

**UPPER MAKEFIELD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2019

UPPER MAKEFIELD TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Upper Makefield Township, Pennsylvania

Report on the Financial Statements

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, Pennsylvania as of and for the year ended December 31, 2019, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Makefield Township, Pennsylvania, as of December 31, 2019 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.

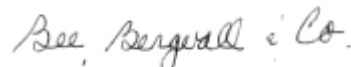
Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, and pension contributions 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 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, Pennsylvania basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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

Warrington, PA
June 19, 2020

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

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, 2019. 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, 2019.

FINANCIAL HIGHLIGHTS

- The net position (assets and deferred outflows minus liabilities and deferred inflows) of the Township as of December 31, 2019 was \$59,939,050. Of this amount, \$55,005,117 represents governmental net position and, \$4,933,933 represents business-type net position. Of the net position balance, \$9,672,035 is unrestricted and available to meet the Township's ongoing obligations in accordance with Township fund designations and fiscal policies.
- The Township's net position increased by \$1,868,731 during the year ended December 31, 2019. The governmental net position increased by \$1,728,181 and the business-type net position increased by \$140,550.
- The general fund, the Township's primary operating fund, reported a decrease in fund balance of \$379,651. As of December 31, 2019 the general fund unassigned fund balance was \$3,622,997 or 59% of total general fund expenditures for the year ended December 31, 2019.
- The Township's governmental and business-type cash and cash equivalents increased by \$857,493 during 2019.
- The Township expended \$1,132,760 for various capital projects and capital purchases.
- The Township paid \$1,716,176 principal and \$187,924 interest on outstanding General Obligation Bonds and Notes during 2019.

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 *statement of net position* presents financial information on all of the Township's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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.

The governmental activities of the Township include:

- General Government
- Public Safety
- Highways and Streets
- Culture and Recreation
- Community Development
- Debt Service
- Other

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Upper Makefield Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

Upper Makefield Township maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Open Space, and Riparian funds, which are considered to be major funds.

Data from the other governmental funds (Liquid Fuels, Fire, Rev-Run, Op./Maint., Park & Rec, 3-Year Cap, Capital Reserve, Tree, and Building Construction) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for all Township funds. A budgetary comparison has been provided for the general, open space and riparian buffer and restoration funds to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide and fund financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Upper Makefield Township, assets exceeded liabilities by \$59,939,050 at the close of the most recent fiscal year. This represents a \$1,868,731 or 3.2% increase from the previous year.

A significant portion of the Township's net position (83.2%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, and net of accumulated depreciation, it should be noted that the resources needed to repay this debt may be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

Table 1
Statements of Net Position – December 31, 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 10,226,253	\$ 9,396,113	\$ 1,594,281	\$ 1,304,212	\$ 11,820,534	\$ 10,700,325
Capital Assets	<u>52,343,890</u>	<u>52,135,700</u>	<u>3,388,652</u>	<u>3,533,104</u>	<u>55,732,542</u>	<u>55,668,804</u>
Total Assets	<u>62,570,143</u>	<u>61,531,813</u>	<u>4,982,933</u>	<u>4,837,316</u>	<u>67,553,076</u>	<u>66,369,129</u>
Deferred Outflows of Resources	<u>312,301</u>	<u>1,726,192</u>	<u>-</u>	<u>-</u>	<u>312,301</u>	<u>1,726,192</u>
Current Liabilities	1,877,307	1,946,631	49,000	43,933	1,926,307	1,990,564
Noncurrent Liabilities	<u>4,775,551</u>	<u>6,839,869</u>	<u>-</u>	<u>-</u>	<u>4,775,551</u>	<u>6,839,869</u>
Total Liabilities	<u>6,652,858</u>	<u>8,786,500</u>	<u>49,000</u>	<u>43,933</u>	<u>6,701,858</u>	<u>8,830,433</u>
Deferred Inflows of Resources	<u>1,224,469</u>	<u>1,194,569</u>	<u>-</u>	<u>-</u>	<u>1,224,469</u>	<u>1,194,569</u>
Net Assets						
Net investment in capital assets	46,500,427	44,422,281	3,388,652	3,533,104	49,889,079	47,955,385
Restricted	377,936	383,606	-	-	377,936	383,606
Unrestricted	8,126,754	8,471,049	1,545,281	1,260,279	9,672,035	9,731,328
Total Net Assets	<u>\$ 55,005,117</u>	<u>\$ 53,276,936</u>	<u>\$ 4,933,933</u>	<u>\$ 4,793,383</u>	<u>\$ 59,939,050</u>	<u>\$ 58,070,319</u>

An additional portion of the Township's net position (\$377,936 or .7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,672,035) may be used to meet the Township's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The Township's net position increased by \$1,868,731 or 3.3% during the current fiscal year.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

The following chart shows the revenues and expenses of the governmental activities:

Table 2
Change in Net Position - 2019

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 613,775	\$ 628,105	\$ 935,374	\$ 745,799	\$ 1,549,149	\$ 1,373,904
Grants and contributions	888,309	898,583	-	-	888,309	898,583
General revenues:						
Taxes	7,231,109	7,092,926	-	-	7,231,109	7,092,926
Cable franchise fees	239,698	245,527	-	-	239,698	245,527
Interest	76,854	48,408	2,214	1,813	79,068	50,221
Miscellaneous	15,874	52,719	-	-	15,874	52,719
Gain/Loss on sale of assets	30,792	(11,441)	-	-	30,792	(11,441)
Total Revenues	<u>9,096,411</u>	<u>8,954,827</u>	<u>937,588</u>	<u>747,612</u>	<u>10,033,999</u>	<u>9,702,439</u>
Expenses:						
General government	1,184,555	1,219,190	-	-	1,184,555	1,219,190
Public safety	4,194,617	4,178,631	-	-	4,194,617	4,178,631
Public Works - Highways and streets	1,436,107	1,508,770	-	-	1,436,107	1,508,770
Public Works - Water and sewer system	-	-	797,038	719,812	797,038	719,812
Culture and recreation	200,374	318,375	-	-	200,374	318,375
Community development	80,610	55,179	-	-	80,610	55,179
Interest on long-term debt	187,924	213,887	-	-	187,924	213,887
Other	41,161	-	-	-	41,161	-
Unallocated depreciation	42,882	42,882	-	-	42,882	42,882
Total Expenses	<u>7,368,230</u>	<u>7,536,914</u>	<u>797,038</u>	<u>719,812</u>	<u>8,165,268</u>	<u>8,256,726</u>
Change in Net Position	1,728,181	1,417,913	140,550	27,800	1,868,731	1,445,713
Net Position - Beginning of Year	<u>53,276,936</u>	<u>51,859,023</u>	<u>4,793,383</u>	<u>4,765,583</u>	<u>58,070,319</u>	<u>56,624,606</u>
Net Position - End of Year	<u>\$ 55,005,117</u>	<u>\$ 53,276,936</u>	<u>\$ 4,933,933</u>	<u>\$ 4,793,383</u>	<u>\$ 59,939,050</u>	<u>\$ 58,070,319</u>

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

Revenue Overview

For the fiscal year ended December 31, 2019, revenues for governmental activities totaled \$9,096,411, an increase of \$141,584 or approximately 1.6% from 2018. The real estate tax millages were: fire fund at .75 mills, open space fund at 6.3525 mills, and building construction fund at .5 mills. Sources of revenue for the fiscal year 2019 are comprised of the following items:

“Earned Income Tax” is the largest Township revenue source totaling \$4,697,672 (52% of total revenues) in 2019. Next is real estate taxes at \$2,533,437 (28%), grants and contributions \$888,309 (10%), followed by charges for services \$613,775 (7%). Other revenues include cable franchise fees generating \$239,698 and other revenues generating \$123,520.

Expense Overview

For the 2019 fiscal year, expenses for government activities totaled \$7,368,230, a decrease of \$168,684 over 2018 expenses. The largest areas of expense in 2019 were, in order, Public Safety, Public Works, General Government, and Culture and Recreation.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2019, revenues \$9,096,411 were more than expenses \$7,368,230 by \$1,728,181 resulting in an increase in net position by that amount. The year ended with a total net position of \$55,005,117.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the Township’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township’s financing requirements. In particular, *Restricted, Committed, Assigned and Unassigned Fund Balances* may serve as a useful measure of a Township’s net resources available for spending at the end of the fiscal year. However, the *Restricted, Committed* and the *Assigned* are ear-marked for specific purposes.

As of the end of the current fiscal year, the Township’s governmental funds reported combined ending fund balances of \$8,032,242, a decrease of \$441,608 or (5.3%) in comparison with the prior year. Of the total, \$3,622,997 constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* (\$377,936), *or committed* (\$4,031,309) to indicate that it is not available for new spending because it has already been reserved for other Township capital projects, purchases and contractual obligations, repayment of debt service, or taxes levied and collected for specific purposes, per Township Code.

The **General Fund** is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund total fund balance decreased by \$379,651. The Township’s total expenses (net of transfers) were under budget by \$312,370.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

The **Open Space Fund** is used to account for revenues and expenditures for the Township's open space programs and debt service. Real estate tax millage for this fund in 2019 was 6.3525 mills. At the end of 2019, the balance in this fund was \$29,540.

The **Riparian Buffer and Restoration Fund** is to account for revenues and expenditures committed to grants to others for Riparian Buffer Restoration. At the end of 2019, the balance in this fund was \$2,757,665.

Special Revenue Funds

Special Revenues Funds are comprised of the following minor funds:

Liquid Fuels Fund

This fund accounts for revenues and expenditures of Commonwealth Liquid Fuels Grant funds. At the end of 2019 the balance in this fund was \$67,599.

Fire Fund

This fund accounts for revenues and expenditures for Township volunteer fire protection. Real estate taxes, and interest totaling \$182,463 were collected by the Township for support of Upper Makefield Fire Company. Real estate tax millage for this fund in 2019 was .75 mills.

Rev. Run Emergency Services Fund

This fund accounts for revenues and expenditures for disaster relief. Contributions and interest totaling \$12,140 were collected by the Township.

