

TOWNSHIP OF LOWER MAKEFIELD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2009

TOWNSHIP OF LOWER MAKEFIELD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
TOWNSHIP OF LOWER MAKEFIELD
Yardley, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the TOWNSHIP OF LOWER MAKEFIELD, Yardley, Pennsylvania, as of and for the year ended December 31, 2009, which collectively comprise the TOWNSHIP OF LOWER MAKEFIELD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the TOWNSHIP OF LOWER MAKEFIELD's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 the TOWNSHIP OF LOWER MAKEFIELD, as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2 , 2010, on our consideration of the TOWNSHIP OF LOWER MAKEFIELD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information, trend data on infrastructure condition and pension plan funding progress on pages 3 through 15 and pages 59 through 63, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TOWNSHIP OF LOWER MAKEFIELD's basic financial statements. The combining statements listed on the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the financial statements taken as a whole.

June 2 , 2010

STANLEY N. BOOZ, LLC
Certified Public Accountants

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

Our discussion and analysis of the Township of Lower Makefield's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Assets.

FINANCIAL HIGHLIGHTS

- Makefield Highlands Golf Course completed its fifth full year of operations since opening on July 1, 2004. Income before depreciation was \$170,280 for the year. Response to the Course has been extremely favorable and in 2009, despite season-long weather issues coupled with a challenging economy, the course fared very well when compared to some competitors. Rounds played were down for the year when compared to the current budget and the prior year numbers, and this trend is indicative of the nationwide trend affecting many golf and leisure businesses. Beginning in 2010 there is a new Management team in place, with different service and incentive fees in place.

- In 2008 there was a judgment against Lower Makefield Township in regard to the land acquisition case involving the property where the township owned Makefield Highlands Golf Course resides. The township paid for the property in July of 2001 with proceeds from a bond issue. The property was condemned as part of the acquisition, and a price determined to be fair market value was paid to the owner. Since that time, the previous owner of the land has brought suit against the township seeking additional funds for the acquisition of the property. The case has been in litigation for several years with the township prevailing in an earlier judgment. The Township expects this case to be resolved late in 2010 or sometime early in 2011.

The value of this latest judgment, including interest, is almost \$2 million dollars. The township intends to appeal this decision and has not paid any additional funds to the previous owner. It is the township's position that the latest judgment is unacceptable and will defend this vigorously. No reserves have been made as of the date of this audit report.

- The assets of the Township exceeded its liabilities by \$85,119,991 down \$1,366,162 from last year.
- The General Fund balance remains above the "Safe Harbor" range, which is 5-8% of General Fund revenues.
- Sewer rates had an increase in 2009, the first since 2005. The resulting increase generated an additional \$383,000 of revenue. The Sewer Fund began the creation of a Capital reserve within its origins, and has set aside \$500,000 to fund future capital needs. Another \$500,000 is budgeted for 2010.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

FINANCIAL HIGHLIGHTS, *continued*

- The Township owned Pool operations had a rate increase of 10% in 2009, the first such increase in 12 years. Revenues from members were up slightly in 2009 as the membership did decline some. The pool had positive net income before depreciation of \$49,617.
- The Township refinanced 2 bond issues early in 2010 which will result in savings of approximately \$900,000 over a three-year period, beginning in 2010. One bond issue (2005) affects the golf course while the other (2001B) affects the Township's Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the township. The components of the report include the Independent Auditors' Report, Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements and Notes to the Basic Financial Statements. This report also contains other Required and Supplementary Information in addition to the basic financial statements.

The Independent Auditors' Report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

Management's Discussion and Analysis (MD&A), prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the Statement of Net Assets, Statement of Activities, Fund Financial Statements and Notes to the Basic Financial Statements. Statements of Net Assets and Activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The Statement of Net Assets focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.
- The Statement of Activities focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenue. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self supporting and/or subsidized by other sources.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS, *continued*

- Fund Financial Statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column "Other Governmental Funds." Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net assets, revenues, expenses and changes in net assets and cash flows. The Proprietary Funds represent the Township's Sewer, Pool, and Golf Funds and can be found in more detail beginning with the Statement of Net Assets, Proprietary 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 statements because the Township cannot use these assets to finance its operations.
- The notes to the Basic Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Other Required Supplementary Information (RSI) is additional information consisting of budgetary comparisons for the General Fund and trends data on infrastructure condition.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and Statement of Activities

Our analysis of the Township as a whole begins with the Statement of Net Assets. One of the most important questions asked about the Township's finances is "What is the Township's overall financial condition as compared to the previous year?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. In these statements, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including police, public works, planning and zoning, library, parks and recreation, and administration. Real estate and business taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover most of the cost of certain services it provides. The Township's sewer system, pool and golf course are reported here.

