

**UPPER MAKEFIELD TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

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

**YEAR ENDED DECEMBER 31, 2014**



# UPPER MAKEFIELD TOWNSHIP

Financial Statements  
Year Ended December 31, 2014

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## **Independent Auditor's Report**

Board of Supervisors  
Upper Makefield Township  
Newtown, Pennsylvania 18940

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Makefield Township (the Township) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Makefield Township, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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



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

May 27, 2015

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

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, 2014. 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, 2014.

**FINANCIAL HIGHLIGHTS**

- The net position (assets minus liabilities) of the Township as of December 31, 2014 was \$51,054,423. Of this amount, \$46,045,862 represents governmental net position and, \$5,008,561 represents business-type net position. Of the net position balance, \$10,265,911 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 \$2,493,115 during the year ended December 31, 2014. The governmental net position increased by \$2,622,277 and the business-type net position decreased by \$129,162.
- The general fund, the Township's primary operating fund, reported a decrease in fund balance of \$308,633. As of December 31, 2014 the general fund unassigned fund balance was \$3,389,200 or 54% of total general fund expenditures for the year ended December 31, 2014.
- The Township's governmental and business-type cash and cash equivalents increased by \$1,182,123 during 2014, with a corresponding decrease in certificates of deposit of \$1,760,043.
- The Township received \$497,332 in non-cash assistance for the purchase of a conservation easement.
- Developers dedicated streets to the Township with an estimated value of \$268,207.
- The Township expended \$643,707 for various capital projects and capital purchases.
- The Township paid \$1,097,126 (\$805,950 additional payment) principal and \$90,891 interest on the series 2011 note.
- The Township paid \$1,195,000 principal and \$555,926 interest on Series 2006 general obligation bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

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

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

### **Fund Financial Statements**

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

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

#### *Governmental Funds*

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

#### *Proprietary Funds*

Water and Sewer Fund 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. It is anticipated that the developer will donate the sewer plant to the Township during 2015.

#### *Fiduciary Funds*

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

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

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

**Notes to Basic Financial Statements**

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

**Required Supplementary Information**

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

**Other Supplementary Information**

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

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

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

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current Assets	\$ 10,439,841	\$ 10,781,428	\$ 1,655,445	\$ 1,874,548	\$ 12,095,286	\$ 12,655,976
Capital Assets	50,537,614	49,886,823	3,387,373	3,335,338	53,924,987	53,222,161
Other Assets	-	32,267	-	-	-	32,267
Total Assets	\$ 60,977,455	\$ 60,700,518	\$ 5,042,818	\$ 5,209,886	\$ 66,020,273	\$ 65,910,404
<b>Liabilities and Net Position</b>						
Current Liabilities	\$ 1,755,144	\$ 1,725,723	\$ 34,257	\$ 72,163	\$ 1,789,401	\$ 1,797,886
Noncurrent Liabilities	13,176,449	15,518,943	-	-	13,176,449	15,518,943
Total Liabilities	14,931,593	17,244,666	34,257	72,163	14,965,850	17,316,829
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	36,590,515	33,661,895	3,387,373	3,335,338	39,977,888	36,997,233
Restricted	810,624	1,700,869	-	-	810,624	1,700,869
Unrestricted	8,644,723	8,060,821	1,621,188	1,802,385	10,265,911	9,863,206
Total Net Position	46,045,862	43,423,585	5,008,561	5,137,723	51,054,423	48,561,308
Total Liabilities and Net Position	\$ 60,977,455	\$ 60,668,251	\$ 5,042,818	\$ 5,209,886	\$ 66,020,273	\$ 65,878,137

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



**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

Current liabilities primarily include accrued payroll, accounts payable, accrued expenses, 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 and accrued sick leave. The outstanding principal on bonds and note make up 96% of the long-term liabilities figure.

The difference between the assets and liabilities is labeled as net position. Net position is broken down as capital, restricted and unrestricted. Capital assets (net) are reported net of their accumulated depreciation and any outstanding principal owed on related debt. This represents 78% 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, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$ 694,160	\$ 413,114	\$ 448,452	\$ 453,390	\$ 1,142,612	\$ 866,504
Grants and Contributions	1,412,848	650,359	-	-	1,412,848	650,359
General Revenues						
Taxes	7,146,617	7,308,150	-	-	7,146,617	7,308,150
Cable Franchise Fees	230,488	222,955	-	-	230,488	222,955
Investment Earnings	52,238	52,366	2,718	5,043	54,956	57,409
Gain on Sale of Assets	13,101	12,029	-	-	13,101	12,029
Miscellaneous	18,591	6,411	-	-	18,591	6,411
Total Revenues	9,568,043	8,665,384	451,170	458,433	10,019,213	9,123,817
<b>Expenses</b>						
General Government	1,139,310	1,099,666	-	-	1,139,310	1,099,666
Public Safety	3,687,469	3,290,576	-	-	3,687,469	3,290,576
Public Works (Sanitation)	2,483	2,120	-	-	2,483	2,120
Public Works (Highways & Streets)	1,187,740	1,209,301	-	-	1,187,740	1,209,301
Public Works (Water & Sewer System)	-	-	580,332	573,425	580,332	573,425
Culture & Recreation	135,585	138,483	-	-	135,585	138,483
Community Development	15,738	15,600	-	-	15,738	15,600
Interest on Long Term Debt	643,932	704,904	-	-	643,932	704,904
Other	88,596	54,555	-	-	88,596	54,555
Unallocated Depreciation	44,913	44,207	-	-	44,913	44,207
Total Expenses	6,945,766	6,559,412	580,332	573,425	7,526,098	7,132,837
<b>Change in Net Position</b>	2,622,277	2,105,972	(129,162)	(114,992)	2,493,115	1,990,980
<b>Net Position - Beginning of Year</b>	43,423,585	41,317,613	5,137,723	5,252,715	48,561,308	46,570,328
<b>Net Position - End of Year</b>	\$ 46,045,862	\$ 43,423,585	\$ 5,008,561	\$ 5,137,723	\$ 51,054,423	\$ 48,561,308

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental Funds**

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

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

The following table presents the Township's changes in Governmental fund balances for the years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Taxes	\$ 7,192,088	\$ 7,351,170
Cable Franchise Fees	230,488	222,955
Licenses & Permits	21,316	15,985
Fines	23,702	31,970
Interest	37,943	38,068
Intergovernmental Revenue	594,185	600,222
Charges for Services	631,437	378,370
Miscellaneous Revenue	83,818	86,994
Total Revenues	<u>8,814,977</u>	<u>8,725,734</u>
<b>Expenditures</b>		
Current:		
General Government	899,978	884,557
Public Safety	2,897,164	2,273,236
Public Works (Sanitation)	2,483	2,120
Public Works (Highways & Streets)	837,772	950,112
Culture & Recreation	61,578	53,166
Community Development	140,738	15,600
Miscellaneous	1,326,723	1,371,144
Debt Service:		
Principal	2,292,125	1,441,176
Interest	646,818	706,883
Total Expenditures	<u>9,105,379</u>	<u>7,697,994</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(290,402)</u>	<u>1,027,740</u>
<b>Other Financing Sources (Uses)</b>		
Interfund Transfers	<u>-</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(290,402)	1,027,740
<b>Fund Balances - Beginning of Year</b>	<u>9,493,814</u>	<u>8,466,074</u>
<b>Fund Balances - End of Year</b>	<u>\$ 9,203,412</u>	<u>\$ 9,493,814</u>

**Proprietary Funds**

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

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

**General Fund Budgetary Highlights**

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

	<u>Budget Amounts</u>	<u>Actual Amounts Budgetary Basis (Cash)</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 4,461,000	\$ 4,684,788	\$ 223,788
Licenses & Permits	229,920	252,374	22,454
Fines	35,500	22,937	(12,563)
Interest	6,000	25,234	19,234
Intergovernmental Revenue	573,897	357,964	(215,933)
Charges for Services	343,800	609,942	266,142
Miscellaneous Revenue	6,100	26,151	20,051
Total Revenues	<u>5,656,217</u>	<u>5,979,390</u>	<u>323,173</u>
<b>Expenditures</b>			
General Government	909,869	897,939	11,930
Public Safety	2,502,488	2,378,748	123,740
Public Works (Sanitation)	-	2,483	(2,483)
Public Works (Highways & Streets)	614,944	474,602	140,342
Culture & Recreation	250	50	200
Community Development	9,550	10,050	(500)
Miscellaneous	1,470,635	1,324,805	145,830
Total Expenditures	<u>5,507,736</u>	<u>5,088,677</u>	<u>419,059</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>148,481</u>	<u>890,713</u>	<u>742,232</u>
<b>Other Financing Sources (Uses)</b>			
Interfund Transfers	<u>(1,252,000)</u>	<u>(1,253,100)</u>	<u>(1,100)</u>
Total Other Financing Sources & Uses	<u>(1,252,000)</u>	<u>(1,253,100)</u>	<u>(1,100)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,103,519)</u>	<u>(362,387)</u>	<u>\$ 741,132</u>
<b>Fund Balances - Beginning</b>		<u>3,199,428</u>	
<b>Fund Balances - Ending</b>		<u>\$ 2,837,041</u>	

The following is a brief summary of general fund budget versus actual variances for the year ended December 31, 2014:

Taxes – Actual amounts were more than budgeted due to conservative budgeting.

