</u></u> (1)	\$ <u><u>726,533</u></u> (1)	\$ <u><u>753,674</u></u> (1)
<u><u>17.64%</u></u>	<u><u>21.33%</u></u>	<u><u>20.39%</u></u>	<u><u>19.40%</u></u>	<u><u>10.35%</u></u>	<u><u>12.70%</u></u>	<u><u>13.57%</u></u>

UPPER MAKEFIELD TOWNSHIP
SCHEDULE OF INVESTMENT RETURNS - PENSION PLAN
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>POLICE</u>			
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>5.74%</u>	<u>-1.69%</u>	<u>6.99%</u>
<u>NON- UNIFORM</u>			
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>5.62%</u>	<u>-1.56%</u>	<u>6.95%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER MAKEFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,416,000	\$ 4,416,000	\$ 5,040,279	\$ 624,279
Licenses and permits	275,140	275,140	281,641	6,501
Fines and forfeits	23,000	23,000	26,875	3,875
Interest	8,400	8,400	18,431	10,031
Intergovernmental	545,834	545,834	392,787	(153,047)
Charges for services	726,395	726,395	604,725	(121,670)
Miscellaneous	90,750	90,750	37,331	(53,419)
TOTAL REVENUES	<u>6,085,519</u>	<u>6,085,519</u>	<u>6,402,069</u>	<u>316,550</u>
EXPENDITURES				
General government	840,031	840,031	856,796	(16,765)
Public safety	2,935,297	2,935,297	2,380,417	554,880
Public works (highways and streets)	1,074,637	1,074,637	985,387	89,250
Culture and recreation	45,025	45,025	33,025	12,000
Miscellaneous	1,544,831	1,544,831	1,469,466	75,365
TOTAL EXPENDITURES	<u>6,439,821</u>	<u>6,439,821</u>	<u>5,725,091</u>	<u>714,730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(354,302)</u>	<u>(354,302)</u>	<u>676,978</u>	<u>1,031,280</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	<u>(154,150)</u>	<u>(154,150)</u>	<u>(154,625)</u>	<u>(475)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (508,452)</u>	<u>\$ (508,452)</u>	522,353	<u>\$ 1,030,805</u>
FUND BALANCES AT BEGINNING OF YEAR			<u>2,148,582</u>	
FUND BALANCES AT END OF YEAR			<u>\$ 2,670,935</u>	

UPPER MAKEFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
OPEN SPACE FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,932,500	\$ 1,932,500	\$ 1,994,601	\$ 62,101
Interest	3,100	3,100	2,664	(436)
TOTAL REVENUES	1,935,600	1,935,600	1,997,265	61,665
EXPENDITURES				
Current				
General government	24,500	24,500	6,810	17,690
Community development	1,340,444	1,340,444	592,499	747,945
Debt service				
Principal	1,592,976	1,592,976	2,192,977	(600,001)
Interest	326,982	326,982	329,008	(2,026)
TOTAL EXPENDITURES	3,284,902	3,284,902	3,121,294	163,608
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,349,302)	(1,349,302)	(1,124,029)	225,273
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	-	-	600,000	600,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	600,000	600,000
NET CHANGE IN FUND BALANCES	\$ (1,349,302)	\$ (1,349,302)	(524,029)	\$ 825,273
FUND BALANCES AT BEGINNING OF YEAR			1,343,635	
FUND BALANCES AT END OF YEAR			\$ 819,606	

UPPER MAKEFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
RIPARIAN BUFFER AND RESTORATION FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 6,000	\$ 6,000	\$ 11,292	\$ 5,292
TOTAL REVENUES	6,000	6,000	11,292	5,292
EXPENDITURES				
General government	7,000	7,000	100	6,900
Community development	30,000	30,000	5,000	25,000
TOTAL EXPENDITURES	37,000	37,000	5,100	31,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,000)	(31,000)	6,192	37,192
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ (354,302)	\$ (354,302)	6,192	\$ 360,494
FUND BALANCES AT BEGINNING OF YEAR			2,726,830	
FUND BALANCES AT END OF YEAR			\$ 2,733,022	

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - BUDGETARY DATA

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

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 1st. The operating budget includes proposed expenses and the means of financing them.