Operation and Maintenance Fund

This fund accounts for deposits from specific homeowners for possible future expenditures related to their septic systems.

Capital Projects Funds

Capital Project Funds are comprised of the following minor funds:

Park and Recreation Fund

This fund accounts for revenues and expenditures associated with the Township's park and recreation programs. A transfer from the general fund totaling \$30,000 was received by this fund.

Park and Recreation 3-Year Capital Fund

This fund accounts for revenues and expenditures associated with the Township's park and recreation Capital projects. Grant funding totaling \$103,208 was received by this fund.

In 2019, capital projects and purchases included:

- Lookout Park trail expansion \$154,945.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

Capital Reserve Fund

This fund accounts for revenues and expenditures associated with the Township's other capital projects. Transfers from the General fund totaling \$299,050 were received by this fund for the following capital purchases/construction:

- Municipal building renovations \$21,309.
- Police vehicles and equipment \$131,384.
- Public works vehicles and equipment \$102,304.

Tree Bank Fund

This fund accounts for revenues and expenditures for the preservation of trees within the Township. At the end of 2019 the balance in this fund was \$92,180.

Debt Service Fund

Building Construction Fund

This fund accounts for revenues and expenditures for a portion of debt service associated with the construction of the Township's administrative offices. Real estate tax millage for this fund for 2019 was .5 mills. At the end of 2019 the balance in this fund was \$86,242.

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 as business-type activities in the government-wide financial statements. The Township uses proprietary funds to account for the sanitary sewer and water operations for five housing developments located in the Township.

Fiduciary Funds. As mentioned earlier, fiduciary funds are resources held for the benefit of parties outside the government. These include:

Police Pension Trust Fund

This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plan – the Police Pension Fund. The Township may be eligible for Act 205 assistance in the form of state aid.

Non-Uniform Pension Trust Fund

This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plan – the Non-Uniformed Pension Fund. The Township may be eligible for Act 205 assistance in the form of state aid.

Agency Funds

These funds are used to account for subdivision/land development, and all other types of escrows held by the Township in a custodial capacity.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

General Fund Budgetary Highlights

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

	<u>Budgeted Amounts</u>		<u>Actual on Cash Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate taxes	\$ -	\$ -	\$ 25,331	\$ 25,331
Transfer tax	600,000	600,000	704,877	104,877
Earned income tax	4,100,000	4,100,000	4,456,569	356,569
Fees, licenses and permits	278,390	278,390	261,505	(16,885)
Fines and forfeitures	24,000	24,000	25,671	1,671
Interest	8,000	8,000	21,045	13,045
Intergovernmental revenues	559,055	559,055	373,804	(185,251)
Charges for service	517,236	517,236	503,982	(13,254)
Miscellaneous income	27,250	27,250	53,639	26,389
Total Revenues	<u>6,113,931</u>	<u>6,113,931</u>	<u>6,426,423</u>	<u>312,492</u>
Expenditures				
General government	859,906	859,906	877,652	(17,746)
Public safety	3,010,812	3,010,812	2,782,221	228,591
Public works	1,079,614	1,079,614	985,022	94,592
Culture and recreation	28,025	28,025	25	28,000
Miscellaneous	1,510,009	1,510,009	1,436,076	73,933
Total Expenditures	<u>6,488,366</u>	<u>6,488,366</u>	<u>6,080,996</u>	<u>407,370</u>
Excess of Revenues over (under) Expenditures	<u>(374,435)</u>	<u>(374,435)</u>	<u>345,427</u>	<u>719,862</u>
Other Financing Sources (Uses)				
Transfers out	(599,550)	(599,550)	(644,607)	(45,057)
Total Other Financing Sources (Uses)	<u>(599,550)</u>	<u>(599,550)</u>	<u>(644,607)</u>	<u>(45,057)</u>
Net Change in Fund Balance	(973,985)	(973,985)	(299,180)	674,805
Fund Balance - Beginning			3,206,350	
Fund Balance - Ending			<u>\$ 2,907,170</u>	

REVENUES:

Total Revenues in the General Fund were \$312,492 over budget. Highlights include:

Tax Revenues

- Real Estate Property Taxes and Transfer Taxes - were over budget by \$130,208.
- Earned Income Taxes (EIT) - were over budget by \$356,569, and increased by \$85,731 from 2018.

Intergovernmental Revenues

- Were under budget by \$185,251 due to a delayed Federal funded project for Phase II upgrades to Stoopville Road.

Charges for Services

- Were under budget by \$13,254 due to decrease in construction startups.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

EXPENSES:

Total Expenses in the General Fund were \$312,370 under budget.

Public Safety

- In total came in under budget by \$228,591. This is due to conservative estimates for police officer's salaries and police car vehicle maintenance.

Public Works

- In total came in under budget by \$94,592. This is due to lower than expected bid prices for the 2019 roads project and delayed Federal funded project for Phase II upgrades to Stoopville Rd.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Township's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$46,500,427 (*net of debt*). This investment in capital assets includes: land, building and infrastructure improvements, equipment and furniture. The increase in the Township's investment in capital assets for the current fiscal year was substantially as a result of vehicle, equipment purchases, and road repaving projects. The capital assets of the Township are presented in the chart below:

	Beginning Balance <u>1/1/19</u>	Net Additions (Deletions) <u>2019</u>	Ending Balance <u>12/31/19</u>
Non-Depreciable Assets			
Land	\$ 1,487,583	\$ -	\$ 1,487,583
Conservation Easements	35,428,271	-	35,428,271
Construction work in progress	-	21,309	21,309
Other Capital Assets			
Land improvements	1,916,428	154,945	2,071,373
Buildings and improvements	5,873,236	8,610	5,881,846
Equipment and furniture	2,716,647	170,355	2,887,002
Infrastructure	19,076,067	475,401	19,551,468
Less: accumulated depreciation on capital assets	<u>(14,362,532)</u>	<u>(622,430)</u>	<u>(14,984,962)</u>
Totals	<u>\$ 52,135,700</u>	<u>\$ 208,190</u>	<u>\$ 52,343,890</u>

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

Outstanding Debt as of December 31, 2019

On May 13, 2011 the Township issued General Obligation Note, Series 2011, in the amount of \$4,950,000. The 2011 note is scheduled to mature in annual increments of \$291,176 starting December 1, 2011 through December 1, 2025. The note bears an interest rate of 2.50% until June 1, 2016 and thereafter on each subsequent five-year anniversary date where the rate will reset to 1.90% in excess of the tax-free equivalent of the five year U.S. Treasury Rate then in effect, however, the rate shall not exceed 5.50%.

On April 15, 2015 the Township issued General Obligation Bonds, Series 2015, in the amount of \$9,050,000. The bonds are scheduled to mature in annual increments starting December 15, 2015 through December 15, 2025. The bonds bear interest at various rates from 2.0% to 4.0%.

More information and schedules of payment can be found on pages 46 and 47.

<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance January 1, 2019</u>	<u>Additions and Payments</u>	<u>Balance December 31, 2019</u>
2011	\$ 4,950,000	1.9%-5.5%	2025	\$ 1,814,639	\$ (291,176)	\$ 1,523,463
2015	9,050,000	2.0%-4.0%	2025	5,745,000	(1,425,000)	4,320,000
						<u>\$ 5,843,463</u>

MANAGER'S DISCUSSION

The following is a list of projected highlights for the Township as of June 20, 2020:

In 2020, 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 fifth year of a 7 Year Police Dept. contract.

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

The 2020 Minimum Municipal Obligation is budgeted at \$167,543 for the Police Pension and \$104,485 for the Non Police Pension. This obligation is offset by \$225,280 in anticipated revenue from the Commonwealth of PA.

In 2020, the Township budgeted expenditures of \$295,000 for renovations and \$10,400 for soffit and rain gutter repair to the Administration Building, \$15,847 for the Public Works garage and propane tank, \$10,000 for Police radios, \$48,000 for a Police Server Records Management System, \$4,000 for oak tree removal, and \$12,400 for modular repairs from the Capital Reserve Fund.

Purchase of two Police Dept. vehicles for \$80,774, and two Public Works trucks for \$103,392 is also budgeted in the Capital Reserve Fund.

\$155,000 is allocated for road reconstruction and \$45,000 for road maintenance and stream bank stabilization in the Liquid Fuels Fund for 2020.

UPPER MAKEFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

The Township's 2020 infrastructure includes \$604,384 for the Road Program, \$150,000 Storm Drainage Improvement Program and \$50,000 for Bridge repair.

The Water and Sewer Fund has \$440,950 allocated for operations of the Heritage Hills Wastewater Treatment Plant.

The Water and Sewer Capital Fund has \$110,000 for the Heritage Hills Wastewater Treatment Plant Tertiary Filter Painting and Media Replacement, \$50,000 for the replacement of the Wastewater Treatment Plant Clarifier Drive and \$50,000 for the maintenance of the Heritage Hills Storage Tank.

In the Open Space Fund \$1,657,579 has been allocated to pay existing Open Space debt. The Township has refinanced the 2006 General Obligation Bond at a 2.0% interest rate and locked in a 2.5% interest rate for the remainder of the term of the Open Space Penn Community bank loan.

Park and Recreation Capital Fund has been budgeted at \$80,000 for playground equipment for Brownsburg Park, and cantilever shades for the Lookout Park picnic area.

COVID-19 – As a result of the COVID-19 pandemic, and with municipal services deemed to be essential, staff has been working both remotely and on site as needed. Police have maintained full services. Due to our conservative budgeting, we anticipate meeting budgeted expectations, but will continue to monitor as the year progresses.