- Intergovernmental revenue – Actual amounts were less than budgeted due to a delayed Federal funded project for phase II upgrades to the Stoopville Road.
- Charges for services – Actual amounts were more than budgeted due to an increase in construction start-ups.

For more information see page 48 - Budgetary Comparison Schedule – General Fund.

**UPPER MAKEFIELD TOWNSHIP**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

Land and Land Improvements	\$ 3,186,922
Infrastructure	15,959,845
Water and Sewer System	5,166,365
Buildings and Improvements	5,678,692
Equipment and Furniture	2,377,721
Conservation Easements	<u>34,835,772</u>
	67,205,317
Less Accumulated Depreciation	<u>(13,280,330)</u>
	\$ <u>53,924,987</u>

Major capital asset transactions/events during the year ended December 31, 2014 included the following:

- The Township expended \$176,682 for road resurfacing projects.
- The Township expended \$51,135 for bridge repairs.
- The Township expended \$279,390 for new vehicles and equipment.
- The Township expended \$183,749 for upgrades to the water & sewer system.
- The Township acquired a conservation easement valued at \$622,332 with \$125,000 of Township funds, \$375,000 from the County of Bucks and \$122,332 charitable donation from the seller.

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

**Long-term Debt**

The Township's long-term debt has been utilized to construct the current Township administrative and police facilities and to acquire various conservation easements. As of December 31, 2014, the Township had total long-term debt outstanding of \$14,104,345.

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

**MANAGER'S DISCUSSION**

The following is a list of projected highlights for the Township as of May 27, 2015:

In 2015, the Township will continue to manage insurance costs through participation in the Delaware Valley Health Insurance Trust, Worker's Compensation Trust and Insurance Trust.

The Township is in the final year of a 4 year contract with the Police Dept. which provides for a 3.5% increase.

In 2015, negotiations are ongoing with the Public Works Dept. Teamsters Union on a new contract.

The 2015 Minimum Municipal Obligation is budgeted at \$211,932 for the Police Pension and \$121,251 for the Non Police Pension. This obligation is offset by \$162,666 in anticipated revenue from the Commonwealth of PA.

**UPPER MAKEFIELD TOWNSHIP  
Management's Discussion and Analysis  
For The Year Ended December 31, 2014**

**MANAGER'S DISCUSSION – CONTINUED**

In 2015, the Township budgeted expenditures of \$17,000 for completion of the federally mandated replacement of all Township radios, \$15,000 for an asphalt melter and \$50,000 for a used wood chipper from the Capital Reserve Fund.

Purchase of three police vehicles for \$113,333 is also budgeted in the Capital Reserve Fund.

\$70,000 is allocated for double line striping, stream bank stabilization and guide rail repair in the Liquid Fuels Fund for the Public Works Department for 2015.

The Township's 2015 infrastructure needs to include \$1,625,207 for the Road/Storm Drainage Improvement Program.

The Water and Sewer Fund has \$474,800 allocated for operations of the Heritage Hills Wastewater Treatment Plant.

In the Open Space Fund \$2,166,401 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 1<sup>st</sup> Savings of Perkasio bank loan.

Park and Recreation Capital Fund has been budgeted \$120,000 for the construction of basketball/tennis courts and \$1,200 for pet stations in the two Township parks.

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 David R. Nyman, Interim 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](http://www.uppermakefield.org).

**UPPER MAKEFIELD TOWNSHIP**  
**Government-wide Statement of Net Position**  
**December 31, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8,620,884	\$ 1,533,238	\$ 10,154,122
Investments	6,018	-	6,018
Accounts Receivable	106,602	101,664	208,266
Taxes Receivable	1,706,337	-	1,706,337
Prepaid Expenses	-	20,543	20,543
Total Current Assets	<u>10,439,841</u>	<u>1,655,445</u>	<u>12,095,286</u>
Capital Assets			
Conservation Easements	34,835,772	-	34,835,772
Other Capital Assets, Net of Depreciation	<u>15,701,842</u>	<u>3,387,373</u>	<u>19,089,215</u>
Total Capital Assets	<u>50,537,614</u>	<u>3,387,373</u>	<u>53,924,987</u>
Total Assets	<u>60,977,455</u>	<u>5,042,818</u>	<u>66,020,273</u>
<b>Liabilities</b>			
Current Liabilities:			
Accrued Payroll & Withholdings	126,427	-	126,427
Accounts Payable	27,127	6,138	33,265
Accrued Expenses	36,087	28,119	64,206
Interest Payable	19,327	-	19,327
Bonds & Notes Payable - Current Portion	<u>1,546,176</u>	<u>-</u>	<u>1,546,176</u>
Total Current Liabilities	<u>1,755,144</u>	<u>34,257</u>	<u>1,789,401</u>
Noncurrent Liabilities:			
Bonds & Notes Payable,			
Less Current Portion Above	12,558,169	-	12,558,169
Compensated Absences	<u>461,034</u>	<u>-</u>	<u>461,034</u>
Total Noncurrent Liabilities	<u>13,019,203</u>	<u>-</u>	<u>13,019,203</u>
Total Liabilities	<u>14,774,347</u>	<u>34,257</u>	<u>14,808,604</u>
<b>Deferred Inflows of Resources</b>			
Unamortized Bond Premium	<u>157,246</u>	<u>-</u>	<u>157,246</u>
Total Deferred Inflows	<u>157,246</u>	<u>-</u>	<u>157,246</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	36,590,515	3,387,373	39,977,888
Restricted	810,624	-	810,624
Unrestricted	<u>8,644,723</u>	<u>1,621,188</u>	<u>10,265,911</u>
Total Net Position	<u>\$ 46,045,862</u>	<u>\$ 5,008,561</u>	<u>\$ 51,054,423</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Government-wide Statement of Activities**  
**For the Year Ended December 31, 2014**

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General Government & Administration	\$ 1,139,310	\$ 398,819	\$ 35,504	\$ -	\$ (704,987)	\$ -	\$ (704,987)
Public Safety	3,687,469	267,175	283,325	-	(3,136,969)	-	(3,136,969)
Public Works (Sanitation)	2,483	-	19,930	-	17,447	-	17,447
Public Works (Highways & Streets)	1,187,740	23,579	274,425	268,207	(621,529)	-	(621,529)
Culture & Recreation	135,585	4,587	34,125	-	(96,873)	-	(96,873)
Community Development	15,738	-	-	497,332	481,594	-	481,594
Interest on Long Term Debt	643,932	-	-	-	(643,932)	-	(643,932)
Other	88,596	-	-	-	(88,596)	-	(88,596)
Unallocated Depreciation	44,913	-	-	-	(44,913)	-	(44,913)
<b>Total Governmental Activities</b>	<b>6,945,766</b>	<b>694,160</b>	<b>647,309</b>	<b>765,539</b>	<b>(4,838,758)</b>	<b>-</b>	<b>(4,838,758)</b>
<b>Business-type Activities</b>							
Public Works (Sewer System)	76,056	45,270	-	-	-	(30,786)	(30,786)
Public Works (Water & Sewer System)	504,276	403,182	-	-	-	(101,094)	(101,094)
<b>Total Business-type Activities</b>	<b>580,332</b>	<b>448,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,880)</b>	<b>(131,880)</b>
<b>Total Government</b>	<b>\$ 7,526,098</b>	<b>\$ 1,142,612</b>	<b>\$ 647,309</b>	<b>\$ 765,539</b>	<b>(4,838,758)</b>	<b>(131,880)</b>	<b>(4,970,638)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Real Estate Taxes Levied for General Purposes					1,208,669	-	1,208,669
Real Estate Taxes Levied for Debt Service					2,304,228	-	2,304,228
Earned Income Taxes					3,633,720	-	3,633,720
Cable Franchise Fees					230,488	-	230,488
Investment Earnings					52,238	2,718	54,956
Gain on Sale of Capital Assets					13,101	-	13,101
Miscellaneous					18,591	-	18,591
Transfers					-	-	-
<b>Total General Revenues &amp; Transfers</b>					<b>7,461,035</b>	<b>2,718</b>	<b>7,463,753</b>
<b>Change in Net Position</b>					<b>2,622,277</b>	<b>(129,162)</b>	<b>2,493,115</b>
<b>Net Position - January 1</b>					<b>43,423,585</b>	<b>5,137,723</b>	<b>48,561,308</b>
<b>Net Position - December 31</b>					<b>\$ 46,045,862</b>	<b>\$ 5,008,561</b>	<b>\$ 51,054,423</b>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**