The analysis below focuses on the net assets and changes in net assets of the Township's governmental and business type activities.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

REPORTING THE TOWNSHIP AS A WHOLE, continued

Statement of Net Assets and Statement of Activities, continued

NET ASSETS

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2009	2008	2009	2008	2009	2008
Assets						
Cash and Cash Equivalents	\$ 4,610,269	\$ 5,819,840	\$ 1,945,627	\$ 2,574,599	\$ 6,552,896	\$ 8,394,439
Other Assets	1,159,690	656,802	1,632,745	1,501,993	2,792,435	2,158,795
Capital Assets	81,113,081	81,579,298	34,380,986	35,372,686	115,494,067	116,951,984
Total Assets	<u>\$ 86,883,040</u>	<u>\$ 87,656,972</u>	<u>\$ 37,959,358</u>	<u>\$ 41,891,666</u>	<u>\$ 124,842,398</u>	<u>\$ 129,548,638</u>
Liabilities						
Other Liabilities	\$ 1,335,426	\$ 840,352	\$ 861,946	\$ 871,555	\$ 2,197,371	\$ 1,711,907
Long-Term Debt Outstanding	14,738,224	15,876,348	22,786,811	23,430,810	37,525,036	39,307,158
Total Liabilities	<u>16,073,650</u>	<u>18,370,119</u>	<u>23,648,757</u>	<u>24,917,949</u>	<u>39,722,407</u>	<u>43,288,068</u>
Net Assets						
Invested in Capital Assets	67,319,207	66,599,132	11,593,805	11,890,411	78,913,012	78,489,543
Restricted	3,167,865	4,114,733			3,167,865	4,114,733
Unrestricted	322,318	2,812	2,716,796	4,472,001	3,039,114	4,474,813
Total Net Assets	<u>70,809,390</u>	<u>71,339,240</u>	<u>14,310,601</u>	<u>15,146,913</u>	<u>85,119,991</u>	<u>86,486,153</u>
Total Liabilities and Net Assets	<u>\$ 86,883,040</u>	<u>\$ 88,055,940</u>	<u>\$ 37,959,358</u>	<u>\$ 39,449,278</u>	<u>\$ 124,842,398</u>	<u>\$ 127,505,218</u>

Cash and cash equivalents represent 5.3% of the Township of Lower Makefield's total governmental assets in 2009 and 6.6% in 2008. Cash and cash equivalents represent 5.1% in 2009 and 6.5% in 2008 of the Township of Lower Makefield's total business-type assets. Despite the decrease in both areas the township's cash position remains healthy.

The largest portion of the Township's governmental assets, 93.4%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment.) In 2008 this portion was 91.7%. Because the Township uses these capital assets to provide services to residents, these assets are not available for future spending.

Assets in the business-type activity column reflect the Township's investment in its sewer system, community pool and golf course. The Township operates and maintains 13 pump stations and approximately 230 miles of sewer lines. The community pool consists of four swimming pools, a snack bar area and bathhouse. The golf course is an 18-hole upscale affordable municipal course with practice facility, clubhouse, maintenance building and historic manor house.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
Program Revenues	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Charges for Services	1,223,049	1,168,816	7,817,469	7,627,852	9,040,518	8,796,668
Operating Grants and Contributions	2,199,785	2,111,395			2,199,785	2,111,395
Capital Grants and Contributions						
General Revenues						
Property Taxes	7,740,217	7,570,704			7,740,217	7,570,704
Real Estate Transfer Tax	799,733	1,043,683			799,733	1,043,683
Per Capita Taxes	211,022	221,622			211,022	221,622
Public Utility Taxes	12,374	11,271			12,374	11,271
Franchise Taxes	582,615	495,012			582,615	495,012
Investment Earnings	29,138	227,543	17,600	92,672	46,738	320,215
Miscellaneous	670,716	742,892	19,640	49,100	690,356	791,992
Gain on Sale of Capital Assets	9,146					
Total Revenues	<u>13,477,795</u>	<u>13,592,938</u>	<u>7,854,709</u>	<u>7,769,624</u>	<u>21,332,504</u>	<u>21,362,562</u>
Expenses						
General Government	2,022,714	1,956,396			2,022,714	1,956,396
Public Safety	7,153,433	6,246,611			7,153,433	6,246,611
Public Works	3,260,059	2,499,160			3,260,059	2,499,160
Parks and Recreation	977,303	1,308,493			977,303	1,308,493
Community Development	35,867	78,356			35,867	78,356
Interest on Long Term Debt	595,460	563,498			595,460	563,498
Sewer			4,864,115	4,499,586	4,864,115	4,499,586
Community Pool			731,222	828,877	731,222	828,877
Golf Course			2,745,692	2,827,810	2,745,692	2,827,810
Total Expenses	<u>14,044,836</u>	<u>12,652,514</u>	<u>8,341,029</u>	<u>8,156,273</u>	<u>22,385,865</u>	<u>20,808,787</u>
Excess/(Deficiency) Before Transfers	(567,041)	940,424	(486,320)	(386,649)	(1,053,361)	553,775
Transfers in	961,076	1,969,385		(1,440,155)	961,076	
Transfers Out	(923,885)	(857,422)	(349,992)		(1,273,877)	(857,422)
Change in Net Assets	(529,850)	2,052,387	(836,312)	(1,826,804)	(1,366,162)	225,583
Net Assets Beginning of the Year	<u>71,339,240</u>	<u>69,286,853</u>	<u>15,146,913</u>	<u>16,973,717</u>	<u>86,486,153</u>	<u>86,260,570</u>
Net Assets End of the Year	<u>70,809,390</u>	<u>71,339,240</u>	<u>14,310,601</u>	<u>15,146,913</u>	<u>85,119,991</u>	<u>86,486,153</u>