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

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 7,324,558	\$ 1,373,291	\$ 8,697,849
Taxes receivable	1,801,351	-	1,801,351
Accounts receivable	141,901	188,616	330,517
Prepaid expenses	-	32,374	32,374
Total Current Assets	<u>9,267,810</u>	<u>1,594,281</u>	<u>10,862,091</u>
Noncurrent Assets			
Capital Assets			
Land	1,487,583	-	1,487,583
Conservation easements	35,428,271	-	35,428,271
Construction work in progress	21,309	-	21,309
Other capital assets, net of depreciation	15,406,727	3,388,652	18,795,379
Total Capital Assets	<u>52,343,890</u>	<u>3,388,652</u>	<u>55,732,542</u>
Net Pension Asset	958,443	-	958,443
Total Noncurrent Assets	<u>53,302,333</u>	<u>3,388,652</u>	<u>56,690,985</u>
 TOTAL ASSETS	 <u>62,570,143</u>	 <u>4,982,933</u>	 <u>67,553,076</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Differences between expected and actual experience on pension plan liability	38,341	-	38,341
Change in assumptions	273,960	-	273,960
Total deferred outflows of resources	<u>\$ 312,301</u>	<u>\$ -</u>	<u>\$ 312,301</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 137,446	\$ 49,000	\$ 186,446
Accrued payroll	86,698	-	86,698
Interest payable	6,987	-	6,987
Bonds and notes payable, current	1,646,176	-	1,646,176
Compensated absences, current	-	-	-
Total Current Liabilities	<u>1,877,307</u>	<u>49,000</u>	<u>1,926,307</u>
Noncurrent Liabilities			
Bonds and notes payable, long-term	4,329,099	-	4,329,099
Compensated absences, net of current maturity	446,452	-	446,452
Total Noncurrent Liabilities	<u>4,775,551</u>	<u>-</u>	<u>4,775,551</u>
TOTAL LIABILITIES	<u>6,652,858</u>	<u>49,000</u>	<u>6,701,858</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Differences between expected and actual experience on pension plan liability	831,725	-	831,725
Net differences between projected and actual earnings on pension plan investments	392,744	-	392,744
Total deferred inflows of resources	<u>1,224,469</u>	<u>-</u>	<u>1,224,469</u>
<u>NET POSITION</u>			
Net investment in capital assets	46,500,427	3,388,652	49,889,079
Restricted	377,936	-	377,936
Unrestricted	8,126,754	1,545,281	9,672,035
TOTAL NET POSITION	<u>\$ 55,005,117</u>	<u>\$ 4,933,933</u>	<u>\$ 59,939,050</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>		
		<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES							
General government & administration	\$ 1,184,555	\$ 317,382	\$ 70,511	\$ -	\$ (796,662)	\$ -	\$ (796,662)
Public safety - police	3,183,459	25,964	161,296	-	(2,996,199)	-	(2,996,199)
Public safety - fire & ambulance	475,353	-	132,491	-	(342,862)	-	(342,862)
Public safety - code & zoning	535,805	267,541	-	-	(268,264)	-	(268,264)
Public works (highways & streets)	1,436,107	-	373,927	-	(1,062,180)	-	(1,062,180)
Culture and recreation	200,374	2,888	20,250	103,208	(74,028)	-	(74,028)
Community development	80,610	-	-	20,126	(60,484)	-	(60,484)
Interest on long-term debt	187,924	-	-	-	(187,924)	-	(187,924)
Other	41,161	-	6,500	-	(34,661)	-	(34,661)
Unallocated depreciation	42,882	-	-	-	(42,882)	-	(42,882)
Total Governmental Activities	<u>7,368,230</u>	<u>613,775</u>	<u>764,975</u>	<u>123,334</u>	<u>(5,866,146)</u>	<u>-</u>	<u>(5,866,146)</u>
BUSINESS-TYPE ACTIVITIES							
Public works (sewer system)	101,057	167,560	-	-	-	66,503	66,503
Public works (water and sewer system)	695,981	767,814	-	-	-	71,833	71,833
Total Business-Type Activities	<u>797,038</u>	<u>935,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,336</u>	<u>138,336</u>
Total Primary Government	<u>\$ 8,165,268</u>	<u>\$ 1,549,149</u>	<u>\$ 764,975</u>	<u>\$ 123,334</u>	<u>(5,866,146)</u>	<u>138,336</u>	<u>(5,727,810)</u>
General Revenues							
Taxes:							
Real estate taxes					1,853,847	-	1,853,847
Transfer taxes					679,590	-	679,590
Earned income taxes					4,697,672	-	4,697,672
Cable franchise fees					239,698	-	239,698
Interest					76,854	2,214	79,068
Miscellaneous					15,874	-	15,874
Gain on sale of capital assets					30,792	-	30,792
Total General Revenues					<u>7,594,327</u>	<u>2,214</u>	<u>7,596,541</u>
Change in Net Position					1,728,181	140,550	1,868,731
Net Position - Beginning					53,276,936	4,793,383	58,070,319
Net Position - Ending					<u>\$ 55,005,117</u>	<u>\$ 4,933,933</u>	<u>\$ 59,939,050</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	<u>General</u>	<u>Open Space Fund</u>	<u>Riparian Buffer and Restoration Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,918,776	\$ 748	\$ 2,757,665	\$ 1,647,369	\$ 7,324,558
Accounts receivable	141,901	-	-	-	141,901
Taxes receivable	1,752,479	40,837	-	8,035	1,801,351
Total Assets	<u>\$ 4,813,156</u>	<u>\$ 41,585</u>	<u>\$ 2,757,665</u>	<u>\$ 1,655,404</u>	<u>\$ 9,267,810</u>
<u>LIABILITIES</u>					
Payroll withholdings	\$ 11,606	\$ -	\$ -	\$ -	\$ 11,606
Accrued payroll	75,092	-	-	-	75,092
Accounts payable	106,452	-	-	30,994	137,446
Total Liabilities	<u>193,150</u>	<u>-</u>	<u>-</u>	<u>30,994</u>	<u>224,144</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue for:					
Real estate taxes	-	12,045	-	2,370	14,415
Earned income taxes	940,631	-	-	-	940,631
Other revenues	56,378	-	-	-	56,378
Total Deferred Inflows of Resources	<u>997,009</u>	<u>12,045</u>	<u>-</u>	<u>2,370</u>	<u>1,011,424</u>
<u>FUND BALANCES</u>					
Restricted:					
Debt service	-	29,540	-	86,242	115,782
Highways & streets	-	-	-	67,599	67,599
Local fire companies	-	-	-	194,555	194,555
Committed:					
Grants to others	-	-	2,757,665	51,132	2,808,797
Parks & recreation	-	-	-	47,308	47,308
Capital projects	-	-	-	1,175,204	1,175,204
Unassigned	3,622,997	-	-	-	3,622,997
Total Fund Balances	<u>3,622,997</u>	<u>29,540</u>	<u>2,757,665</u>	<u>1,622,040</u>	<u>8,032,242</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,813,156</u>	<u>\$ 41,585</u>	<u>\$ 2,757,665</u>	<u>\$ 1,655,404</u>	<u>\$ 9,267,810</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE
STATEMENT OF GOVERNMENT-WIDE NET POSITION

December 31, 2019

TOTAL GOVERNMENTAL FUND BALANCES		\$ 8,032,242
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.		
Cost of capital assets	67,328,852	
Accumulated depreciation	<u>(14,984,962)</u>	52,343,890
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.		
Other receivables	56,378	
Real estate tax receivable	14,415	
Earned income tax receivable	<u>940,631</u>	1,011,424
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Net pension asset	958,443	
Net difference between projected and actual earnings on pension plan investments	(392,744)	
Change in assumptions	273,960	
Differences between expected and actual experience on pension plan liability	<u>(793,384)</u>	46,275
Long term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:		
Bonds and notes payable	(5,975,275)	
Accrued interest on bonds payable	(6,987)	
Compensated absences	<u>(446,452)</u>	<u>(6,428,714)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 55,005,117</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	General Fund	Open Space Fund	Riparian Buffer Restoration Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Real estate taxes	\$ 25,331	\$ 1,543,300	\$ -	\$ 303,680	\$ 1,872,311
Transfer taxes	679,590	-	-	-	679,590
Earned income taxes	4,426,160	-	-	-	4,426,160
Licenses and permits	257,793	-	-	-	257,793
Fines and forfeitures	25,964	-	-	-	25,964
Interest	21,045	1,238	29,314	3,289	54,886
Intergovernmental revenues	373,804	-	20,126	448,979	842,909
Charges for service	510,451	-	-	2,888	513,339
Miscellaneous revenue	53,166	-	-	38,900	92,066
Total Revenues	<u>6,373,304</u>	<u>1,544,538</u>	<u>49,440</u>	<u>797,736</u>	<u>8,765,018</u>
Expenditures					
Current:					
General government	1,081,759	762	-	54,082	1,136,603
Public safety	3,768,359	-	-	405,489	4,173,848
Public works	1,123,929	-	-	456,434	1,580,363
Culture and recreation	25	-	-	265,403	265,428
Community development	71,806	4,920	3,884	-	80,610
Miscellaneous	62,470	-	-	-	62,470
Debt Service					
Principal	-	1,602,176	-	114,000	1,716,176
Interest	-	179,518	-	11,610	191,128
Total Expenditures	<u>6,108,348</u>	<u>1,787,376</u>	<u>3,884</u>	<u>1,307,018</u>	<u>9,206,626</u>
Excess of Revenues over (under) Expenditures	<u>264,956</u>	<u>(242,838)</u>	<u>45,556</u>	<u>(509,282)</u>	<u>(441,608)</u>
Other Financing Sources (Uses)					
Transfer in	-	212,532	-	432,075	644,607
Transfer out	(644,607)	-	-	-	(644,607)
Total Other Financing Sources (Uses)	<u>(644,607)</u>	<u>212,532</u>	<u>-</u>	<u>432,075</u>	<u>-</u>
Net Change in Fund Balance	(379,651)	(30,306)	45,556	(77,207)	(441,608)
Fund Balance - Beginning	4,002,648	59,846	2,712,109	1,699,247	8,473,850
Fund Balance - Ending	<u>\$ 3,622,997</u>	<u>\$ 29,540</u>	<u>\$ 2,757,665</u>	<u>\$ 1,622,040</u>	<u>\$ 8,032,242</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (441,608)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	1,101,704	
Depreciation expense	<u>(893,514)</u>	208,190
Because some taxes and other receivables will not be collected for several months after the Township's year end, they are not considered as "available" revenues in the governmental funds, but are considered revenues in the statement of activities. These taxes and other receivables are net of corresponding amounts due as of the end of the prior year.		309,425
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of bond premium	21,968	
Interest payable	3,204	
Repayment of debt	<u>1,716,176</u>	1,741,348
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension asset and deferred items	(98,699)	
Compensated absences	<u>9,525</u>	<u>(89,174)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,728,181</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – CASH BASIS - BUDGET AND ACTUAL