**Balance Sheet  
Governmental Funds  
December 31, 2014**

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer &amp; Restoration Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash & Cash Equivalents	\$ 2,839,885	\$ 1,164,377	\$ 2,786,927	\$ 1,140,838	\$ 688,857	\$ 8,620,884
Investments	6,018	-	-	-	-	6,018
Accounts Receivable	106,602	-	-	-	-	106,602
Taxes Receivable	1,618,738	75,491	-	-	12,108	1,706,337
Total Current Assets	<u>4,571,243</u>	<u>1,239,868</u>	<u>2,786,927</u>	<u>1,140,838</u>	<u>700,965</u>	<u>10,439,841</u>
 Total Assets	 <u>\$ 4,571,243</u>	 <u>\$ 1,239,868</u>	 <u>\$ 2,786,927</u>	 <u>\$ 1,140,838</u>	 <u>\$ 700,965</u>	 <u>\$ 10,439,841</u>
<b>Liabilities</b>						
Payroll Withholdings	\$ 8,861	\$ -	\$ -	\$ -	\$ -	\$ 8,861
Accrued Payroll	117,566	-	-	-	-	117,566
Accounts Payable	21,814	-	-	-	5,313	27,127
Accrued Expenses	35,952	-	-	-	135	36,087
Total Liabilities	<u>184,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,448</u>	<u>189,641</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue for:						
Property Taxes	9,019	42,174	-	-	6,764	57,957
Earned Income Taxes	961,298	-	-	-	-	961,298
Other Revenues	27,533	-	-	-	-	27,533
Total Deferred Inflows of Resources	<u>997,850</u>	<u>42,174</u>	<u>-</u>	<u>-</u>	<u>6,764</u>	<u>1,046,788</u>
<b>Fund Balances</b>						
Nonspendable:	-	-	-	-	-	-
Restricted for:						
Debt Service	-	624,667	-	-	40,936	665,603
Highways & Streets	-	-	-	-	28,079	28,079
Local Fire Companies	-	-	-	-	119,564	119,564
Committed for:						
Open Space Purchases	-	573,027	-	-	-	573,027
Grants to Others	-	-	2,786,927	-	36,591	2,823,518
Park & Rec. Operations	-	-	-	-	49,663	49,663
Capital Purchases	-	-	-	1,140,838	413,920	1,554,758
General Operations	-	-	-	-	-	-
Unassigned:	3,389,200	-	-	-	-	3,389,200
Total Fund Balances	<u>3,389,200</u>	<u>1,197,694</u>	<u>2,786,927</u>	<u>1,140,838</u>	<u>688,753</u>	<u>9,203,412</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,571,243</u>	<u>\$ 1,239,868</u>	<u>\$ 2,786,927</u>	<u>\$ 1,140,838</u>	<u>\$ 700,965</u>	<u>\$ 10,439,841</u>

See accompanying notes to basic financial statements



**UPPER MAKEFIELD TOWNSHIP**  
**Reconciliation of Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2014**

**Total Fund Balances - Governmental Funds** \$ 9,203,412

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

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 1,019,256

Accounts receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 27,533

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	\$ 62,038,951	
Accumulated depreciation	<u>(11,501,338)</u>	50,537,613

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

Bonds and Note Payable	\$ (14,104,345)	
Accrued interest on Bonds and Note Payable	(19,327)	
Compensated absences	(461,034)	
Unamortized Bond Premium	<u>(157,246)</u>	<u>(14,741,952)</u>

**Total Net Position - Governmental Activities** **\$ 46,045,862**

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	General Fund	Open Space Fund	Riparian Buffer & Restoration Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real Estate Taxes	\$ 466,641	\$ 2,134,428	\$ -	\$ -	\$ 343,077	\$ 2,944,146
Real Estate Transfer Taxes	571,374	-	-	-	-	571,374
Earned Income Taxes	3,676,568	-	-	-	-	3,676,568
Cable Franchise Fees	230,488	-	-	-	-	230,488
Licenses & Permits	21,316	-	-	-	-	21,316
Fines	23,702	-	-	-	-	23,702
Interest	25,234	2,299	6,504	1,700	2,206	37,943
Intergovernmental Revenue	356,964	-	-	-	237,221	594,185
Charges for Services	626,850	-	-	-	4,587	631,437
Miscellaneous Revenue	26,154	-	-	-	57,664	83,818
Total Revenues	<u>6,025,291</u>	<u>2,136,727</u>	<u>6,504</u>	<u>1,700</u>	<u>644,755</u>	<u>8,814,977</u>
<b>Expenditures</b>						
Current:						
General Government	891,157	-	8,821	-	-	899,978
Public Safety	2,382,592	-	-	199,975	314,597	2,897,164
Public Works (Sanitation)	2,483	-	-	-	-	2,483
Public Works (Highways & Streets)	467,669	-	-	-	370,103	837,772
Culture & Recreation	150	-	-	-	61,428	61,578
Community Development	10,050	2,500	-	128,188	-	140,738
Miscellaneous	1,326,723	-	-	-	-	1,326,723
Debt Service:						
Principal	-	1,942,125	-	-	350,000	2,292,125
Interest	-	579,920	-	-	66,898	646,818
Total Expenditures	<u>5,080,824</u>	<u>2,524,545</u>	<u>8,821</u>	<u>328,163</u>	<u>1,163,026</u>	<u>9,105,379</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>944,467</u>	<u>(387,818)</u>	<u>(2,317)</u>	<u>(326,463)</u>	<u>(518,271)</u>	<u>(290,402)</u>
<b>Other Financing Sources (Uses)</b>						
Interfund Transfers	(1,253,100)	376,812	-	862,188	14,100	-
Total Other Financing Sources & Uses	<u>(1,253,100)</u>	<u>376,812</u>	<u>-</u>	<u>862,188</u>	<u>14,100</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<b>(308,633)</b>	<b>(11,006)</b>	<b>(2,317)</b>	<b>535,725</b>	<b>(504,171)</b>	<b>(290,402)</b>
<b>Fund Balances - January 1</b>	<b><u>3,697,833</u></b>	<b><u>1,208,700</u></b>	<b><u>2,789,244</u></b>	<b><u>605,113</u></b>	<b><u>1,192,924</u></b>	<b><u>9,493,814</u></b>
<b>Fund Balances - December 31</b>	<b><u>\$ 3,389,200</u></b>	<b><u>\$ 1,197,694</u></b>	<b><u>\$ 2,786,927</u></b>	<b><u>\$ 1,140,838</u></b>	<b><u>\$ 688,753</u></b>	<b><u>\$ 9,203,412</u></b>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Reconciliation of Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to Statement of Activities**  
**Year Ended December 31, 2014**

**Total Net Change in Fund Balances - Governmental Funds** \$ (290,402)

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

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

Capital outlays	\$	643,707	
Depreciation expense		<u>(758,455)</u>	(114,748)

Non-cash assistance for purchase of conservation easement. 497,332

Developer dedication of streets to the Township. 268,208

Because some taxes will not be collected for several months after the Township's fiscal year end, they are not considered as "available" revenues in the governmental funds. Tax revenues increased by this amount this year. (45,471)

Because some revenues will not be collected for several months after the Township's fiscal year end, they are not considered as "available" revenues in the governmental funds. Revenues decreased by this amount this year. 21,977

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

Amortization Bond Premium	\$	14,296	
Principal Repayments		<u>2,292,126</u>	2,306,422

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,886

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (23,927)