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

Total expenses exceed total revenue by \$567,041 in 2009, contrast to total revenues exceeding total expenses by \$940,424 in 2008 for governmental activities. In 2009 there was a 1/4 millage increase in the Fire Fund compared to a 2 millage increase in tax revenue in 2008, providing some of the difference. Certain governmental funds had little or no revenue in 2009 but had planned spending, resulting in this excess of expenditures. In 2009, total expenses exceeded total revenues by \$486,320 in 2009 and by \$386,649 in 2008 for business type activities. This excess of expenditures were a result of golf course revenues being down \$200,000 from the previous year and sewer transmission fees being higher by \$300,000 from the prior year.

Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities for fiscal 2009 was \$13,477,795 and \$13,592,938 in 2008. Revenue by source were as follows:

Revenue	Amount		% of Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Property Taxes Levied for General Purposes	7,740,217	7,570,704	57.43%	55.70%
Real Estate Transfer Tax	799,733	1,043,683	5.93%	7.68%
Per Capita Taxes	211,022	221,622	1.57%	1.63%
Public Utility Taxes	12,374	11,271	0.09%	0.08%
Franchise Taxes	582,615	495,012	4.32%	3.64%
Investment Earnings	29,138	227,543	0.22%	1.67%
Miscellaneous	670,716	742,892	4.98%	5.47%
Gain on Sale of Capital Assets	9,146		0.07%	0.00%
Charges for Services	1,223,049	1,168,816	9.07%	8.60%
Operating Grants and Contributions	2,199,785	2,111,395	16.32%	15.53%
	<u>13,477,795</u>	<u>13,592,938</u>	<u>100.00%</u>	<u>100.00%</u>

As seen above, revenues were stable in total for the most part when comparing 2009 to 2008. However, the deed transfer tax continues to be a cause for concern. In December of 2009, the Township approved the enactment of a Local Services Tax, or LST at the legally allowed maximum of \$52 per annum for all people working within the Township borders making more than \$12,000 per annum. This effect will be seen in the 2010 financial reports.

Investment income, which is comprised of bank interest on the five Township interest-bearing accounts, continued its downward trend in 2009 as interest rates decreased from a high of 5.01% during 2007 to a low of less than ½ of 1% during 2009. With the federal rates at or near 0%, we expect interest income to remain at or below their current levels for the near future and certainly throughout 2010.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

REPORTING THE TOWNSHIP AS A WHOLE, continued

Governmental Activities, continued

The Township's governmental programs consist of various operating departments, among them police, public works, planning and zoning, park and recreation and several administrative departments. Total expenditures for fiscal year 2009 were \$14,044,836 and \$12,652,514 in 2008. Expenditures by source were as follows:

<u>Expenses</u>	<u>Amount</u>		<u>% of Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Government	2,022,714	1,956,396	14.40%	15.42%
Public Safety	7,153,433	6,246,611	50.93%	49.23%
Public Works	3,260,059	2,499,160	23.21%	19.70%
Culture and Recreation	977,303	1,308,493	6.96%	10.31%
Community Development	35,867	78,356	0.26%	0.62%
Interest on Long Term Debt	595,460	563,498	4.24%	4.44%
	<u>14,044,836</u>	<u>12,652,514</u>	<u>100.00%</u>	<u>99.72%</u>

Total governmental expenditures increased approximately 11.0% from 2008 to 2009.