For the Year Ended December 31, 2019

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual on Cash Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate taxes	\$ -	\$ -	\$ 25,331	\$ 25,331
Transfer tax	600,000	600,000	704,877	104,877
Earned income tax	4,100,000	4,100,000	4,456,569	356,569
Fees, licenses and permits	278,390	278,390	261,505	(16,885)
Fines and forfeitures	24,000	24,000	25,671	1,671
Interest	8,000	8,000	21,045	13,045
Intergovernmental revenues	559,055	559,055	373,804	(185,251)
Charges for service	517,236	517,236	503,982	(13,254)
Miscellaneous income	27,250	27,250	53,639	26,389
Total Revenues	<u>6,113,931</u>	<u>6,113,931</u>	<u>6,426,423</u>	<u>312,492</u>
Expenditures				
General government	859,906	859,906	877,652	(17,746)
Public safety	3,010,812	3,010,812	2,782,221	228,591
Public works	1,079,614	1,079,614	985,022	94,592
Culture and recreation	28,025	28,025	25	28,000
Miscellaneous	1,510,009	1,510,009	1,436,076	73,933
Total Expenditures	<u>6,488,366</u>	<u>6,488,366</u>	<u>6,080,996</u>	<u>407,370</u>
Excess of Revenues over (under) Expenditures	<u>(374,435)</u>	<u>(374,435)</u>	<u>345,427</u>	<u>719,862</u>
Other Financing Sources (Uses)				
Transfers out	<u>(599,550)</u>	<u>(599,550)</u>	<u>(644,607)</u>	<u>(45,057)</u>
Total Other Financing Sources (Uses)	<u>(599,550)</u>	<u>(599,550)</u>	<u>(644,607)</u>	<u>(45,057)</u>
Net Change in Fund Balance	(973,985)	(973,985)	(299,180)	674,805
Fund Balance - Beginning			<u>3,206,350</u>	
Fund Balance - Ending			<u>\$ 2,907,170</u>	

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

OPEN SPACE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – CASH BASIS - BUDGET AND ACTUAL

For the Year Ended December 31, 2019

	OPEN SPACE FUND			
	<u>Budgeted Amounts</u>		<u>Actual on Cash Basis</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,547,000	\$ 1,547,000	\$ 1,535,134	\$ (11,866)
Interest	2,000	2,000	1,238	(762)
Total Revenues	<u>1,549,000</u>	<u>1,549,000</u>	<u>1,536,372</u>	<u>(12,628)</u>
Expenditures				
Current:				
Community development	1,000	1,000	6,882	(5,882)
Debt Service:				
Principal	1,602,176	1,602,176	1,602,176	-
Interest	179,518	179,518	179,518	-
Total Expenditures	<u>1,782,694</u>	<u>1,782,694</u>	<u>1,788,576</u>	<u>(5,882)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(233,694)</u>	<u>(233,694)</u>	<u>(252,204)</u>	<u>(18,510)</u>
Other Financing Sources (Uses)				
Transfers in	167,000	167,000	212,532	45,532
Transfers out	-	-	-	-
Total Other Financing Sources & Uses	<u>167,000</u>	<u>167,000</u>	<u>212,532</u>	<u>45,532</u>
Net Change in Fund Balances	(66,694)	(66,694)	(39,672)	27,022
Fund Balance - Beginning			40,420	
Fund Balance - Ending			<u>\$ 748</u>	

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

RIPARIAN BUFFER AND RESTORATION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – CASH BASIS - BUDGET AND ACTUAL

For the Year Ended December 31, 2019

	<u>RIPARIAN BUFFER AND RESTORATION FUND</u>			
	<u>Budgeted Amounts</u>		<u>Actual on Cash Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 1,300	\$ 1,300	\$ 29,314	\$ 28,014
Intergovernmental revenues	-	-	20,126	20,126
Total Revenues	<u>1,300</u>	<u>1,300</u>	<u>49,440</u>	<u>48,140</u>
Expenditures				
Current:				
General Government	2,000	2,000	-	2,000
Community Development	<u>250,000</u>	<u>250,000</u>	<u>25,197</u>	<u>224,803</u>
Total Expenditures	<u>252,000</u>	<u>252,000</u>	<u>25,197</u>	<u>226,803</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(250,700)</u>	<u>(250,700)</u>	<u>24,243</u>	<u>274,943</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources & Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(250,700)	(250,700)	24,243	274,943
Fund Balance - Beginning			<u>2,733,422</u>	
Fund Balance - Ending			<u>\$ 2,757,665</u>	

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2019

	<u>Business-type Activities</u>			<u>Total</u>
	<u>Water & Sewer Enterprise Fund</u>	<u>Water & Sewer Capital Reserve Fund</u>	<u>Other Enterprise Funds</u>	
Assets				
Current Assets:				
Cash & Cash Equivalents	\$ 114,541	\$ 749,230	\$ 509,520	\$ 1,373,291
Accounts Receivable	89,811	-	98,805	188,616
Prepaid Expenses	28,221	-	4,153	32,374
Total Current Assets	<u>232,573</u>	<u>749,230</u>	<u>612,478</u>	<u>1,594,281</u>
Capital Assets				
Water & Sewer System	4,982,616	1,002,332	-	5,984,948
Less: Accumulated Depreciation	<u>(2,477,888)</u>	<u>(118,408)</u>	<u>-</u>	<u>(2,596,296)</u>
Total Capital Assets	<u>2,504,728</u>	<u>883,924</u>	<u>-</u>	<u>3,388,652</u>
Total Assets	<u>2,737,301</u>	<u>1,633,154</u>	<u>612,478</u>	<u>4,982,933</u>
Liabilities				
Current Liabilities:				
Accounts Payable	<u>21,105</u>	<u>6,928</u>	<u>20,967</u>	<u>49,000</u>
Total Liabilities	<u>21,105</u>	<u>6,928</u>	<u>20,967</u>	<u>49,000</u>
Net Position				
Net Investment in Capital Assets	2,504,728	883,924	-	3,388,652
Unrestricted	<u>211,468</u>	<u>742,302</u>	<u>591,511</u>	<u>1,545,281</u>
Total Net Position	<u>\$ 2,716,196</u>	<u>\$ 1,626,226</u>	<u>\$ 591,511</u>	<u>\$ 4,933,933</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	<u>Water & Sewer Enterprise Fund</u>	<u>Water & Sewer Capital Reserve Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for Services:				
Resident User Fees	\$ 390,032	\$ -	\$ 545,342	\$ 935,374
Total Operating Revenues	<u>390,032</u>	<u>-</u>	<u>545,342</u>	<u>935,374</u>
Operating Expenses:				
Licensed Operator	114,329	-	89,905	204,234
Administrative	53,058	-	26,842	79,900
Depreciation	146,841	28,667	-	175,508
Materials & Supplies	6,995	-	17,244	24,239
Engineering	5,751	-	26,404	32,155
Legal	171	-	-	171
General Liability	13,500	-	-	13,500
Pollution Liability	13,098	-	1,958	15,056
Testing	8,195	-	10,075	18,270
Electric	34,391	-	24,149	58,540
Repairs & Maintenance	58,592	-	25,395	83,987
Telephone	3,136	-	3,444	6,580
Sludge Removal	15,426	-	9,272	24,698
General Expense	1,088	-	934	2,022
Capital Projects	-	58,178	-	58,178
Total Operating Expenses	<u>474,571</u>	<u>86,845</u>	<u>235,622</u>	<u>797,038</u>
Net Operating Income	(84,539)	(86,845)	309,720	138,336
Non Operating Revenue:				
Interest	348	1,192	674	2,214
Other Financing Sources (Uses)				
Transfers In	-	75,000	153,849	228,849
Transfers Out	<u>(75,000)</u>	<u>-</u>	<u>(153,849)</u>	<u>(228,849)</u>
Total Other Financing Sources & Uses	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	(159,191)	(10,653)	310,394	140,550
Net Position - January 1	<u>2,875,387</u>	<u>1,636,879</u>	<u>281,117</u>	<u>4,793,383</u>
Net Position - December 31	<u>\$ 2,716,196</u>	<u>\$ 1,626,226</u>	<u>\$ 591,511</u>	<u>\$ 4,933,933</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	<u>Water & Sewer Enterprise Fund</u>	<u>Water & Sewer Capital Reserve Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash Flows from/for Operating Activities				
Receipts from Customers	\$ 392,305	\$ -	\$ 533,115	\$ 925,420
Payments to Suppliers	(351,560)	(57,247)	(231,320)	(640,127)
Net Cash Provided (Used) by Operating Activities	<u>40,745</u>	<u>(57,247)</u>	<u>301,795</u>	<u>285,293</u>
Cash Flows from/for Noncapital Financing Activities				
Interfund Transfers	(75,000)	75,000	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Cash Flows for Capital and Related Financing Activities				
Capital Asset Purchases	-	(31,056)	-	(31,056)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(31,056)</u>	<u>-</u>	<u>(31,056)</u>
Cash Flows from Investing Activities				
Interest	348	1,192	674	2,214
Net Cash Provided (Used) by Investing Activities	<u>348</u>	<u>1,192</u>	<u>674</u>	<u>2,214</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(33,907)	(12,111)	302,469	256,451
Cash and Cash Equivalents - January 1	<u>148,448</u>	<u>761,341</u>	<u>207,051</u>	<u>1,116,840</u>
Cash and Cash Equivalents - December 31	<u>\$ 114,541</u>	<u>\$ 749,230</u>	<u>\$ 509,520</u>	<u>\$ 1,373,291</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (84,539)	\$ (86,845)	\$ 309,720	\$ 138,336
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	146,841	28,667	-	175,508
Change in Assets and Liabilities				
Receivables	2,554	-	(12,249)	(9,695)
Prepaid Expenses	(20,881)	-	(3,042)	(23,923)
Accounts Payable	(3,230)	931	7,366	5,067
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,745</u>	<u>\$ (57,247)</u>	<u>\$ 301,795</u>	<u>\$ 285,293</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2019