**Change in Net Position of Governmental Activities** \$ 2,622,277

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2014**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Water &amp; Sewer Capital Reserve Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Dutchess Farm Capital Reserve Fund</u>	<u>Total</u>
<b>Assets</b>					
Current Assets:					
Cash & Cash Equivalents	\$ 151,731	\$ 1,275,817	\$ 102,714	\$ 2,976	\$ 1,533,238
Accounts Receivable	90,160	-	11,504	-	101,664
Prepaid Expenses	17,975	-	2,568	-	20,543
Total Current Assets	<u>259,866</u>	<u>1,275,817</u>	<u>116,786</u>	<u>2,976</u>	<u>1,655,445</u>
Capital Assets					
Water & Sewer System	4,982,616	183,749	-	-	5,166,365
Less: Accumulated Depreciation	<u>(1,775,316)</u>	<u>(3,676)</u>	<u>-</u>	<u>-</u>	<u>(1,778,992)</u>
Total Capital Assets	<u>3,207,300</u>	<u>180,073</u>	<u>-</u>	<u>-</u>	<u>3,387,373</u>
Total Assets	<u>3,467,166</u>	<u>1,455,890</u>	<u>116,786</u>	<u>2,976</u>	<u>5,042,818</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	5,588	93	457	-	6,138
Accrued Expenses	17,951	4,298	5,870	-	28,119
Total Liabilities	<u>23,539</u>	<u>4,391</u>	<u>6,327</u>	<u>-</u>	<u>34,257</u>
<b>Net Position</b>					
Invested in Capital Assets	3,207,300	180,073	-	-	3,387,373
Unrestricted	<u>236,327</u>	<u>1,271,426</u>	<u>110,459</u>	<u>2,976</u>	<u>1,621,188</u>
Total Net Position	<u>\$ 3,443,627</u>	<u>\$ 1,451,499</u>	<u>\$ 110,459</u>	<u>\$ 2,976</u>	<u>\$ 5,008,561</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Water &amp; Sewer Capital Reserve Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Dutchess Farm Capital Reserve Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for Services:					
Resident User Fees	\$ 403,182	\$ -	\$ 45,270	\$ -	\$ 448,452
Total Operating Revenues	<u>403,182</u>	<u>-</u>	<u>45,270</u>	<u>-</u>	<u>448,452</u>
<b>Operating Expenses:</b>					
Administrative	43,845	-	5,366	-	49,211
Depreciation	128,038	3,676	-	-	131,714
Engineering Services	12,588	40,426	3,652	-	56,666
Electric	46,167	-	-	-	46,167
Fuel	1,681	-	420	-	2,101
Insurance	23,321	-	6,545	-	29,866
Licensed Operator	135,707	-	35,728	-	171,435
Supplies	3,333	-	4,406	-	7,739
Repairs & Maintenance	38,151	17,830	9,659	7,033	72,673
Telephone	2,615	-	-	-	2,615
Testing	6,898	-	3,247	-	10,145
Total Operating Expenses	<u>442,344</u>	<u>61,932</u>	<u>69,023</u>	<u>7,033</u>	<u>580,332</u>
<b>Net Operating Income</b>	(39,162)	(61,932)	(23,753)	(7,033)	(131,880)
<b>Non Operating Revenue:</b>					
Interest	1,576	851	282	9	2,718
<b>Interfund Transfers</b>	<u>(1,512,580)</u>	<u>1,512,580</u>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<b>Change in Net Position</b>	(1,550,166)	1,451,499	(33,471)	2,976	(129,162)
<b>Net Position - January 1</b>	<u>4,993,793</u>	<u>-</u>	<u>143,930</u>	<u>-</u>	<u>5,137,723</u>
<b>Net Position - December 31</b>	<u>\$ 3,443,627</u>	<u>\$ 1,451,499</u>	<u>\$ 110,459</u>	<u>\$ 2,976</u>	<u>\$ 5,008,561</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2014**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Water &amp; Sewer Capital Reserve Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Dutchess Farm Capital Reserve Fund</u>	<u>Total</u>
<b>Cash Flows from/for Operating Activities</b>					
Receipts from Customers	\$ 403,120	\$ -	\$ 44,146	\$ -	\$ 447,266
Payments to Suppliers	<u>(345,640)</u>	<u>(53,865)</u>	<u>(67,620)</u>	<u>(7,033)</u>	<u>(474,158)</u>
Net Cash Provided (Used) by Operating Activities	<u>57,480</u>	<u>(53,865)</u>	<u>(23,474)</u>	<u>(7,033)</u>	<u>(26,892)</u>
<b>Cash Flows from/for Noncapital Financing Activities</b>					
Interfund Transfers	<u>(1,512,580)</u>	<u>1,512,580</u>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,512,580)</u>	<u>1,512,580</u>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<b>Cash Flows for Capital and Related Financing Activities</b>					
Capital Asset Purchases	<u>-</u>	<u>(183,749)</u>	<u>-</u>	<u>-</u>	<u>(183,749)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(183,749)</u>	<u>-</u>	<u>-</u>	<u>(183,749)</u>
<b>Cash Flows from Investing Activities</b>					
Proceeds from Sales of Investments	1,007,475	-	-		1,007,475
Interest	<u>1,575</u>	<u>851</u>	<u>282</u>	<u>9</u>	<u>2,717</u>
Net Cash Provided (Used) by Investing Activities	<u>1,009,050</u>	<u>851</u>	<u>282</u>	<u>9</u>	<u>1,010,192</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(446,050)	1,275,817	(33,192)	2,976	799,551
<b>Cash and Cash Equivalents - January 1</b>	<u>597,781</u>	<u>-</u>	<u>135,906</u>	<u>-</u>	<u>733,687</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 151,731</u>	<u>\$ 1,275,817</u>	<u>\$ 102,714</u>	<u>\$ 2,976</u>	<u>\$ 1,533,238</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2014**

	<u>Water &amp; Sewer Enterprise Fund</u>	<u>Water &amp; Sewer Capital Reserve Fund</u>	<u>Dutchess Farm Sewer Enterprise Fund</u>	<u>Dutchess Farm Capital Reserve Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (39,162)	\$ (61,932)	\$ (23,753)	\$ (7,033)	\$ (131,880)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	128,038	3,676	-	-	131,714
Change in Assets and Liabilities					
Receivables	(62)	-	(1,124)	-	(1,186)
Prepaid Expenses	10,821	-	1,545	-	12,366
Accounts Payable	(48,946)	93	(6,011)	-	(54,864)
Accrued Expenses	6,791	4,298	5,869	-	16,958
Net Cash Provided by Operating Activities	<u>\$ 57,480</u>	<u>\$ (53,865)</u>	<u>\$ (23,474)</u>	<u>\$ (7,033)</u>	<u>\$ (26,892)</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Net Position**  
**Fiduciary Funds**  
**Year Ended December 31, 2014**

	<b>Police Pension Fund</b>	<b>Non-Uniformed Pension Fund</b>	<b>Escrow Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash	\$ -	\$ -	\$ 745,041
Investments, at Fair Value	6,028,328	2,532,048	-
Prepaid Expenses	<u>1,153</u>	<u>1,153</u>	<u>-</u>
Total Assets	<u>6,029,481</u>	<u>2,533,201</u>	<u>\$ 745,041</u>
<b>Liabilities</b>			
Accounts Payable	740	1,025	\$ -
Escrow Deposits	<u>-</u>	<u>-</u>	<u>745,041</u>
Total Liabilities	<u>740</u>	<u>1,025</u>	<u>\$ 745,041</u>
<b>Net Position</b>			
Restricted for Pension Benefits	<u>\$ 6,028,741</u>	<u>\$ 2,532,176</u>	

See accompanying notes to basic financial statements



**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2014**

	<b>Police Pension Fund</b>	<b>Non-Uniformed Pension Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions		
Employer	\$ 105,304	\$ 77,941
Plan Members	75,443	-
State Aid	101,580	64,945
Total Contributions	<u>282,327</u>	<u>142,886</u>
Investment Earnings		
Interest	33,978	19,632
Dividends	97,721	40,462
Net Realized Appreciation (Depreciation)	254,760	101,046
Total Investment Earnings	<u>386,459</u>	<u>161,140</u>
Total Additions	<u>668,786</u>	<u>304,026</u>
 <b>Deductions</b>		
Benefits	49,307	32,022
Administrative Expenses	54,955	28,131
Total Deductions	<u>104,262</u>	<u>60,153</u>
 <b>Change in Net Position</b>	 564,524	 243,873
 <b>Net Position - Restricted - January 1</b>	 <u>5,464,217</u>	 <u>2,288,303</u>
 <b>Net Position - Restricted - December 31</b>	 <u>\$ 6,028,741</u>	 <u>\$ 2,532,176</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Statement of Changes in Assets and Liabilities-**  
**Township Escrow Funds**  
**For the Year Ended December 31, 2014**

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Assets:				
Cash and cash equivalents	\$ 717,330	\$ 68,864	\$ (41,153)	\$ 745,041
Total Assets	<u>\$ 717,330</u>	<u>\$ 68,864</u>	<u>\$ (41,153)</u>	<u>\$ 745,041</u>
Liabilities				
Escrow Payable	\$ 717,330	\$ 68,864	\$ (41,153)	\$ 745,041
Total Liabilities	<u>\$ 717,330</u>	<u>\$ 68,864</u>	<u>\$ (41,153)</u>	<u>\$ 745,041</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

**General Statement**

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

**Financial Reporting Entity**

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

**Basis of Presentation**

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

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

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

**Basis of Presentation - Continued**

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

1. *Governmental Funds*

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

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

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

**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.

2. *Proprietary Funds*

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

**Water & 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.

**Dutchess Farm Sewer Fund (an enterprise fund)** - This fund is used to account for sewer services provided by the Township to one development located within the Township. It is anticipated that the developer will donate the sewer plant to the Township during 2015.

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

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

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

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

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

**Cash and Cash Equivalents**

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

**Investments**

The Township reports its investments at fair value.