Business type activities include the Township's Sewer System, Community Pool and Golf Course. Total revenue from sewer activities for 2009 is \$4,527,722 compared to \$4,254,164 in 2008. Charges for services account for approximately 98.7% of revenue in 2009, compared with 94.2% of revenue in 2008. The main reason for this is due to the decrease in interest earnings. Expenditures to operate the system total \$4,864,115 for 2009 and \$4,499,586 for 2008. Total revenue from community pool activities is \$784,724 for 2009 and \$753,487 for 2008. Charges for services account for 88.5% of revenue in 2009, while these charges equaled 86.4% of revenue in 2008. Expenditures to operate the pool total \$731,222 for 2009 and \$828,877 for 2008. Total revenue from golf course activities is \$2,542,263 for 2009 and \$2,761,973 for 2008. Charges for services account for approximately 99.7% of revenue in 2009 and 99.0% of revenue in 2008. Expenditures to operate the course total \$2,745,692 in 2009 and \$2,827,810 for 2008.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund had an excess of expenditures over revenues for 2009 of \$250,111 and an excess of revenues over expenditures of \$156,838 in 2008. An operating deficit of \$559,276 had been budgeted for fiscal year 2009, so the General Fund outperformed the budget by over \$309,000. The Reason for the outperformance of the budgeted results are several, most notably over \$88,000 in insurance dividends or rebates, recycling revenues \$25,000 greater than budget, and permit fee revenue for building and related permits exceeded budget by over \$135,000. The Real Estate Deed Transfer tax lagged budget by over \$300,000 and this was made up by the items mentioned above and an additional \$150,000 in rents and fees from phone towers and cable TV fees, respectively. On the expenditure side, when removing Federally Funded Grant Expenditures, the Township came in \$154,000 under budget in total general fund expenses, detailed as follows: \$40,000 from the benefits budget, \$35,000 under budget for labor and \$80,000 under budget in fuel and other supplies.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND BUDGETARY HIGHLIGHTS, *continued*

The Township had no budget adjustments during the 2009 fiscal year. It is the Township's policy that unused appropriations lapse at the close of the fiscal year. The Township does not "carry over" surpluses into the new year and maintains budgetary control at the fund level.

As mentioned in the Financial Highlights section, the General Fund balance remains above the "Safe Harbor" range.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township of Lower Makefield's investment in capital assets for its governmental and business-type activities as of December 31, 2009, total \$115,494,067 and were \$116,951,984 in 2008 (net of accumulated depreciation). Township investment in capital assets includes land and land improvements, buildings and building improvements, equipment, vehicles and infrastructure. Infrastructure includes roadways, bike paths, curbing and sidewalks, storm sewers, basins, bridges and culverts, easements, streetlights and signs.

Additions to capital assets, land and improvements during 2009 include:

Renovation of Pool Restrooms	\$	51,337
International Dump Truck		144,840
Light Work Garden of Reflection		107,775
John Deere Tractor – Golf Course		18,535
Golf Course land Improvements		10,300
3 Police Vehicles		77,270
Softball Field Memorial Park		53,861
Sewer Capital Contribution - Morrisville		178,707
Edgewood Road Bike Paths Extension		9,990
New Garage Doors Township Complex		22,950

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Capital Assets, continued

Capital Assets at Year End, Net of Depreciation Years Ended December 31, 2008 and 2007

	Governmental Activities		Business-Type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 19,517,249	\$ 19,508,249	\$ 4,202,081	\$ 4,197,081	\$ 23,719,330	\$ 23,705,330
Infrastructure	49,471,776	49,513,834	-	-	49,471,776	49,513,834
Construction in Progress	3,685	-	63,130	63,130	66,815	63,130
TOTAL CAPITAL ASSETS NOT DEPRECIATED	68,992,710	69,022,083	4,265,211	4,260,211	73,257,921	73,282,294
Land Improvements	4,734,086	5,006,935	7,476,359	7,689,373	12,210,445	12,696,308
Plant & Pools	-	-	19,842,617	20,427,866	19,842,617	20,427,866
Buildings & Improvements	5,048,124	5,211,018	2,136,713	2,282,139	7,184,837	7,493,157
Furniture & Equipment	215,173	300,963	660,086	713,097	875,259	1,014,060
Vehicles	1,420,967	1,494,109	-	-	1,420,967	1,494,109
Infrastructure	702,021	544,190	-	-	702,021	544,190
TOTAL CAPITAL ASSETS DEPRECIATED	12,120,371	12,557,215	30,115,775	32,112,475	42,236,146	43,669,690
TOTALS	\$ 81,113,081	\$ 81,579,298	\$ 34,380,986	\$ 35,372,686	\$ 115,494,067	\$ 116,951,984

*Land is recorded at historical cost; market values are significantly higher.

Depreciable capital assets are depreciated using the straight-line method. Useful lives are as follows:

	<u>Years</u>
Infrastructure	20
Land improvements	5-40
Plant and Pools	4-40
Building and building improvements	40
Furniture and equipment	5
Vehicles	3-10

In the case of road, curb, sidewalk and bike path infrastructure, the Township has elected to use the modified approach. Please see page 61 in the Required Supplementary Information section of the financial statements for a more detailed description of the method. Additional information on the Township's capital assets can be found in Notes 1 and 5 in the financial statements.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Debt, continued

At December 31, 2009, the Township had \$36,610,011 in outstanding debt compared to \$38,410,976 last year. Of the outstanding debt at December 31, 2009, \$1,558,194 is due within one year. The following shows a breakdown of debt by type.