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 856,874
Investments, at fair value	12,328,595	-
Total Assets	<u>\$ 12,328,595</u>	<u>\$ 856,874</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 2,080	\$ -
Escrow deposits	-	856,874
Total Liabilities	<u>2,080</u>	<u>856,874</u>
 <u>NET POSITION</u>		
Net Position - Restricted for:		
Pension benefits	12,326,515	-
Total Net Position	<u>\$ 12,326,515</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2019

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee Contributions	\$ 88,017
Township Contributions	-
State Aid	<u>215,061</u>
Total Contributions	<u>303,078</u>
Investment Income	
Interest	1,133
Dividends	276,774
Unrealized Gains	1,544,433
Realized Gains	<u>163,068</u>
Net Investment Income	<u>1,985,408</u>
Total Additions	<u>2,288,486</u>
Deductions	
Benefits	249,725
Administrative Expenses	<u>81,101</u>
Total Deductions	<u>330,826</u>
Change in Net Position	1,957,660
Net Position - Restricted	
For Pension Benefits - January 1	<u>10,368,855</u>
For Pension Benefits - December 31	<u>\$ 12,326,515</u>

The notes to the financial statements are an integral part of this statement.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies

A. *Reporting entity*

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

In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. Based on these criteria, there are no organizations or agencies which should be included in the Township's reporting entity.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fiduciary fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services which report fees and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Separate statements for each fund category – governmental business-type, and fiduciary - are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining governmental funds area aggregated and reported as nonmajor funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements and the proprietary fund statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements and any agency funds reported have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Taxes levied but collected beyond 60 days after year-end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

***C. Measurement focus, basis of accounting, and financial statement presentation
(continued)***

Property taxes, earned income taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Basis of Presentation – Fund Accounting and Measurement Focus

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is a description of the fund types used by the Township in the accompanying basic financial statements.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Open Space Fund* is used to account for real estate taxes that are legally restricted to expenditures for debt service and debt proceeds which are committed for open space purchases.

The *Riparian Buffer and Restoration Fund* is used to account for a developer contribution which has been committed to grants to residents to preserve the integrity of the Riparian Water Shed.

The Township reports the following major proprietary funds:

The *Water and Sewer 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. The measurement of financial activity focuses on net income measurement similar to the private sector.

The *Water and Sewer Capital Reserve Fund* is used to account for financial resources to be used for capital improvements associated with the water and sewer facilities owned and operated by the Township.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

***C. Measurement focus, basis of accounting, and financial statement presentation
(continued)***

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

Trust and Agency Funds - are used to account for assets held by the Township in a trustee or agent capacity for individuals and/or other funds.

Pension Trust Funds - These funds are used to account for resources required to be held in trust for the members and beneficiaries of the Township's Police Pension Plan and Non-Uniform Pension Plan.

Agency Fund - These funds are used to account for subdivision/land development, and all other types of escrows held by the Township in a custodial capacity.

Major revenue sources susceptible to accrual include: property taxes, earned income taxes, interest earnings, special assessments, levies, intergovernmental revenues and charges for services. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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 needed.

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

The Commonwealth also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the Township are reported at fair value.

2. Receivables and payables

At December 31, 2019, all tax and trade receivables were deemed to be fully collectible.

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after June 30. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2019 are recognized as revenue for the year ending December 31, 2019.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

3. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004 governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Buildings and improvements	25-40
Water and sewer system	25-40
Infrastructure	20-40
Equipment and furniture	5-10

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

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

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 between 216 and 800 hours for full time Police Officers. At December 31, 2019, the liability to the Township for compensated absences was \$446,452. The liability was determined by multiplying the accumulated available sick days, for each employee by the applicable daily rate.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

7. Deferred outflows/inflows of resources

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

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

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

7. Deferred outflows/inflows of resources (continued)

2. *Change in assumptions* is reported in the government-wide statement of net position. A net difference results from an actuarial change in pension assumptions. This amount is deferred and amortized over an eight-year period.

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

1. *Net difference between expected and actual experience on pension plan liability* is reported in the government-wide statement of net position. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and amortized over an eight-year period.
2. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
3. *Unavailable revenue – Real estate taxes and Earned income taxes* are reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

8. *Net position*

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

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Net Investment in Capital Assets	Governmental Activities
Capital assets not being depreciated	\$ 36,937,163
Capital assets being depreciated, net of accumulated depreciation	15,406,727
Less: Long-term debt outstanding	<u>(5,843,463)</u>
Total Net Investment in Capital Assets	<u>\$ 46,500,427</u>

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation:

Restricted for debt service - Open Space Fund	\$ 29,540
Restricted for debt service - Building Construction Fund	86,242
Restricted for road projects - Liquid Fuels Fund	67,599
Restricted for fire protection services - Fire Fund	<u>194,555</u>
Total	<u>\$ 377,936</u>

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

9. Fund balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds consists of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

When both restricted and unrestricted fund balances are available for use, it is the Township’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, assigned fund balances are reduced first, and then unassigned amounts when expenditures incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

II. Stewardship, compliance, and accountability

A. *Budgetary information*

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

Any budget revisions require the approval of the Board of Supervisors. The Board of Supervisors authorized the use of unallocated fund balance in 2019.

For the year ended December 31, 2019, expenditures exceeded appropriations in the General Fund in the categories of general government and miscellaneous. These over-expenditures were either financed by interfund transfers or prior-year reserves.

Budget for the General, Open Space and Riparian Funds are adopted on the cash basis of accounting. The following is a reconciliation of excess (deficiency) of revenues over expenditures from cash basis (budget basis) to modified accrual basis.

	General <u>Fund</u>	Open Space <u>Fund</u>	Riparian <u>Fund</u>
Change in Fund Balance - Cash Basis	\$ (299,180)	\$ (39,672)	\$ 24,243
Accrued Revenues at December 31, 2018	(1,026,902)	(20,625)	-
Accrued Revenues at December 31, 2019	953,748	28,791	-
Accrued Expenses at December 31, 2018	174,225	1,200	21,313
Accrued Expenses at December 31, 2019	<u>(181,542)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance - GAAP Basis	<u>\$ (379,651)</u>	<u>\$ (30,306)</u>	<u>\$ 45,556</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

III. Detailed notes on all funds

A. *Deposits*

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have formal policy that requires their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds are secured on a pooled basis.

As of December 31, 2019, the carrying amount of deposits for the governmental and business-type activities was \$8,697,849 and the bank balance was \$8,804,575. Of the bank balance, \$1,479,447 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name as follows:

Uninsured and collateral held by pledging bank's agent but not in the Township's name.	\$7,325,128
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As of December 31, 2019, the carrying amount of deposits for fiduciary activities (developer escrows to pay for professional fees associated with specific projects) was \$856,874. The following amount was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent but not in the Township's name.	\$856,874
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B. *Investments*

Fiduciary Activity (Pension Funds) Investments

Asset Allocation

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

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
Cash	\$ -	\$ 12,250
Deposits	98,036	36,721
Equities	2,052,294	862,367
Mutual Stock Funds	2,425,231	958,972
Mutual Mixed Asset Funds	538,015	197,568
Mutual Bond Funds	3,695,260	1,451,881
Total	<u>\$ 8,808,836</u>	<u>\$ 3,519,759</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

III. Detailed notes on all funds (Continued)

B. Investments (continued)

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, 2019, none of the Township's Police Pension Plan, and Non-Uniformed Pension Plan investments of \$8,816,691 and \$3,509,472, respectively was exposed to custodial credit risk.

Credit Risk

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

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
Mutual Bond Funds - Aaa	\$ 1,396,093	\$ 547,931
Mutual Bond Funds - Aa	177,164	67,136
Mutual Bond Funds - A	496,268	193,839
Mutual Bond Funds - Bbb	671,578	265,098
Mutual Bond Funds - Bbb	227,797	88,965
Mutual Bond Funds - B	120,815	47,897
Mutual Bond Funds - Ccc	55,739	22,397
Mutual Bond Funds - Cc	36,728	15,632
Mutual Bond Funds - C	1,933	823
Mutual Bond Funds - D	644	274
Mutual Bond Funds - Not Rated	285,459	113,143
Mutual Bond Funds - Cash	<u>225,042</u>	<u>88,746</u>
Total	<u>\$ 3,695,260</u>	<u>\$ 1,451,881</u>

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, 2019 the Township Pension funds had no holdings which exceeded this percentage.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

II. Detailed notes on all funds (Continued)

B. Investments (continued)

Interest Rate Risk

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

Police Pension Plan	Investment Maturities (in Years)				Total
	Less than 1	1-5	6-10	More than 10	
Mutual Bond Funds	\$ -	\$ 644,353	\$ 3,050,907	\$ -	\$ 3,695,260
Total	\$ -	\$ 644,353	\$ 3,050,907	\$ -	\$ 3,695,260

Non-Uniformed Pension Plan	Investment Maturities (in Years)				Total
	Less than 1	1-5	6-10	More than 10	
Mutual Bond Funds	\$ -	\$ 274,243	\$ 1,177,638	\$ -	\$ 1,451,881
Total	\$ -	\$ 274,243	\$ 1,177,638	\$ -	\$ 1,451,881

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, 2019 none of the Township's investments are subject to foreign currency risk.