**Capital Assets**

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

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

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

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

**Intangible Assets**

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

**Real Estate Taxes**

Real estate taxes attach as an enforceable lien on property when levied. Taxes are levied on March 1st and are payable on or before June 30th. Taxes paid prior to May 1st are payable at a 2% discount, and taxes paid after June 30th are assessed at a 10% penalty. The Township has an elected tax collector who bills and collects taxes. Assessed values are established by the County of Bucks using square foot market value, and "like kind" property comparisons. The Board of Supervisors adopts the real estate tax millage as part of the budget process. The approved millage is multiplied by the assessed value to arrive at the total levy. The millage rate for 2014 was 2.00 mills for the general fund, .75 mills for the fire protection fund, .75 mills for the building construction fund, and 9.325 mills for the open space fund.

**Compensated Absences**

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

**Fund Equity**

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

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

**Use of Estimates**

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

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 2 – Cash and Investments**

**Legal Requirements**

*Governmental and Business Type Activities*

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

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

*Fiduciary Activities*

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

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's bank deposits are covered by FDIC insurance or collateralized on a pooled basis as required by the Commonwealth's 2<sup>nd</sup> Class Township Code. As of December 31, 2014, \$8,399,692 of the Township's bank balance for governmental and business-type activities of \$10,182,173 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent  
but not in the Township's name.   \$8,399,692

As of December 31, 2014, \$745,041 of the Township's bank balance of \$751,626 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.   \$745,041

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

**Fiduciary Activity (Pension Funds) Investments**

***Asset Allocation***

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

	Police Pension Plan	Non-Uniformed Pension Plan
Cash	\$ 3,654	\$ (3,639)
Money Market	304,606	153,416
US Equities	2,614,628	1,089,560
International Equities	790,702	328,738
Closed end Mutual Bond Fund	<u>2,314,738</u>	<u>963,973</u>
Total	<u>\$ 6,028,328</u>	<u>\$ 2,532,048</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 of RBC 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, 2014, none of the Township's Police Pension Plan, and Non-uniformed Pension Plan investments of \$6,028,328 and \$2,532,048, 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:

	Police Pension Plan	Non-Uniformed Pension Plan
Money Market Funds - Aaa	\$ 304,606	\$ 153,416
Closed end Mutual Bond Fund - Aaa	488,410	203,398
Closed end Mutual Bond Fund - Aa	92,590	38,559
Closed end Mutual Bond Fund - A2	194,438	80,974
Closed end Mutual Bond Fund - Baa	270,824	112,785
Closed end Mutual Bond Fund - Ba2	178,235	74,226
Closed end Mutual Bond Fund - B2	164,346	68,442
Closed end Mutual Bond Fund - Caa	37,036	15,424
Closed end Mutual Bond Fund - Ca	25,462	10,604
Closed end Mutual Bond Fund - C	6,944	2,892
Closed end Mutual Bond Fund - D	20,833	8,676
Closed end Mutual Bond Fund - Not Rated	199,067	82,902
Closed end Mutual Bond Fund - Cash	606,461	252,560
Closed end Mutual Bond Fund - Derivatives	<u>30,092</u>	<u>12,532</u>
Total	<u>\$ 2,619,344</u>	<u>\$ 1,117,390</u>



**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

***Concentration of Credit Risk***

Concentration of credit risk is the risk associated with lack of diversification of Township investment portfolios. It is Township’s policy to have no individual investment that exceeds 5% of the total assets of the fund. As of December 31, 2014 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 Maturities (in Years)				
	Less than 1	1-5	6-10	More than 10	Total
Police Pension Plan					
Closed end Mutual Bond Fund	\$ -	\$ 2,314,738	\$ -	\$ -	\$ 2,314,738
Total	<u>\$ -</u>	<u>\$ 2,314,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,314,738</u>
	Investment Maturities (in Years)				
	Less than 1	1-5	6-10	More than 10	Total
Non-Uniformed Pension Plan					
Closed end Mutual Bond Fund	\$ -	\$ 963,973	\$ -	\$ -	\$ 963,973
Total	<u>\$ -</u>	<u>\$ 963,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 963,973</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, 2014 none of the Township’s investments are subject to foreign currency risk.

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 3 – Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Balance Jan. 1, 2014</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance Dec. 31, 2014</u>
Governmental Activities				
Capital Assets not Subject to Depreciation:				
Land	\$ 1,487,583	\$ -	\$ -	\$ 1,487,583
Conservation Easements	34,213,440	622,332	-	34,835,772
Subtotal	<u>35,701,023</u>	<u>622,332</u>	<u>-</u>	<u>36,323,355</u>
Capital Assets Subject to Depreciation:				
Buildings & Improvements	5,678,692	-	-	5,678,692
Land Improvements	1,687,839	11,500	-	1,699,339
Infrastructure	15,463,821	496,024	-	15,959,845
Furniture & Equipment	2,161,857	279,390	(63,526)	2,377,721
Accumulated Depreciation	<u>(10,806,409)</u>	<u>(758,455)</u>	<u>63,526</u>	<u>(11,501,338)</u>
Subtotal	<u>14,185,800</u>	<u>28,459</u>	<u>-</u>	<u>14,214,259</u>
Total Gov't Activities	<u>\$ 49,886,823</u>	<u>\$ 650,791</u>	<u>\$ -</u>	<u>\$ 50,537,614</u>

	<u>Balance Jan. 1, 2014</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance Dec. 31, 2014</u>
Business-type Activities				
Capital Assets Subject to Depreciation:				
Water & Sewer System	\$ 4,982,616	\$ 183,749	\$ -	\$ 5,166,365
Accumulated Depreciation	<u>(1,647,278)</u>	<u>(131,714)</u>	<u>-</u>	<u>(1,778,992)</u>
Total Business-type Activities	<u>\$ 3,335,338</u>	<u>\$ 52,035</u>	<u>\$ -</u>	<u>\$ 3,387,373</u>

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

**Governmental Activities:**

General Government and Administration	\$ 5,683
Public Safety	133,546
Public Works - Roads	488,805
Culture & Recreation	85,508
Unallocated	44,913
Total	<u>\$ 758,455</u>

**Business-type Activities:**

Water & Sewer System	<u>\$ 131,714</u>
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**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 4 - Pension Plans**

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

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

	Police	Non-Uniform
Active plan members	15	10
Retirees and beneficiaries currently receiving benefits	3	3
Terminated employees entitled to benefits but not yet receiving them	2	5
Total membership	20	18

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. 181, 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. The plan provides retirement benefits to plan members. The Plan is governed by the Board of Supervisors of Upper Makefield Township which may amend plan provisions, and which is responsible for the management of Plan Assets. 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-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2013.

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. The plan provides retirement benefits to plan members. The Plan is governed by the Board of Supervisors of Upper Makefield Township which may amend plan provisions, and which is responsible for the management of Plan assets. 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). The most recent filing was as of January 1, 2013.

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.

For the year ended December 31, 2014, the Township's total payroll for all employees was \$2,413,485. The Township received State Aid for pensions totaling \$166,525 of which \$101,580 was distributed to the Police Pension Plan and \$64,945 to the Non-Uniform Pension Plan. The total net pension expense to the Township (after the above reimbursement) for 2014 was \$258,688.

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 4 - Pension Plans – Continued**

Summary of Significant Accounting Policies and Plan Asset Matters

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.

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

Contributions Required and Contributions Made

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

Net Pension Liability

The components of the net pension liability of the Township at December 31, 2014 were as follows:

	<u>Police</u>	<u>Non Uniform</u>
Total pension liability	\$ 5,694,580	\$ 2,528,863
Plan fiduciary net position	<u>(6,028,741)</u>	<u>(2,532,176)</u>
Net pension liability	<u>\$ (334,161)</u>	<u>\$ (3,313)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.9%	100.1%

Actuarial Assumptions

The total pension liability in the January 1, 2013 actuarial valuation for Non Uniform and the December 31, 2014 actuarial valuation for Police 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%	

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 4 - Pension Plans – Continued**

Actuarial Assumptions – Continued

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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2012.

The net pension liability was measured as of December 31, 2014 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. 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. 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>Long-term Expected Real Rate of Return</u>	
	<u>Police</u>	<u>Non Uniform</u>
Equity	6.3%	6.3%
Fixed Income	2.0%	2.0%
Cash	0.0%	0.0%

*Discount Rate:* The discount rate used to measure the total pension liability was 7.5 percent. 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.