	<u>2009</u>	<u>2008</u>
Governmental Activities		
General Obligation Bonds, Series 2003	\$5,602,544	\$5,999,112
General Obligation Bonds, Series 2006	625,100	643,725
General Obligation Notes		
Series A of 2001		600,000
Series B of 2001	4,655,000	4,655,000
Series of 2004	2,653,000	2,745,000
Notes Payable		
PEMA	92,475	101,668
PNC Bank	195,081	235,661
	<u>13,823,200</u>	<u>14,980,166</u>
Business Type Activities		
General Obligation Bonds		
Series of 2005	6,368,627	6,782,355
Series of 2006	7,912,184	8,142,455
General Obligation Notes		
Series A of 2002	3,470,000	3,470,000
Series B of 2002	5,036,000	5,036,000
	<u>22,786,811</u>	<u>23,430,810</u>
	<u>\$36,610,011</u>	<u>\$38,410,976</u>

The Township had no new debt service issues in 2009. During the 1st quarter of 2010, the Township refinanced both the 2001B issue and the 2005 issue. These two issues together total \$11,485,000 and will save the Township approximately \$900,000 combined in interest payments for the next few years. The new bonds of 2010 have the same maturity as the bonds being financed.

During the process of refinancing the Township went through the normal rating process and Moody's Investor Services reaffirmed the Township's AA2 rating. This was based on 2008 audited financial statements and unaudited statements from 2009.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

The Township of Lower Makefield services an area of 18 square miles and a population of 32,681 (2000 U.S. Census). The Township is located in the southeastern portion of Bucks County, just across the river from Trenton, New Jersey and 25 miles northeast of Philadelphia. Economically, the Township is largely residential in nature, with some agricultural activity. Commercial development can be found on a limited basis, most of which support the residential community. With the recent development of land into office buildings, more employment opportunities can be found within the Township than in prior years.

The following shows the amount of total tax assessments broken down by type, and the source is from the Bucks County Board of Assessments.

Assessments by Land Use Codes

<u>Type</u>	<u>Assessment</u>
Residential	474,537,630
Taxable Vacant/Miscellaneous	2,176,340
Government/School	23,400
Industrial - Not in a Park	124,400
Main Street - Commercial	214,460
Apartments	8,490,940
Motel - Hotel	1,027,200
Commercial	4,508,720
Mobile Home Parks	
Office Buildings - Not in a Park	21,118,660
Office Buildings - In a Park	775,910
Shopping Centers	4,896,000
Institutional	10,428,960
Utility	
Utility - Government	1,773,680
Exempt	18,641,690
TOTAL ASSESSMENTS	548,737,990

The current assessment is lower than the previous assessment by approximately \$1 million. Within the total there are some differences; Apartments and Institutional are up while Residential assessments are down, a trend throughout the County. The impact of the assessment changes in 2009 are minimal as the overall decrease totals just under \$1 million, or .2% of the total assessment. The decrease in Residential assessments is being watched closely throughout the state.

Development within the Township continues its downward trend; thus reducing 2009 developer rate fees, such as park and recreation fee-in-lieu fees, traffic impact fees and basin maintenance fees.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, *continued*

Economic Factors, continued

As shown in the data below, the Township of Lower Makefield is considerably wealthier than Bucks County as a whole. Both Bucks County and the Township of Lower Makefield are substantially wealthier than the Commonwealth of Pennsylvania and the nation. Several factors that create this wealth are the higher educational levels of our residents and the Township's ideal location for commuting to New York and Philadelphia, where higher paying jobs can be found.

	<u>Lower Makefield Township</u>	<u>Bucks County</u>	<u>Pennsylvania</u>	<u>United States</u>
Per capita income	\$ 43,983	\$ 27,430	\$ 20,880	\$ 21,857
Median family income	106,908	68,727	49,184	50,046
Percentage of population below poverty level	2.7%	4.5%	11.0%	12.4%

Source: U.S. Census Bureau (2000 Census)

Next Year's Budget

The total millage for 2010 will remain at 15.12, with no increase over the 2009 millage. There was a shifting of a ¼ millage from Park and Recreation Fund to the General Fund for 2010.

Real estate transfer taxes are budgeted at \$1,145,000, a decrease of 6.5% from last year's budget number, and down from the high point of \$1,925,000 actually received in 2005. The nationwide housing market is still very volatile, and Lower Makefield is not immune to this volatility. We are hopeful that the housing market and related credit markets will begin to stabilize during 2010, and we are carefully monitoring these and related revenue areas so we can determine what actions, if any, are necessary.