Fair Value Measurement

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

C. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds, are as follows:

Receivables:	Other Governmental				Other Enterprise		Total
	General	Open Space	Funds	Water & Sewer	Funds		
Taxes receivable	\$ 1,752,479	\$ 40,837	\$ 8,035	\$ -	\$ -	\$ -	\$ 1,801,351
Other receivables	141,901	-	-	89,811	98,805	-	330,517
Total Receivables	\$ 1,894,380	\$ 40,837	\$ 8,035	\$ 89,811	\$ 98,805	\$ -	\$ 2,131,868

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

III. Detailed notes on all funds (Continued)

D. Capital assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,487,583	\$ -	\$ -	\$ 1,487,583
Conservation easements	35,428,271	-	-	35,428,271
Construction work in progress	-	21,309	-	21,309
Total capital assets, not being depreciated	<u>36,915,854</u>	<u>21,309</u>	<u>-</u>	<u>36,937,163</u>
Capital assets, being depreciated:				
Land improvements	1,916,428	154,945	-	2,071,373
Building and building improvements	5,873,236	8,610	-	5,881,846
Equipment and furniture	2,716,647	295,096	(124,741)	2,887,002
Infrastructure	19,076,067	621,744	(146,343)	19,551,468
Total capital assets being depreciated	<u>29,582,378</u>	<u>1,080,395</u>	<u>(271,084)</u>	<u>30,391,689</u>
Less accumulated depreciation for:				
Land improvements	865,514	66,463	-	931,977
Building and building improvements	2,585,551	154,182	-	2,739,733
Equipment and furniture	2,008,562	185,895	(124,741)	2,069,716
Infrastructure	8,902,905	486,974	(146,343)	9,243,536
Total accumulated depreciation	<u>14,362,532</u>	<u>893,514</u>	<u>(271,084)</u>	<u>14,984,962</u>
Total capital assets, being depreciated, net	<u>15,219,846</u>	<u>186,881</u>	<u>-</u>	<u>15,406,727</u>
Governmental activities capital assets, net	<u>\$ 52,135,700</u>	<u>\$ 208,190</u>	<u>\$ -</u>	<u>\$ 52,343,890</u>
Business-type activities:				
Capital assets, being depreciated:				
Water and sewer system	\$ 5,953,892	\$ 31,056	\$ -	\$ 5,984,948
Less accumulated depreciation	<u>(2,420,788)</u>	<u>(175,508)</u>	<u>-</u>	<u>(2,596,296)</u>
Business-type activities capital assets, net	<u>\$ 3,533,104</u>	<u>\$ (144,452)</u>	<u>\$ -</u>	<u>\$ 3,388,652</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 15,468
Public safety	163,787
Highway and streets	581,486
Culture and recreation	89,891
Unallocated	<u>42,882</u>
Total depreciation expense-governmental activities	<u>\$ 893,514</u>
Business-type activities	
Water and sewer system	<u>\$ 175,580</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

III. Detailed notes on all funds (Continued)

E. 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, 2019, consisted of the following amounts:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 644,607
Open space Fund	212,532	-
Non-major Funds	432,075	-
Total	<u>\$ 644,607</u>	<u>\$ 644,607</u>

Interfund transfers are primarily a result of:

- (1) to fund capital projects and acquisitions
- (2) to fund debt service
- (3) to fund local fire and emergency service companies

F. Long-term debt

On May 13, 2011 the Township issued General Obligation Note, Series 2011, in the amount of \$4,950,000 (electoral). The proceeds of this note were to refinance the remaining balance of the General Obligation Note, Series 2007 (electoral). The 2011 note is scheduled to mature in annual increments of \$291,176 starting December 1, 2011 through December 1, 2025. The note bears an interest rate of 2.50% until June 1, 2016 and thereafter on each subsequent five year anniversary date where the rate will reset to 1.90% in excess of the tax-free equivalent of the five year U.S. Treasury Rate then in effect, however, the rate shall not exceed 5.50%.

On April 15, 2015 the Township issued General Obligation Bonds, Series 2015, in the amount of \$9,050,000 consisting of; \$8,326,000 (electoral), and \$724,000 (non-electoral). The proceeds of the bonds were used to advance refund \$8,560,000 of the remaining balance of \$11,125,000 of General Obligation Bonds, Series 2006. The remainder proceeds were used to pay closing costs to establish an escrow account for the payment of the remaining balance of the 2006 bonds. The bonds are scheduled to mature in annual increments starting December 15, 2015 through December 15, 2025. The bonds bear interest at various rates from 2.0% to 4.0%.

All outstanding debt is backed by the full faith and credit of the Township. At December 31, 2019, the Township has \$345,600 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.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

III. Detailed notes on all funds (Continued)

F. Long-term debt (Continued)

Debt Service

Amounts outstanding at December 31, 2019 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Government-type activities	1.9%-5.5%	\$ 1,523,463
Government-type activities	2.0%-4.0%	\$ 4,320,000

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,646,176	\$ 126,341
2021	1,386,176	91,840
2022	1,236,176	62,661
2023	991,176	36,481
2024	396,176	14,151
Thereafter	<u>187,583</u>	<u>4,507</u>
Total	<u>\$ 5,843,463</u>	<u>\$ 335,981</u>

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Long-term debt	\$ 7,559,639	\$ -	\$ (1,716,176)	\$ 5,843,463	\$ 1,646,176
Unamortized bond premium	<u>153,780</u>	<u>-</u>	<u>(21,968)</u>	<u>131,812</u>	<u>-</u>
Total bond payable	7,713,419	-	(1,738,144)	5,975,275	1,646,176
Net Pension liability	386,649	-	(386,649)	-	-
Compensated absences	<u>455,977</u>	<u>-</u>	<u>(9,525)</u>	<u>446,452</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 8,556,045</u>	<u>\$ -</u>	<u>\$ (2,134,318)</u>	<u>\$ 6,421,727</u>	<u>\$ 1,646,176</u>

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

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information

A. *Deferred Compensation Plan*

The Township offers 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-uniform employees and American Funds for uniform employees. Accordingly, the assets and the corresponding liability are not reported in the financial statements.

B. *Employee retirement systems and pension plans*

The Township sponsors two single employer defined benefit pension plans, the Police Pension Plan and the Non Uniform Employees' Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements. The most recent valuation was as of January 1, 2019. Details below are from the valuation.

The following table provides information concerning types of covered employees for the Township's Plans as part of the December 31, 2019 actuarial valuation.

	<u>Police</u>	Non- <u>Uniform</u>
Inactive employees (or their beneficiaries) currently receiving benefits	5	5
Inactive employees entitled to benefits but not yet receiving them	3	4
Active employees	<u>16</u>	<u>11</u>
	<u>24</u>	<u>20</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

Plan Descriptions

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

The Upper Makefield Township Non-Uniformed Employees' Pension Plan (the Plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 141, as amended, effective August 3, 1988. The Plan covers all full-time non-uniformed Township employees. An employee enters the Plan upon employment. The Plan is governed by the Board of Supervisors which may amend Plan provisions, and which is responsible for the management of Plan assets. The Township is administered by Township employees. The Board of Supervisors has delegated the authority to manage certain Plan assets to RBC Wealth Management.

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, offset by social security disability benefits received for the same injury. Death benefits are equal to 50% of the pension the participant was entitled to receive 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 after 8 years of service is a lump sum payment equal to the present value of the accrued benefit at death.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

Measurement Focus and Basis of Accounting

Basis of Accounting: Both Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as 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 plans. 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: Both Pension Plan investments are reported at fair value. Fair value is based on quoted market values. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions Required and Contributions Made

Member contributions are determined on an annual basis. For the year ended December 31, 2019, the Police member contributions were 5% of covered payroll. Non Uniform members were not required to contribute. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

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

The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$215,061 for the pensions for the year ended December 31, 2019.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

Investments

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

Rate of Return: For the measurement date December 31, 2019, the annual money-weighted rate of return on plan investments, net of investment expense was 19.21% for the police pension plan and 19.39% for the non-uniform pension plan.

Net Pension Liability

The components of the net pension liability of the Township for the measurement date of December 31, 2019 were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total pension liability	\$ 7,949,995	\$ 3,418,077
Plan fiduciary net position	<u>(8,807,796)</u>	<u>(3,518,719)</u>
Net pension liability	<u>\$ (857,801)</u>	<u>\$ (100,642)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.8%	102.9%

Actuarial Assumptions: For both plans the total pension liability for the Valuation date of January 1, 2019 was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>
Inflation	2.75%	2.75%
Salary Increases	5.0% including inflation	4.75% including inflation
Investment Rate of Return	7.25%	7.25%

Mortality rates for both plans were based on the following: RP-2014 Mortality Table. Mortality improvement rates derived from the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

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>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	35-60%	5.0%-7.0%
Fixed Income	25-45%	1.0%-3.0
Alternative	5-15%	
Other	5-15%	
Cash	<u>0-10%</u>	0.0%-1.0%
Total Portfolio	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.25 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.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. *Employee retirement systems and pension plans (continued)*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Police Pension Plan</u>			
Balance at December 31, 2018	\$ 7,588,858	\$ 7,357,987	\$ 230,871
Changes for the year:			
Service cost	281,191	-	281,191
Interest	542,032	-	542,032
Change of benefit terms	-	-	-
Differences between expected and actual experience	(327,742)	-	(327,742)
Change of assumptions	-	-	-
Contributions - employer	-	141,940	(141,940)
Contributions - employee	-	88,017	(88,017)
Net investment income	-	1,409,274	(1,409,274)
Benefit payments, including refunds of employee contributions	(134,344)	(134,344)	-
Administrative expense	-	-	-
Other changes	-	(55,078)	55,078
Net Changes	<u>361,137</u>	<u>1,449,809</u>	<u>(1,088,672)</u>
Balance at December 31, 2019	<u>\$ 7,949,995</u>	<u>\$ 8,807,796</u>	<u>\$ (857,801)</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Non-Uniform Pension Plan</u>			
Balance at December 31, 2018	\$ 3,167,615	\$ 3,011,837	\$ 155,778
Changes for the year:			
Service cost	81,350	-	81,350
Interest	234,956	-	234,956
Change of benefit terms	-	-	-
Differences between expected and actual experience	47,470	-	47,470
Change of assumptions	-	-	-
Contributions - employer	-	73,121	(73,121)
Contributions - employee	-	-	-
Net investment income	-	573,675	(573,675)
Benefit payments, including refunds of employee contributions	(113,314)	(113,314)	-
Administrative expense	-	-	-
Other changes	-	(26,600)	26,600
Net Changes	<u>250,462</u>	<u>506,882</u>	<u>(256,420)</u>
Balance at December 31, 2019	<u>\$ 3,418,077</u>	<u>\$ 3,518,719</u>	<u>\$ (100,642)</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount <u>7.25</u>	1% Increase <u>8.25%</u>
Net Pension Liability			
Police	\$ 221,010	\$ (857,801)	\$ (1,747,654)
Non-Uniform	\$ 214,395	\$ (100,642)	\$ (372,394)