*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%	Current	1%
	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	(6.5%)	Rate (7.5%)	(8.5%)
Police	\$ 426,317	\$ (334,161)	\$ (963,750)
	(6.5%)	Rate (7.5%)	(8.5%)
Non Uniform	\$ 250,526	\$ (3,313)	\$ (235,878)

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 4 - Pension Plans – Continued**

Summary of Significant Accounting Policies and Plan Asset Matters- Continued

Funded Status and Funding Progress

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

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

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

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	Police	Non-Uniform
Annual Required Contribution	\$ 206,884	\$ 142,886
Interest on Net Pensioni Obligation	(152)	(24)
Adjustments to Annual Required Contribution	776	78
Annual Pension Cost	207,508	142,940
Contributions Made	(206,884)	(142,886)
Increase (Decrease) in net Pension Obligation	624	54
Net Pension Obligation (Asset) at Beginning of Year	(3,122)	(403)
Net Pension Obligation (Asset) at End of Year	\$ (2,498)	\$ (349)

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the following assumptions:

	Police	Non Uniform
Date of actuarial valuation	1/1/13	1/1/13
Investment rate of return	7.5%	7.5%
Projected salary increases due to inflation	5.0%	5.0%
Asset valuation method	4-Year Smoothing	4-Year Smoothing
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	3 Years	7 Years
Cost of living increases	3.0%	3.0%

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 4 - Pension Plans – Continued**

*Summary of Significant Accounting Policies and Plan Asset Matters - Continued*

Three Year Trend Information

**Police**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 240,651	100.0%	\$ (2,602)
12/31/2013	245,322	100.0%	(3,122)
12/31/2014	207,508	100.0%	(2,498)

**Non-Uniformed**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 166,939	100.0%	\$ (367)
12/31/2013	138,091	100.0%	(453)
12/31/2014	142,940	100.0%	(349)

**Note 5 - Compensated Absences**

The Township has established policies for paying employees, at the time of termination or retirement, for certain accumulated but unused absences. On leaving, an employee will be compensated for all unused sick time up to 1200 hours for Non-Uniformed Personnel, and 800 hours for full time Police Officers. At December 31, 2014, the liability to the Township for compensated absences was \$461,034. The liability was determined by multiplying the accumulated available sick days, for each employee by the applicable daily rate.

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 6 – Long Term Debt**

On March 15, 2006, The Township issued General Obligation Bonds, Series of 2006, in the amount of \$20,235,000. The proceeds of the bonds were used to retire six notes: Series 1999 through 2003B or \$18,030,000 (electoral). The remainder proceeds (\$2,205,000 non-electoral) were used to construct a new police building. The bonds are scheduled to mature in annual increments starting December 15, 2006 through December 15, 2025. The bonds bear interest at various rates from 3.5% to 5.0%. On April 15, 2015 these bonds were partially re-financed with General Obligation Bonds, Series 2015. See Note 7 for further information.

On May 13, 2011 the Township issued General Obligation Note, Series 2011, in the amount of \$4,950,000 (electoral). The proceeds of this note were to refinance the remaining balance of the General Obligation Note, Series 2007 (electoral). The 2011 note is scheduled to mature in annual increments of \$291,176 starting December 1, 2011 through June 8, 2027. The note bears an interest rate of 2.50% (payable semi-annually) until June 1, 2016 and thereafter on each subsequent five year anniversary date where the rate will reset to 1.90% in excess of the tax-free equivalent of the five year U.S. Treasury Rate then in effect, however, the rate shall not exceed 5.50%.

All outstanding debt is backed by the full faith and credit of the Township. At December 31, 2014, the Township has \$1,170,000 of non-electoral debt outstanding. The Township is in compliance with all significant requirements of the various note covenants. The Township is not obligated in any manner for special assessment debt.

The following is a summary of the Township’s general obligation debt outstanding at December 31, 2014:

<u>Year of Issue</u>	<u>Original Issue</u>	<u>Balance Janaury 1</u>	<u>Issued During Year</u>	<u>Principal Repayments</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
2006	\$ 20,235,000	\$ 12,320,000	\$ -	\$ (1,195,000)	\$ 11,125,000	\$ 1,255,000
2011	4,950,000	4,076,471	-	(1,097,126)	2,979,345	291,176
Total	<u>\$ 25,185,000</u>	<u>\$ 16,396,471</u>	<u>\$ -</u>	<u>\$ (2,292,126)</u>	<u>\$ 14,104,345</u>	<u>\$ 1,546,176</u>

Annual principal payment requirements are as follows:

<u>Year</u>	<u>Series 2006</u>	<u>Series 2011</u>	<u>Total</u>
	<u>Bond</u>	<u>Note</u>	
	<u>Due 12/15/25</u>	<u>Due 6/8/27</u>	
2015	\$ 1,255,000	\$ 291,176	\$ 1,546,176
2016	1,310,000	291,176	1,601,176
2017	1,365,000	291,176	1,656,176
2018	1,430,000	291,176	1,721,176
2019	1,380,000	291,176	1,671,176
2020-2024	4,225,000	1,455,885	5,680,885
2025	160,000	67,580	227,580
Total	<u>\$ 11,125,000</u>	<u>\$ 2,979,345</u>	<u>\$ 14,104,345</u>



**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

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

Annual interest payment requirements are as follows:

<u>Year</u>	<u>Series 2006</u>		<u>Series 2011</u>	
	<u>Bond</u>		<u>Note</u>	
	<u>Due 12/15/25</u>	<u>Due 6/8/27</u>		<u>Total</u>
2015	\$ 496,176	75,090	\$	571,266
2016	436,564	67,811		504,375
2017	241,139	60,329		301,468
2018	241,139	52,949		294,088
2019	241,139	45,568		286,707
2020-2024	451,971	117,760		569,731
2025	6,720	1,690		8,410
Total	\$ 2,114,848	\$ 421,197	\$	2,536,045

Expected interest rates for the notes are as follows:

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

**Note 7 – Subsequent Events**

On April 15, 2015 the Township advance refunded \$8,560,000 of the remaining balance of \$11,125,000 of the 2006 Bonds with General Obligation Bonds Series 2015. These Bonds are scheduled to mature in annual increments starting December 15, 2015 through December 15, 2025. The 2015 Bonds bear interest rates from 2.0% to 4.0% (payable semi-annually). The remaining balance on the 2006 Bonds of \$2,565,000 will mature in 2015 and 2016.

**Note 8 – Deferred Compensation Plan**

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

**Note 9 – Interfund Transfers**

The Township uses unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2014, consisted of the following amounts:

<u>General</u>	<u>Fire</u>	<u>Open Space</u>	<u>Rev Run</u>	<u>Park &amp; Recreation</u>	<u>Capital Reserve</u>	<u>Water &amp; Sewer</u>	<u>Water &amp; Sewer Cap. Res.</u>	<u>Dutchess Farm</u>	<u>Dutchess Farm Cap. Res</u>
\$ (505,000)	\$ -	\$ 505,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(20,000)	-	-	-	20,000	-	-	-	-	-
(727,000)	-	-	-	-	727,000	-	-	-	-
(1,100)	1,100	-	(7,000)	7,000	-	(1,512,580)	1,512,580	(10,000)	10,000
-	-	(128,188)	-	-	128,188	-	-	-	-
Total \$ (1,253,100)	\$ 1,100	\$ 376,812	\$ (7,000)	\$ 27,000	\$ 855,188	\$ (1,512,580)	\$ 1,512,580	\$ (10,000)	\$ 10,000

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 10 – Fund Equity**

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

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

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

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

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

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

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

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

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

The following is a listing of net position balances at December 31, 2014 that are restricted by enabling legislation of the Township:

Restricted for debt service open space fund	\$ 622,413
Restricted for debt service building construction fund	40,752
Restricted for road projects per Commonwealth allocation	28,079
Restricted for fire protection services fire fund	<u>119,380</u>
Total	\$ <u>810,624</u>

**Note 12 – Commitments**

As of December 31, 2014, the Township is committed under contract for the following construction projects:

	<u>Water Storage Tank Painting</u>
Total Contract Amount	\$ 246,788
Expenses Incurred to 12/31/14	<u>(131,528)</u>
Commitment at 12/31/14	\$ <u>115,260</u>

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

**Note 13 - New Accounting Pronouncements**

GASB Statement No. 67 – *Financial Reporting for Pension Plans* was issued in June 2012. This Statement is effective for fiscal year beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. As a result of implementing this Statement, the pension disclosures and required supplementary information schedules for pensions in this financial statement have been expanded to include the new requirements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* was issued in June 2012. This Statement is effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to measure and recognize liabilities, deferred outflows of resources, deferred inflows or resources, and expense/expenditures for defined benefit pension plans that more closely match the benefits attributable to the employees' periods of service. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*. This Statement will be implemented in 2015.