Interest income is budgeted at lower amounts in the 2010 budget due to the numerous interest rate reductions planned or having already taken place since 2008. The Federal Reserve Bank is holding their rates at or near 0% in an effort to help stimulate the economy, and the rates on our cash and related investments are trending very low as a result. During 2008, the Township began to diversify some of our cash positions in light of the recent events in the banking industry and we continued this in 2009. We will continue to diversify our holdings in an effort to maximize our interest earning potential and to safeguard the Township's cash position.

Contractual salaries for both the police and public works employees, along with all administrative staff, will receive no increases in 2010. Both of the Township's collective bargaining agreements expired in 2009. The new contracts call for wage freezes in 2010, followed by minimal increases over the remaining 3 years.

TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, continued

Next Year's Budget, continued

As was done in the past, the Liquid Fuels fund will help support the public works payroll in 2010. In 2009, over \$200,000 in salaries was covered by the Liquid Fuels entitlement, in 2010 this number will be approximately \$150,000. The Liquid Fuels fund also covers the related employer payroll taxes.

Overall health benefits in the 2009 budget showed a lesser increase in comparison to the last several years. This was due to a change in the level of benefits for the Personal Choice medical plan and the Benefits Concepts prescription plan that went into effect January 1, 2006. Also, several unplanned staff vacancies allowed us to realize some savings in this area as well. Health care costs in 2010 are budgeted at a higher level, reflecting an increase of approximately 8-10% from the 2009 actual results, as we are a community rated client of Independence Blue Cross and this is the expected increase.

Pool membership fees are budgeted at \$669,590 for 2010, a decrease of 5.8% under the 2009 budget of \$711,165. After several years of stable membership numbers, the pool had a decline in 2009 as a result of a volatile and challenging economy. The 2009 pool membership fee had a 10% increase, the 1st such increase in 12 years. We believe the membership should stabilize in 2010 as the economy continues its recovery.

Continual analysis and review is required by all department heads to ensure that departments operate within their respective budgets.

LITIGATION

In 2008 there was a judgment against Lower Makefield Township in regard to the land acquisition case involving the property where the Township owned Makefield Heights Golf Course resides. The Township paid for the property in July of 2001 with proceeds from a bond issue. The property was condemned as part of the acquisition, and a price determined to be fair market value was paid to the borrower. Since that time, the previous owner of the land has brought suit against the Township seeking additional funds for the acquisition of the property. The case has been in litigation for several years with the Township prevailing in an earlier decision.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the monies it receives and disburses. If you have any questions about this report or to request additional financial information, please contact Brian McCloskey, Director of Finance, 1100 Edgewood Road, Yardley, PA 19067.

TOWNSHIP OF LOWER MAKEFIELD

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,610,269	\$ 1,945,627	\$ 6,555,896
Accounts receivable, net	980,495	1,328,593	2,309,088
Internal balances			
Inventory		51,160	51,160
Prepaid expenses	101,206	9,655	110,861
Restricted assets			
Escrow deposits	37,787		37,787
Deferred charges, net of amortization	40,202	243,337	283,539
Total	5,769,959	3,578,372	9,348,331
Capital assets:			
Land	19,517,249	4,202,081	23,719,330
Construction in progress	3,685	63,130	66,815
Infrastructure	50,995,098		50,995,098
Land improvements	6,996,603	8,747,950	15,744,553
Plant and pools		39,356,425	39,356,425
Buildings and building improvements	7,878,170	2,855,977	10,734,147
Furniture and equipment	3,080,180	1,567,255	4,647,435
Vehicles	4,531,883		4,531,883
Accumulated depreciation	(11,889,787)	(22,411,832)	(34,301,619)
Total capital assets	81,113,081	34,380,986	115,494,067
TOTAL ASSETS	\$ 86,883,040	\$ 37,959,358	\$ 124,842,398
LIABILITIES			
Accounts payable	\$ 662,164	\$ 489,421	\$ 1,151,585
Accrued expenses	292,388	259,098	551,486
Accrued interest	24,471		24,471
Member deposits	1,400		1,400
Deferred revenue	299,716	113,427	413,143
Escrow deposits	55,287		55,287
Long-term liabilities			
Due within one year	890,970	667,224	1,558,194
Due in more than one year	13,847,254	22,119,587	35,966,841
TOTAL LIABILITIES	16,073,650	23,648,757	39,722,407
NET ASSETS			
Invested in capital assets, net of related debt	67,319,207	11,593,805	78,913,012
Restricted for			
Capital projects	1,826,985		1,826,985
Debt service	(41,402)		(41,402)
Other purposes	1,382,282		1,382,282
Unrestricted	322,318	2,716,796	3,039,114
TOTAL NET ASSETS	70,809,390	14,310,601	85,119,991
TOTAL LIABILITIES AND NET ASSETS	\$ 86,883,040	\$ 37,959,358	\$ 124,842,398