Deferred Outflows and Inflows of Resources: For the measurement date ended December 31, 2019, the Township recognized pension expense of \$196,474 for the Police Pension Plan and \$117,286 for the Non-Uniform Pension Plan. For the measurement date ended December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police</u>		
Differences between expected and actual experience	\$ -	\$ 774,704
Changes in assumptions	200,227	-
Contributions by employer after measurement date	-	-
Net difference between projected and actual earnings on pension plan investments	<u>642,259</u>	<u>920,861</u>
Total	<u>\$ 842,486</u>	<u>\$ 1,695,565</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Non-Uniform</u>		
Differences between expected and actual experience	\$ 38,341	\$ 57,021
Changes in assumptions	73,733	-
Contributions by employer after measurement date	-	-
Net difference between projected and actual earnings on pension plan investments	<u>262,822</u>	<u>376,964</u>
Total	<u>\$ 374,896</u>	<u>\$ 433,985</u>

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

B. Employee retirement systems and pension plans (continued)

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

Year Ended <u>December 31:</u>	<u>Police</u>	<u>Non-Uniform</u>
2020	\$ (172,917)	\$ (27,525)
2021	(194,469)	(7,800)
2022	(84,808)	37,083
2023	(266,705)	(62,672)
2024	(65,182)	1,825
Thereafter	(68,998)	-
Total	<u>\$ (853,079)</u>	<u>\$ (59,089)</u>

Payable to the Pension Plans: For the Measurement Date of December 31, 2019, there were no amounts payable for contributions to either pension plan.

C. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2019, \$856,874 represents the balance of these monies held in escrow.

D. 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 \$1,000,000 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.

UPPER MAKEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

IV. Other information (Continued)

D. Risk Management (continued)

The insurance expense for the year ended December 31, 2019 was \$75,970. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$4,595.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The Township's insurance expense for the year ended December 31, 2019 was \$115,424. At December 31, 2019, there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$6,547.

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, 2019 was \$700,792 for medical and dental 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.

E. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

F. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The pandemic has led to widespread voluntary and government-mandated closings of businesses which has resulted in significant job losses. These job losses could impact township tax collection. Also there is the risk of declines in market values of pension plan investments.

**REQUIRED
SUPPLEMENTARY INFORMATION**

UPPER MAKEFIELD TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN

	Measurement Year Ending					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 281,191	\$ 252,831	\$ 240,791	\$ 219,457	\$ 209,007	\$ 202,290
Interest	542,032	516,361	469,210	456,822	414,765	398,907
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(327,742)	-	(570,721)	-	(350,140)	-
Changes of assumptions	-	-	328,030	-	-	-
Benefit payments, including refunds of employee contributions	(134,344)	(97,751)	(46,484)	(100,559)	(47,341)	(45,357)
Net change in total pension liability	361,137	671,441	420,826	575,720	226,291	555,840
Total pension liability - beginning	7,588,858	6,917,417	6,496,591	5,920,871	5,694,580	5,138,740
Total pension liability - ending (a)	<u>\$ 7,949,995</u>	<u>\$ 7,588,858</u>	<u>\$ 6,917,417</u>	<u>\$ 6,496,591</u>	<u>\$ 5,920,871</u>	<u>\$ 5,694,580</u>
Plan fiduciary net position						
Contributions - employer	\$ 141,940	\$ 134,610	\$ 116,988	\$ 218,989	\$ 211,931	\$ 206,884
Contributions - employee	88,017	85,350	85,727	76,126	80,924	75,443
Net investment income	1,409,274	(471,823)	1,030,241	352,869	(101,988)	334,862
Benefit payments, including refunds of employee contributions	(134,344)	(97,751)	(46,484)	(100,559)	(47,341)	(45,357)
Administrative expense	(55,078)	(52,942)	(50,368)	(45,806)	(45,549)	(6,261)
Net change in plan fiduciary net position	1,449,809	(402,556)	1,136,104	501,619	97,977	565,571
Plan fiduciary net position - beginning	<u>7,357,987</u>	<u>7,760,543</u>	<u>6,624,439</u>	<u>6,122,820</u>	<u>6,024,843</u>	<u>5,459,272</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,807,796</u>	<u>\$ 7,357,987</u>	<u>\$ 7,760,543</u>	<u>\$ 6,624,439</u>	<u>\$ 6,122,820</u>	<u>\$ 6,024,843</u>
Borough's net pension liability - ending (a)-(b)	<u>\$ (857,801)</u>	<u>\$ 230,871</u>	<u>\$ (843,126)</u>	<u>\$ (127,848)</u>	<u>\$ (201,949)</u>	<u>\$ (330,263)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.8%	97.0%	112.2%	102.0%	103.4%	105.8%
Covered-employee payroll	\$ 1,797,203	\$ 1,699,897	\$ 1,694,352	\$ 1,587,652	\$ 1,664,075	\$ 1,551,593
Net pension liability as a percentage of covered payroll	-47.7%	13.6%	-49.8%	-8.1%	-12.1%	-21.3%
Annual money-weighted return, net of investment expenses	19.2%	-6.1%	15.5%	5.7%	-1.7%	7.0%

Notes to Schedule:

Change in benefit terms: A Deferred Retirement Option Plan (DROP) benefit was added January 1, 2019.

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>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 262,220	\$ 262,220	\$ -	\$ 1,508,749	17.38%
2011	274,362	274,362	-	1,508,749	18.18%
2012	240,651	240,651	-	1,444,513	16.66%
2013	245,322	245,322	-	1,331,649	18.42%
2014	206,884	206,884	-	1,551,593	13.33%
2015	211,932	211,932	-	1,664,075	12.74%
2016	218,989	218,989	-	1,587,652	13.79%
2017	116,988	116,988	-	1,694,352	6.90%
2018	134,610	134,610	-	1,669,897	8.06%
2019	131,422	141,940	(10,518)	1,797,203	7.90%

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:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.25%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	Normal Retirement Age
Mortality	RP 2014 Mortality Table

Change in benefit terms: 1/1/11: The Killed-in-Service benefit was eliminated.

UPPER MAKEFIELD TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
NON-UNIFORMED PENSION PLAN

	Measurement Year Ending					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 81,350	\$ 68,150	\$ 65,060	\$ 62,405	\$ 66,982	\$ 92,072
Interest	234,956	216,855	201,146	184,454	169,259	177,566
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	47,470	-	(55,203)	-	(323,631)	-
Changes of assumptions	-	-	147,464	-	-	-
Benefit payments, including refunds of employee contributions	(113,314)	(79,278)	(26,892)	(26,587)	(31,432)	(31,909)
Net change in total pension liability	250,462	205,727	331,575	220,272	(118,822)	237,729
Total pension liability - beginning	<u>3,167,615</u>	<u>2,961,888</u>	<u>2,630,313</u>	<u>2,410,041</u>	<u>2,528,863</u>	<u>2,291,134</u>
Total pension liability - ending (a)	<u>\$ 3,418,077</u>	<u>\$ 3,167,615</u>	<u>\$ 2,961,888</u>	<u>\$ 2,630,313</u>	<u>\$ 2,410,041</u>	<u>\$ 2,528,863</u>
Plan fiduciary net position						
Contributions - employer	\$ 73,121	\$ 69,232	\$ 80,242	\$ 125,685	\$ 121,251	\$ 142,886
Contributions - employee	-	-	-	-	-	-
Net investment income	573,675	(189,672)	425,777	144,225	(39,579)	138,953
Benefit payments, including refunds of employee contributions	(113,314)	(79,278)	(26,892)	(26,587)	(31,432)	(31,909)
Administrative expense	(26,600)	(26,214)	(25,029)	(22,668)	(22,981)	(6,841)
Net change in plan fiduciary net position	506,882	(225,932)	454,098	220,655	27,259	243,089
Plan fiduciary net position - beginning	<u>3,011,837</u>	<u>3,237,769</u>	<u>2,783,671</u>	<u>2,563,016</u>	<u>2,535,757</u>	<u>2,292,668</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,518,719</u>	<u>\$ 3,011,837</u>	<u>\$ 3,237,769</u>	<u>\$ 2,783,671</u>	<u>\$ 2,563,016</u>	<u>\$ 2,535,757</u>
Borough's net pension liability - ending (a)-(b)	<u>\$ (100,642)</u>	<u>\$ 155,778</u>	<u>\$ (275,881)</u>	<u>\$ (153,358)</u>	<u>\$ (152,975)</u>	<u>\$ (6,894)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.9%	95.1%	109.3%	105.8%	106.3%	100.3%
Covered-employee payroll	\$ 756,878	\$ 754,375	\$ 734,633	\$ 684,343	\$ 696,057	\$ 604,307
Net pension liability as a percentage of covered payroll	-13.3%	20.6%	-37.6%	-22.4%	-22.0%	-1.1%
Annual money-weighted return, net of investment expenses	19.4%	-5.9%	15.4%	5.6%	-1.6%	7.0%

Notes to Schedule:

Change in benefit terms: None since 1/1/2009

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 PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 169,620	\$ 169,620	\$ -	\$ 874,397	19.40%
2011	178,296	178,296	-	874,397	20.39%
2012	166,939	166,939	-	782,824	21.33%
2013	138,091	138,091	-	807,851	17.09%
2014	142,886	142,886	-	604,307	23.64%
2015	121,251	121,251	-	696,057	17.42%
2016	125,685	125,685	-	671,235	18.72%
2017	80,242	80,242	-	734,633	10.92%
2018	69,232	69,232	-	754,374	9.18%
2019	69,081	73,121	(4,040)	756,878	9.66%