**Note 14 – 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, 2014 was \$43,820. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2014 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$14,431.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2014 was \$70,237. At December 31, 2014, there were no additional assessments due or anticipated.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool. The insurance expense for the year ended December 31, 2014 was \$574,956 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**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Police Pension Plan**  
**Year Ended December 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/09	\$ 2,673,746	\$ 3,618,813	\$ 945,067	73.9%	\$ 1,410,226	67.0%
1/1/11	3,548,132	4,281,491	733,359	82.9%	1,508,749	48.6%
1/1/13	4,496,746	4,631,355	134,609	97.1%	1,444,513	9.3%

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

Calendar Year	Annual Required Contribution	Contributions from Employer	Contributions from Other Entities	Total Contributions	Percentage Contributed
2009	\$ 211,379	\$ 100,272	\$ 111,107	\$ 211,379	100.0%
2010	262,220	171,450	90,770	262,220	100.0%
2011	274,362	117,326	157,036	274,362	100.0%
2012	240,651	144,668	95,983	240,651	100.0%
2013	245,322	148,174	97,148	245,322	100.0%
2014	206,884	105,304	101,580	206,884	100.0%

**UPPER MAKEFIELD TOWNSHIP**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability And Related Ratios - Police Pension Plan**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 202,290
Interest	398,907
Benefit payments, including refunds of employee contributions	<u>(45,357)</u>
Net change in total pension liability	555,840
Total pension liability - beginning	<u>5,138,740</u>
Total pension liability - ending (a)	<u>\$ 5,694,580</u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 206,884
Contributions - employee	75,443
Net investment income	338,760
Benefit payments, including refunds of employee contributions	(45,357)
Administrative expense	<u>(6,261)</u>
Net change in plan fiduciary net position	569,469
 <b>Plan fiduciary net position - beginning</b>	<u>5,459,272</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 6,028,741</u>
 <b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ (334,161)</u>
 Plan fiduciary net position as a percentage of the total pension liability	105.9%
 Covered-employee payroll	\$ 1,551,593
 Township's net pension liability as a percentage of covered-employee payroll	-21.5%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2013

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**  
**Required Supplementary Information**  
**Schedule of Contributions – Police Pension Plan**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 206,884	\$ 245,322	\$ 240,651	\$ 274,362	\$ 262,220	\$ 211,379
Contributions in relation to the actuarially determined contribution	<u>206,884</u>	<u>245,322</u>	<u>240,651</u>	<u>274,362</u>	<u>262,220</u>	<u>211,379</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (1)	\$ 1,551,593		\$ 1,444,513		\$ 1,508,749	
Contributions as a percentage of covered-employee payroll	13.3%		16.7%		17.4%	

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of 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 valuation date:	1/1/2013
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% including inflation
Investment rate of return	7.5%
Retirement age	Normal Retirement Age
Mortality	RP2000 Combined Healthy Mortality Table

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2009 through 1/1/2013 actuarial valuations

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**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Non-Uniformed Employees Pension Plan**  
**Year Ended December 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/09	\$ 1,083,425	\$ 1,497,097	\$ 413,672	72.4%	\$ 726,533	56.9%
1/1/11	1,414,452	1,837,587	423,135	77.0%	874,397	48.4%
1/1/13	1,891,104	2,068,737	177,633	91.4%	782,824	22.7%

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

Calendar Year	Annual Required Contribution	Contributions from Employer	Contributions from Other Entities	Total Contributions	Percentage Contributed
2009	\$ 75,222	\$ 36,184	\$ 39,038	\$ 75,222	100.0%
2010	169,620	111,587	58,033	169,620	100.0%
2011	178,296	77,896	100,400	178,296	100.0%
2012	166,939	105,573	61,366	166,939	100.0%
2013	138,091	75,980	62,111	138,091	100.0%
2014	142,886	77,941	64,945	142,886	100.0%



**UPPER MAKEFIELD TOWNSHIP**  
**Required Supplementary Information**  
**Schedule of Changes In The Net Pension Liability And Related Ratios –**  
**Non-Uniformed Employees Pension Plan**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 92,072
Interest	177,566
Benefit payments, including refunds of employee contributions	<u>(31,909)</u>
Net change in total pension liability	237,729
Total pension liability - beginning	<u>2,291,134</u>
Total pension liability - ending (a)	<u>\$ 2,528,863</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 142,886
Contributions - employee	-
Net investment income	135,372
Benefit payments, including refunds of employee contributions	(31,909)
Administrative expense	<u>(6,841)</u>
Net change in plan fiduciary net position	239,508
<b>Plan fiduciary net position - beginning</b>	<u>2,292,668</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,532,176</u>
<b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ (3,313)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.1%
Covered-employee payroll	\$ 604,307
Township's net pension liability as a percentage of covered-employee payroll	-0.5%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2013

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**  
**Required Supplementary Information**  
**Schedule of Contributions – Non-Uniformed Employees Pension Plan**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 142,886	\$ 138,091	\$ 166,939	\$ 178,296	\$ 169,620	\$ 75,222
Contributions in relation to the actuarially determined contribution	<u>142,886</u>	<u>138,091</u>	<u>166,939</u>	<u>178,296</u>	<u>169,620</u>	<u>75,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (1)	\$ 604,307		\$ 782,824		\$ 874,397	
Contributions as a percentage of covered-employee payroll	23.6%		21.3%		19.4%	

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of 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 valuation date:	1/1/2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar - closed
Remaining amortization period	8 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	3.0%
Salary increases	5.0%
Investment rate of return	7.5%
Retirement age	Normal Retirement Age
Mortality	RP2000 Table.

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2009 through 1/1/2013 actuarial valuations

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**  
**Required Supplementary Information**  
**Schedule of Investment Returns – Pension Plans**

	<u>2014</u>
<b>Police</b>	
Annual money-weighted rate of return, net of investment expense	6.99%
<b>Non Uniform</b>	
Annual money-weighted rate of return, net of investment expense	6.95%

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**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis (Cash)</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,461,000	\$ 4,461,000	\$ 4,684,788	\$ 223,788
Licenses & Permits	229,920	229,920	252,374	22,454
Fines	35,500	35,500	22,937	(12,563)
Interest	6,000	6,000	25,234	19,234
Intergovernmental Revenue	573,897	573,897	357,964	(215,933)
Charges for Services	343,800	343,800	609,942	266,142
Miscellaneous Revenue	6,100	6,100	26,151	20,051
	<u>5,656,217</u>	<u>5,656,217</u>	<u>5,979,390</u>	<u>323,173</u>
<b>Expenditures</b>				
General Government	909,869	909,869	897,939	11,930
Public Safety	2,502,488	2,502,488	2,378,748	123,740
Public Works (Sanitation)	-	-	2,483	(2,483)
Public Works (Highways & Streets)	614,944	614,944	474,602	140,342
Culture & Recreation	250	250	50	200
Community Development	9,550	9,550	10,050	(500)
Miscellaneous	1,470,635	1,470,635	1,324,805	145,830
	<u>5,507,736</u>	<u>5,507,736</u>	<u>5,088,677</u>	<u>419,059</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>148,481</u>	<u>148,481</u>	<u>890,713</u>	<u>742,232</u>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	<u>(1,252,000)</u>	<u>(1,252,000)</u>	<u>(1,253,100)</u>	<u>(1,100)</u>
Total Other Financing Sources & Uses	<u>(1,252,000)</u>	<u>(1,252,000)</u>	<u>(1,253,100)</u>	<u>(1,100)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,103,519)</u>	<u>\$ (1,103,519)</u>	(362,387)	<u>\$ 741,132</u>
<b>Fund Balances - January 1</b>			<u>3,199,428</u>	
<b>Fund Balances - December 31</b>			<u>\$ 2,837,041</u>	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Open Space Fund**  
**For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis (Cash)	Variance With Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,221,500	\$ 2,221,500	\$ 2,128,861	\$ (92,639)
Interest	2,800	2,800	2,299	(501)
Total Revenues	2,224,300	2,224,300	2,131,160	(93,140)
<b>Expenditures</b>				
Current:				
Community Development	-	-	2,500	(2,500)
Debt Service:				
Principal	2,192,125	2,192,125	1,942,125	250,000
Interest	592,356	592,356	579,920	12,436
Total Expenditures	2,784,481	2,784,481	2,524,545	259,936
Excess (Deficiency) of Revenues Over Expenditures	(560,181)	(560,181)	(393,385)	166,796
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	(661,000)	(661,000)	376,812	1,037,812
Total Other Financing Sources & Uses	(661,000)	(661,000)	376,812	1,037,812
<b>Net Change in Fund Balances</b>	\$ (1,221,181)	\$ (1,221,181)	(16,573)	\$ 1,204,608
<b>Fund Balances - January 1</b>			1,180,950	
<b>Fund Balances - December 31</b>			\$ 1,164,377	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP  
Budgetary Comparison Schedule  
Riparian Buffer & Restoration Fund  
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary Basis (Cash)</b>	<b>Variance With Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$ 8,000	\$ 8,000	\$ 6,504	\$ (1,496)
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>6,504</u>	<u>(1,496)</u>
<b>Expenditures</b>				
Current:				
General Government	7,000	7,000	8,822	(1,822)
Community Development	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>12,322</u>	<u>(5,322)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,000</u>	<u>1,000</u>	<u>(5,818)</u>	<u>(6,818)</u>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	(5,818)	<u>\$ (6,818)</u>
<b>Fund Balances - January 1</b>			<u>2,792,745</u>	
<b>Fund Balances - December 31</b>			\$ <u>2,786,927</u>	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Capital Reserve Fund**  
**For the Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
			<b>Budgetary</b>	<b>Over</b>
			<b>Basis (Cash)</b>	<b>(Under)</b>
<b>Revenues</b>				
Interest	\$ 1,300	\$ 1,300	\$ 1,700	\$ 400
Total Revenues	1,300	1,300	1,700	400
<b>Expenditures</b>				
Current:				
Public Safety	217,000	217,000	200,184	16,816
Community Development	1,416,000	1,416,000	128,188	1,287,812
Total Expenditures	1,633,000	1,633,000	328,372	1,304,628
Excess (Deficiency) of Revenues Over Expenditures	(1,631,700)	(1,631,700)	(326,672)	1,305,028
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	2,150,000	2,150,000	862,188	-
Total Other Financing Sources & Uses	2,150,000	2,150,000	862,188	-
<b>Net Change in Fund Balances</b>	\$ 518,300	\$ 518,300	535,516	\$ 1,305,028
<b>Fund Balances - January 1</b>			605,322	
<b>Fund Balances - December 31</b>			\$ 1,140,838	