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES						
General government	\$ 2,022,714	\$ 471,148	\$ 17,240	\$	\$ (1,534,326)	\$
Public safety	7,153,433	158,265	801,736		(6,193,432)	
Public works	3,260,059	390,342	1,288,138		(1,581,579)	
Parks and recreation	977,303	203,294	92,671		(681,338)	
Community development	35,867				(35,867)	
Interest on long-term debt	595,460				(595,460)	
TOTAL GOVERNMENTAL ACTIVITIES	14,044,836	1,223,049	2,199,785	0	(10,622,002)	(307,044)
BUSINESS-TYPE ACTIVITIES						
Sewer	4,533,409	4,472,603			(60,806)	
Community pool	731,222	694,484			(36,738)	
Golf course	2,745,692	2,536,192			(209,500)	
TOTAL BUSINESS-TYPE ACTIVITIES	8,010,323	7,703,279	0	0	(307,044)	(307,044)
TOTAL ALL ACTIVITIES	\$ 22,055,159	\$ 8,926,328	\$ 2,199,785	\$	(10,622,002)	(307,044)
GENERAL REVENUES						
Property taxes, levied for general purposes					7,740,217	
Transfer taxes					799,733	
Per capita and occupation privilege taxes					211,022	
Public utility taxes					12,374	
Franchise fees					582,615	17,600
Interest earnings					29,138	(330,706)
Depreciation, net of related capital contributions					670,716	133,830
Miscellaneous					9,146	
Gain on sale of capital assets					961,076	
Transfers in					(923,885)	(349,992)
Transfers out						(529,268)
TOTAL GENERAL REVENUES					10,092,152	(836,312)
CHANGE IN NET ASSETS					(529,850)	(836,312)
NET ASSETS AT BEGINNING OF YEAR					71,339,240	15,146,913
NET ASSETS AT END OF YEAR					\$ 70,809,390	\$ 14,310,601

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Capital Reserve Fund	Street Project Fund	9-11 Memorial Fund	Debt Service Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash	\$ 1,154,825	\$ 1,243,852	\$ 499,296	\$ 249,719	\$ (46,678)	\$ 46,110	\$ 1,463,145	\$ 4,610,269
Accounts receivable	544,576	26,967	322,440	13	28,279	6,984	51,236	980,495
Interfund receivable	101,206							101,206
Prepaid expenses	37,787							37,787
Restricted assets								
Escrow deposits								
TOTAL ASSETS	\$ 1,838,394	\$ 1,270,819	\$ 821,736	\$ 249,732	\$ (18,399)	\$ 53,094	\$ 1,514,381	\$ 5,729,757
LIABILITIES								
Accounts payable	\$ 154,802	\$ 11,893	\$ 106,638	\$ 839	\$	\$ 1,968	\$ 386,024	\$ 662,164
Accrued expenses	600,231			1,024			20,060	621,315
Interfund payable	123,564	95,531	34,008		23,003	5,642	17,968	299,716
Deferred revenue							1,400	1,400
Member deposits	37,787		17,500					55,287
Escrow deposits								
TOTAL LIABILITIES	916,384	107,424	158,146	1,863	23,003	7,610	425,452	1,639,882
FUND BALANCES								
Reserved for:								
Capital projects		1,163,395	663,590					1,826,985
Debt service					(41,402)			(41,402)
Unreserved, reported in:								
General fund	922,010			247,869			1,088,929	922,010
Special revenue funds						45,484		1,382,282
TOTAL FUND BALANCES	922,010	1,163,395	663,590	247,869	(41,402)	45,484	1,088,929	4,089,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,838,394	\$ 1,270,819	\$ 821,736	\$ 249,732	\$ (18,399)	\$ 53,094	\$ 1,514,381	\$ 5,729,757