The proposed operating budget is advertised in the newspaper at least thirty days prior to the final budget hearing.

At the last Board of Supervisors' meeting in December, the budget is adopted by resolution.

Within 30 days of adoption, the approved budget is advertised in the newspaper as being approved for inspection.

Budgetary data are included in the Township management information system and are employed as a management control device during the year.

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).

	General Fund	Open Space Fund	Riparian Buffer and Restoration Fund
	<u> </u>	<u> </u>	<u> </u>
Total revenues as reported in the budgetary comparison schedule (cash basis)	\$ 6,402,069	\$ 1,997,265	\$ 11,292
Change in taxes receivable	121,680	(3,399)	-
Change in accounts receivable	(74,138)	-	-
Change in deferred revenue	<u>(57,423)</u>	<u>296</u>	<u>-</u>
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 6,392,188</u>	<u>\$ 1,994,162</u>	<u>\$ 11,292</u>
Total expenditures as reported in the budgetary comparison schedule (cash basis)	\$ 5,725,091	\$ 3,121,294	\$ 5,100
Change in accounts receivable	916	-	-
Change in deferred revenue	(1,887)	-	-
Change in accrued payroll	9,361	-	-
Change in accounts payable	91,198	4,731	-
Change in accrued expenses	<u>(31,057)</u>	<u>-</u>	<u>-</u>
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 5,793,622</u>	<u>\$ 3,126,025</u>	<u>\$ 5,100</u>

UPPER MAKEFIELD TOWNSHIP
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2016

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2016, expenditures exceeded appropriations in the General Fund and Open Space Fund. 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, 2016

	Special Revenue Fund			
	Liquid Fuels Fund	Fire Fund	Rev. Run Emergency Service Fund	Operation and Maint. Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 195,997	\$ 23,478	\$ 34,302	\$ 21,179
Taxes receivable	-	6,023	-	-
TOTAL ASSETS	\$ 195,997	\$ 29,501	\$ 34,302	\$ 21,179
LIABILITIES				
Accounts payable	\$ 11,127	-	-	-
Deferred inflows of resources				
Unavailable revenue for:				
Property taxes	-	3,774	-	-
Fund Balances:				
Restricted for:				
Debt service	-	-	-	-
Highways and streets	184,870	-	-	-
Local fire companies	-	25,727	-	-
Committed for:				
Grants to others	-	-	34,302	-
Park and rec. operations	-	-	-	-
Capital Purchases	-	-	-	21,179
TOAL FUND BALANCES	184,870	25,727	34,302	21,179
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 195,997	\$ 29,501	\$ 34,302	\$ 21,179

Capital Projects Fund			Debt Service Fund	Total Other Governmental Funds
Park and Recreation Fund	Park 3 Year Cap Fund	Tree Bank Fund	Building Construction Fund	
\$ 10,609	\$ 311,749	\$ 125,905	\$ 119,275	\$ 842,494
-	-	-	6,023	12,046
<u>\$ 10,609</u>	<u>\$ 311,749</u>	<u>\$ 125,905</u>	<u>\$ 125,298</u>	<u>\$ 854,540</u>
\$ 842	\$ -	\$ -	\$ -	\$ 11,969
-	-	-	3,774	7,548
-	-	-	121,524	121,524
-	-	-	-	184,870
-	-	-	-	25,727
-	-	-	-	34,302
9,767	-	-	-	9,767
-	311,749	125,905	-	458,833
<u>9,767</u>	<u>311,749</u>	<u>125,905</u>	<u>121,524</u>	<u>835,023</u>
<u>\$ 10,609</u>	<u>\$ 311,749</u>	<u>\$ 125,905</u>	<u>\$ 125,298</u>	<u>\$ 854,540</u>