See accompanying notes to budgetary comparison schedules

**UPPER MAKEFIELD TOWNSHIP**  
**Notes to Budgetary Comparison Schedules**  
**December 31, 2014**

**Note 1 - Budgetary Data**

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

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

**Note 2 – Budget to Actual Reconciliation**

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

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Riparian Buffer and Restoration Fund</u>	<u>Capital Reserve Fund</u>
Total revenues as reported in the budgetary comparison schedule (cash basis)	\$ 5,979,390	\$ 2,131,160	\$ 6,504	\$ 1,700
Change in taxes receivable	13,461	3,659	-	-
Change in accounts receivable	11,160	-	-	-
Change in deferred revenue	21,280	1,908	-	-
Total revenues as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 6,025,291</u>	<u>\$ 2,136,727</u>	<u>\$ 6,504</u>	<u>\$ 1,700</u>
Total expenditures as reported in the budgetary comparison schedule (cash basis)	\$ 5,088,677	\$ 2,524,545	\$ 12,322	\$ 328,372
Change in accounts receivable	(442)	-	-	-
Change in accrued payroll	27,962	-	-	-
Change in accounts payable	(23,970)	-	(3,501)	(209)
Change in accrued expenses	(11,403)	-	-	-
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds (modified accrual)	<u>\$ 5,080,824</u>	<u>\$ 2,524,545</u>	<u>\$ 8,821</u>	<u>\$ 328,163</u>

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

For the year ended December 31, 2014, expenditures exceeded appropriations in the General, Liquid Fuels, Open Space, Riparian Restoration, Fire, Park & Rec., 3-Year Cap, Building Construction, Water & Sewer and Dutchess Farm Funds. These over-expenditures were financed either by interfund transfers or prior-year reserves.



## **Supplementary Information Section**

**UPPER MAKEFIELD TOWNSHIP**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2014**

	<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>			<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Liquid Fuels Fund</u>	<u>Fire Fund</u>	<u>Rev. Run Emergency Svc. Fund</u>	<u>Operation &amp; Maint. Fund</u>	<u>Park &amp; Recreation Fund</u>	<u>Park 3 Year Cap Fund</u>	<u>Tree Bank Fund</u>	<u>Building Construction Fund</u>	
<b>Assets</b>									
<b>Current Assets</b>									
Cash & Cash Equivalents	\$ 33,203	\$ 116,892	\$ 36,591	\$ 21,136	\$ 49,987	\$ 268,662	\$ 124,122	\$ 38,264	\$ 688,857
Accounts Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	6,054	-	-	-	-	-	6,054	12,108
Total Current Assets	<u>33,203</u>	<u>122,946</u>	<u>36,591</u>	<u>21,136</u>	<u>49,987</u>	<u>268,662</u>	<u>124,122</u>	<u>44,318</u>	<u>700,965</u>
Total Assets	<u>\$ 33,203</u>	<u>\$ 122,946</u>	<u>\$ 36,591</u>	<u>\$ 21,136</u>	<u>\$ 49,987</u>	<u>\$ 268,662</u>	<u>\$ 124,122</u>	<u>\$ 44,318</u>	<u>\$ 700,965</u>
<b>Liabilities</b>									
Accounts Payable	\$ 4,989	\$ -	\$ -	\$ -	\$ 324	\$ -	\$ -	\$ -	\$ 5,313
Accrued Expenses	135	-	-	-	-	-	-	-	135
Total Liabilities	<u>5,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,448</u>
<b>Deferred Inflows of Resources</b>									
Unavailable Revenue for:									
Property Taxes	-	3,382	-	-	-	-	-	3,382	6,764
Total Deferred Inflows of Resources	<u>-</u>	<u>3,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,382</u>	<u>6,764</u>
<b>Fund Balance</b>									
Restricted for:									
Debt Service	-	-	-	-	-	-	-	40,936	40,936
Highways & Streets	28,079	-	-	-	-	-	-	-	28,079
Local Fire Companies	-	119,564	-	-	-	-	-	-	119,564
Assigned for:									
Grants to Others	-	-	36,591	-	-	-	-	-	36,591
Parks & Rec. Operations	-	-	-	-	49,663	-	-	-	49,663
Capital Purchases	-	-	-	21,136	-	268,662	124,122	-	413,920
General Operations	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>28,079</u>	<u>119,564</u>	<u>36,591</u>	<u>21,136</u>	<u>49,663</u>	<u>268,662</u>	<u>124,122</u>	<u>40,936</u>	<u>688,753</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 33,203</u>	<u>\$ 122,946</u>	<u>\$ 36,591</u>	<u>\$ 21,136</u>	<u>\$ 49,987</u>	<u>\$ 268,662</u>	<u>\$ 124,122</u>	<u>\$ 44,318</u>	<u>\$ 700,965</u>

See accompanying notes to basic financial statements

**UPPER MAKEFIELD TOWNSHIP**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**December 31, 2014**

	Special Revenue Funds				Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds
	Liquid Fuels Fund	Fire Fund	Rev. Run Emergency Svc. Fund	Operation & Maint. Fund	Park & Recreation Fund	Park 3 Year Cap Fund	Tree Bank Fund	Building Construction Fund	
<b>Revenues</b>									
Real Estate Taxes	\$ -	\$ 171,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,860	\$ 343,077
Interest	574	396	28	21	115	403	181	488	2,206
Intergovernmental Revenue	237,221	-	-	-	-	-	-	-	237,221
Charges for Services	-	-	-	-	4,587	-	-	-	4,587
Miscellaneous Revenue	9,039	-	14,500	-	-	25,125	9,000	-	57,664
<b>Total Revenues</b>	<b>246,834</b>	<b>171,613</b>	<b>14,528</b>	<b>21</b>	<b>4,702</b>	<b>25,528</b>	<b>9,181</b>	<b>172,348</b>	<b>644,755</b>
<b>Expenditures</b>									
Current:									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	313,697	900	-	-	-	-	-	314,597
Public Works (Highways & Streets)	370,103	-	-	-	-	-	-	-	370,103
Culture & Recreation	-	-	-	-	35,185	25,647	596	-	61,428
Community Development	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	350,000	350,000
Interest	-	-	-	-	-	-	-	66,898	66,898
<b>Total Expenditures</b>	<b>370,103</b>	<b>313,697</b>	<b>900</b>	<b>-</b>	<b>35,185</b>	<b>25,647</b>	<b>596</b>	<b>416,898</b>	<b>1,163,026</b>
Excess (Deficiency) of Revenues Over Expenditures	(123,269)	(142,084)	13,628	21	(30,483)	(119)	8,585	(244,550)	(518,271)
<b>Other Financing Sources (Uses)</b>									
Interfund Transfers	-	1,100	(7,000)	-	20,000	-	-	-	14,100
Total Other Financing Sources & Uses	-	1,100	(7,000)	-	20,000	-	-	-	14,100
<b>Net Change in Fund Balances</b>	<b>(123,269)</b>	<b>(140,984)</b>	<b>6,628</b>	<b>21</b>	<b>(10,483)</b>	<b>(119)</b>	<b>8,585</b>	<b>(244,550)</b>	<b>(504,171)</b>
<b>Fund Balances - January 1</b>	<b>151,348</b>	<b>260,548</b>	<b>29,963</b>	<b>21,115</b>	<b>60,146</b>	<b>268,781</b>	<b>115,537</b>	<b>285,486</b>	<b>1,192,924</b>
<b>Fund Balances - December 31</b>	<b>\$ 28,079</b>	<b>\$ 119,564</b>	<b>\$ 36,591</b>	<b>\$ 21,136</b>	<b>\$ 49,663</b>	<b>\$ 268,662</b>	<b>\$ 124,122</b>	<b>\$ 40,936</b>	<b>\$ 688,753</b>

See accompanying notes to basic financial statements