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:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75
Salary increases	4.75%, including inflation
Investment rate of return	7.25%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	Normal Retirement Age
Mortality	RP 2014 Mortality Table

Change in benefit terms: None since 1/1/2009

SUPPLEMENTARY INFORMATION SECTION

UPPER MAKEFIELD TOWNSHIP

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	<u>Special Revenue Funds</u>				
	<u>Liquid</u>		<u>Rev. Run</u>	<u>Operation</u>	<u>Total</u>
	<u>Fuels</u>	<u>Fire</u>	<u>Emergency</u>	<u>and Maint.</u>	<u>Special</u>
			<u>Services</u>		<u>Revenue</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 81,733	\$ 191,156	\$ 51,132	\$ 21,243	\$ 345,264
Taxes receivable	-	4,821	-	-	4,821
Other receivables	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Total Assets	<u>\$ 81,733</u>	<u>\$ 195,977</u>	<u>\$ 51,132</u>	<u>\$ 21,243</u>	<u>\$ 350,085</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 14,134	\$ -	\$ -	\$ -	\$ 14,134
Total Liabilities	<u>14,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,134</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	-	1,422	-	-	1,422
Total deferred inflows of resources	<u>-</u>	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>1,422</u>
<u>FUND BALANCES</u>					
Restricted:					
Debt service	-	-	-	-	-
Highways & streets	67,599	-	-	-	67,599
Local fire companies	-	194,555	-	-	194,555
Committed:					
Grants to others	-	-	51,132	-	51,132
Parks & recreation	-	-	-	-	-
Capital projects	-	-	-	21,243	21,243
Total Fund Balances	<u>67,599</u>	<u>194,555</u>	<u>51,132</u>	<u>21,243</u>	<u>334,529</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 81,733</u>	<u>\$ 195,977</u>	<u>\$ 51,132</u>	<u>\$ 21,243</u>	<u>\$ 350,085</u>

Park and Recreation	Capital Projects Funds			Total Capital Projects	Debt Service Fund Building Construction	Total Nonmajor Governmental Funds
	Park 3-Year Cap	Capital Reserve	Tree Bank			
\$ 47,903	\$ 280,016	\$ 798,030	\$ 92,180	\$ 1,218,129	\$ 83,976	\$ 1,647,369
-	-	-	-	-	3,214	8,035
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 47,903</u>	<u>\$ 280,016</u>	<u>\$ 798,030</u>	<u>\$ 92,180</u>	<u>\$ 1,218,129</u>	<u>\$ 87,190</u>	<u>\$ 1,655,404</u>
\$ 595	\$ 488	\$ 15,777	\$ -	\$ 16,860	\$ -	\$ 30,994
<u>595</u>	<u>488</u>	<u>15,777</u>	<u>-</u>	<u>16,860</u>	<u>-</u>	<u>30,994</u>
-	-	-	-	-	948	2,370
-	-	-	-	-	<u>948</u>	<u>2,370</u>
-	-	-	-	-	86,242	86,242
-	-	-	-	-	-	67,599
-	-	-	-	-	-	194,555
-	-	-	-	-	-	51,132
47,308	-	-	-	47,308	-	47,308
-	<u>279,528</u>	<u>782,253</u>	<u>92,180</u>	<u>1,153,961</u>	-	<u>1,175,204</u>
<u>47,308</u>	<u>279,528</u>	<u>782,253</u>	<u>92,180</u>	<u>1,201,269</u>	<u>86,242</u>	<u>1,622,040</u>
<u>\$ 47,903</u>	<u>\$ 280,016</u>	<u>\$ 798,030</u>	<u>\$ 92,180</u>	<u>\$ 1,218,129</u>	<u>\$ 87,190</u>	<u>\$ 1,655,404</u>

UPPER MAKEFIELD TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>Special Revenue Funds</u>				Total Special Revenue
	<u>Liquid Fuels</u>	<u>Fire</u>	<u>Rev. Run Emergency Services</u>	<u>Operation and Maint.</u>	
Revenues					
Real estate taxes	\$ -	\$ 182,208	\$ -	\$ -	\$ 182,208
Interest	493	255	140	22	910
Intergovernmental revenues	345,771	-	-	-	345,771
Charges for Service	-	-	-	-	-
Miscellaneous revenue	6,650	-	12,000	-	18,650
Total Revenues	<u>352,914</u>	<u>182,463</u>	<u>12,140</u>	<u>22</u>	<u>547,539</u>
Expenditures					
Current					
General Government	-	-	-	-	-
Public safety	-	170,342	100,000	-	270,342
Public works	339,497	-	-	-	339,497
Culture and recreation	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>339,497</u>	<u>170,342</u>	<u>100,000</u>	<u>-</u>	<u>609,839</u>
Excess (Deficiency) of Revenues Over Expenditures	13,417	12,121	(87,860)	22	(62,300)
Other Financing Sources (Uses)					
Transfers in	-	3,025	100,000	-	103,025
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,025</u>	<u>100,000</u>	<u>-</u>	<u>103,025</u>
Net Change in Fund Balance	13,417	15,146	12,140	22	40,725
Fund Balance - Beginning	54,182	179,409	38,992	21,221	293,804
Fund Balance - Ending	<u>\$ 67,599</u>	<u>\$ 194,555</u>	<u>\$ 51,132</u>	<u>\$ 21,243</u>	<u>\$ 334,529</u>

<u>Park and Recreation</u>	<u>Park 3-Year Cap</u>	<u>Capital Reserve</u>	<u>Tree Bank</u>	<u>Total Capital Projects</u>	<u>Fund Building Construction</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,472	\$ 303,680
117	550	1,352	149	2,168	211	3,289
-	103,208	-	-	103,208	-	448,979
2,888	-	-	-	2,888	-	2,888
-	16,050	-	4,200	20,250	-	38,900
<u>3,005</u>	<u>119,808</u>	<u>1,352</u>	<u>4,349</u>	<u>128,514</u>	<u>121,683</u>	<u>797,736</u>
-	-	54,082	-	54,082	-	54,082
-	-	135,147	-	135,147	-	405,489
-	-	116,937	-	116,937	-	456,434
47,924	202,225	-	15,254	265,403	-	265,403
-	-	-	-	-	114,000	114,000
-	-	-	-	-	11,610	11,610
<u>47,924</u>	<u>202,225</u>	<u>306,166</u>	<u>15,254</u>	<u>571,569</u>	<u>125,610</u>	<u>1,307,018</u>
(44,919)	(82,417)	(304,814)	(10,905)	(443,055)	(3,927)	(509,282)
30,000	-	299,050	-	329,050	-	432,075
-	-	-	-	-	-	-
<u>30,000</u>	<u>-</u>	<u>299,050</u>	<u>-</u>	<u>329,050</u>	<u>-</u>	<u>432,075</u>
(14,919)	(82,417)	(5,764)	(10,905)	(114,005)	(3,927)	(77,207)
62,227	361,945	788,017	103,085	1,315,274	90,169	1,699,247
<u>\$ 47,308</u>	<u>\$ 279,528</u>	<u>\$ 782,253</u>	<u>\$ 92,180</u>	<u>\$ 1,201,269</u>	<u>\$ 86,242</u>	<u>\$ 1,622,040</u>

UPPER MAKEFIELD TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS

December 31, 2019

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Investments, at fair value	\$ 8,808,836	\$ 3,519,759	\$ 12,328,595
TOTAL ASSETS	<u>\$ 8,808,836</u>	<u>\$ 3,519,759</u>	<u>\$ 12,328,595</u>
Liabilities			
Accounts payable	\$ 1,040	\$ 1,040	\$ 2,080
Total Liabilities	<u>1,040</u>	<u>1,040</u>	<u>2,080</u>
Net Position			
Net Position Restricted for Pension Benefits	<u>\$ 8,807,796</u>	<u>\$ 3,518,719</u>	<u>\$ 12,326,515</u>

UPPER MAKEFIELD TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS

For the Year Ended December 31, 2019

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total</u>
Additions			
Contributions			
Employee contributions	\$ 88,017	\$ -	\$ 88,017
Township contributions	-	-	-
State Aid	<u>141,940</u>	<u>73,121</u>	<u>215,061</u>
Total Contributions	<u>229,957</u>	<u>73,121</u>	<u>303,078</u>
Investment Income			
Interest	930	203	1,133
Dividends	195,505	81,269	276,774
Unrealized Gains	1,085,497	458,936	1,544,433
Realized Gains	<u>119,492</u>	<u>43,576</u>	<u>163,068</u>
Net investment income	<u>1,401,424</u>	<u>583,984</u>	<u>1,985,408</u>
Total Additions	<u>1,631,381</u>	<u>657,105</u>	<u>2,288,486</u>
Deductions			
Benefits	136,411	113,314	249,725
Administrative expenses	<u>54,247</u>	<u>26,854</u>	<u>81,101</u>
Total Deductions	<u>190,658</u>	<u>140,168</u>	<u>330,826</u>
Change in Net Position	1,440,723	516,937	1,957,660
Net Position - Restricted			
For Pension Benefits - January 1	<u>7,367,073</u>	<u>3,001,782</u>	<u>10,368,855</u>
For Pension Benefits - December 31	<u>\$ 8,807,796</u>	<u>\$ 3,518,719</u>	<u>\$ 12,326,515</u>

UPPER MAKEFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2019

	<u>Balance</u> <u>January 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2019</u>
Assets:				
Cash and cash equivalents	\$ 999,611	\$ 17,112	\$ (159,849)	\$ 856,874
Total Assets	<u>\$ 999,611</u>	<u>\$ 17,112</u>	<u>\$ (159,849)</u>	<u>\$ 856,874</u>
Liabilities:				
Deposits and refunds	\$ 999,611	\$ 17,112	\$ (159,849)	\$ 856,874
Total Liabilities	<u>\$ 999,611</u>	<u>\$ 17,112</u>	<u>\$ (159,849)</u>	<u>\$ 856,874</u>