UPPER MAKEFIELD TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016**

	<u>Liquid Fuels Fund</u>	<u>Fire Fund</u>	<u>Rev. Run Emergency Service Fund</u>
REVENUES			
Real estate taxes	\$ -	\$ 178,515	\$ -
Interest	676	68	24
Intergovernmental revenue	308,426	-	-
Charges for services	-	-	-
Miscellaneous	-	-	12,000
	<u>309,102</u>	<u>178,583</u>	<u>12,024</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	-	269,551	-
Public works, highways and streets	209,633	-	-
Culture and recreation	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
	<u>209,633</u>	<u>269,551</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	99,469	(90,968)	12,024
OTHER FINANCING SOURCES			
Interfund transfers in	-	1,625	-
	<u>-</u>	<u>1,625</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	99,469	(89,343)	12,024
FUND BALANCES AT BEGINNING OF YEAR	<u>85,401</u>	<u>115,070</u>	<u>22,278</u>
FUND BALANCES AT END OF YEAR	<u>\$ 184,870</u>	<u>\$ 25,727</u>	<u>\$ 34,302</u>

<u>Operation and Maint. Fund</u>	<u>Park and Recreation Fund</u>	<u>Park 3 Year Cap Fund</u>	<u>Tree Bank Fund</u>	<u>Building Construction Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 178,515	\$ 357,030
21	58	463	189	227	1,726
-	-	-	-	-	308,426
-	5,002	-	-	-	5,002
-	33,000	84,067	-	-	129,067
<u>21</u>	<u>38,060</u>	<u>84,530</u>	<u>189</u>	<u>178,742</u>	<u>801,251</u>
-	-	-	-	-	269,551
-	-	-	-	-	209,633
-	58,345	50,984	779	-	110,108
-	-	-	-	113,200	113,200
-	-	-	-	22,537	22,537
-	<u>58,345</u>	<u>50,984</u>	<u>779</u>	<u>135,737</u>	<u>725,029</u>
21	(20,285)	33,546	(590)	43,005	76,222
-	-	-	-	-	1,625
21	(20,285)	33,546	(590)	43,005	77,847
<u>21,158</u>	<u>30,052</u>	<u>278,203</u>	<u>126,495</u>	<u>78,519</u>	<u>757,176</u>
<u>\$ 21,179</u>	<u>\$ 9,767</u>	<u>\$ 311,749</u>	<u>\$ 125,905</u>	<u>\$ 121,524</u>	<u>\$ 835,023</u>

UPPER MAKEFIELD TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUNDS

DECEMBER 31, 2016

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total</u>
ASSETS			
Investments, at fair value	\$ <u>6,615,369</u>	\$ <u>2,781,258</u>	\$ <u>9,396,627</u>
Liabilities			
Accounts payable	<u>890</u>	<u>890</u>	<u>1,780</u>
NET POSITION			
Net position restricted for pension benefits	<u>6,614,479</u>	<u>2,780,368</u>	<u>9,394,847</u>
Total net position	\$ <u><u>6,614,479</u></u>	\$ <u><u>2,780,368</u></u>	\$ <u><u>9,394,847</u></u>

See accompanying notes to the basic financial statements.

UPPER MAKEFIELD TOWNSHIP**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****PENSION TRUST FUNDS****YEAR ENDED DECEMBER 31, 2016**

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 87,750	\$ 77,564	\$ 165,314
Plan members	76,475	-	76,475
State aid	131,240	48,121	179,361
Total contributions	<u>295,465</u>	<u>125,685</u>	<u>421,150</u>
Investment earnings			
Dividend	143,047	59,179	202,226
Net realized appreciation	209,824	85,046	294,870
Total investment earnings	<u>352,871</u>	<u>144,225</u>	<u>497,096</u>
TOTAL ADDITIONS	<u>648,336</u>	<u>269,910</u>	<u>918,246</u>
DEDUCTIONS			
Benefits	99,615	25,687	125,302
Administrative expenses	47,968	24,827	72,795
TOTAL DEDUCTIONS	<u>147,583</u>	<u>50,514</u>	<u>198,097</u>
CHANGE IN NET POSITION	500,753	219,396	720,149
NET POSITION AT THE BEGINNING OF YEAR	<u>6,113,726</u>	<u>2,560,972</u>	<u>8,674,698</u>
NET POSITION AT END OF YEAR	<u>\$ 6,614,479</u>	<u>\$ 2,780,368</u>	<u>\$ 9,394,847</u>

See accompanying notes to the basic financial statements.