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

DECEMBER 31, 2009

TOTAL GOVERNMENTAL FUND BALANCES	\$	4,089,875
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$93,002,868 and the accumulated depreciation is \$11,889,787		81,113,081
Deferred charges for issuance of debt, net of amortization are recorded as expenditures in the governmental funds. The Statement of Net Assets includes these amounts as assets		40,202
Accrued expenses are adjusted for accrued vacation included in compensated absences		328,927
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:		
Accrued interest		(24,471)
Bonds and notes payable, including premiums		(13,823,200)
Accumulated compensated absences		<u>(915,024)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>70,809,390</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Capital Reserve	Street Project	9-11 Memorial Fund	Debt Service	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Real estate taxes	\$ 4,866,634	\$	\$	\$	\$ 1,361,325	\$ 459,483	\$ 1,052,775	\$ 7,740,217
Real estate transfer taxes	799,733							799,733
Other taxes	211,022							211,022
Licenses, permits and fees	948,907							948,907
Fines, forfeits and costs	94,356							94,356
Interest earnings	3,973	12,142	1,988	2,927	1,109	341	5,090	27,570
Rental income	273,531	25,000	333,807	5,000		349,445	45,094	343,625
Intergovernmental revenues	759,651					27,370	738,514	2,186,417
Charges for services	559,086	600		84,869			121,971	708,427
Contributions	31,431						27,826	144,726
Miscellaneous income	62,197						69,749	131,946
TOTAL REVENUES	8,610,521	37,742	335,795	92,796	1,362,434	836,639	2,061,019	13,336,946
EXPENDITURES								
General government	1,592,373	129,667				722,332	125,659	1,722,040
Public safety	4,610,083						1,126,387	5,458,074
Public works	1,054,190			99,993			572,033	2,180,577
Parks and recreation			365,947	107,775			29,936	395,883
Community development		292,455					154,830	555,060
Capital outlay								330,765
Insurance	330,765							1,646,174
Employee benefits	1,646,174				1,136,772	18,625		1,155,397
Debt service					566,490	27,912		594,402
Principal								
Interest								
TOTAL EXPENDITURES	9,233,585	422,122	365,947	207,768	1,703,262	768,869	2,008,845	14,710,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(623,064)	(384,380)	(30,152)	(114,972)	(340,828)	67,770	52,174	(1,373,452)
OTHER FINANCING SOURCES (USES)								
Refund prior year expenditure	123,828					209	6,099	130,136
Gain on sale of capital assets	9,146							9,146
Operating transfers in	567,780	160,000			233,296			961,076
Operating transfers (out)	(327,801)	(42,009)				(29,530)	(524,545)	(923,885)
TOTAL OTHER FINANCING SOURCES (USES)	372,953	117,991	117,991		233,296	(29,321)	(518,446)	176,473
NET INCREASE (DECREASE) IN FUND BALANCES	(250,111)	(384,380)	87,839	(114,972)	(107,532)	38,449	(466,272)	(1,196,979)
FUND BALANCES, BEGINNING	1,172,121	1,547,775	575,751	362,841	66,130	7,035	1,555,201	5,286,854
FUND BALANCES, ENDING	\$ 922,010	\$ 1,163,395	\$ 663,590	\$ 247,869	\$ (41,402)	\$ 45,484	\$ 1,088,929	\$ 4,089,875

TOWNSHIP OF LOWER MAKEFIELD

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

FOR THE YEAR ENDED DECEMBER 31, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (529,850)

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Depreciation of \$1,021,277 less current year expenditures for capital assets of \$555,060 466,217

Proceeds from bonds are revenue and repayment of bond principal is an expenditure in the Governmental Funds, but the proceeds increase long-term liabilities, net of the repayment, in the Statement of Net Assets. Also, Governmental Funds report the effect of premiums when debt is issued, but these amounts are deferred and amortized in the Statement of Activities (1,152,147)

Accrued vacation requires the use of current financial resources and therefore is reported as expenditures in governmental funds 3,719

Compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds 18,842

In the Governmental Funds, interest on long-term debt is reported as interest expense when due, but in the Statement of Activities it is accrued (3,760)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,196,979)

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

**COMBINED STATEMENT OF NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
ASSETS				
CURRENT ASSETS				
Cash	\$ 983,165	\$ 299,204	\$ 663,258	\$ 1,945,627
Accounts receivable	1,328,554	26	13	1,328,593
Inventory			51,160	51,160
Prepaid expenses	5,655		4,000	9,655
TOTAL CURRENT ASSETS	<u>2,317,374</u>	<u>299,230</u>	<u>718,431</u>	<u>3,335,035</u>
CAPITAL ASSETS				
Property, plant and equipment	37,592,670	3,323,121	15,877,027	56,792,818
Accumulated depreciation	<u>(17,720,670)</u>	<u>(2,467,358)</u>	<u>(2,223,804)</u>	<u>(22,411,832)</u>
	19,872,000	855,763	13,653,223	34,380,986
OTHER ASSETS				
Deferred charges, net of accumulated amortization	<u>117,467</u>		<u>125,870</u>	<u>243,337</u>
TOTAL ASSETS	<u>\$ 22,306,841</u>	<u>\$ 1,154,993</u>	<u>\$ 14,497,524</u>	<u>\$ 37,959,358</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 363,210	\$ 5,006	\$ 121,205	489,421
Accrued expense	253,279	5,819		259,098
Interfund payable				0
Deferred revenue			113,427	113,427
Current portion of long-term debt	<u>239,096</u>		<u>428,728</u>	<u>667,824</u>
TOTAL CURRENT LIABILITIES	<u>855,585</u>	<u>10,825</u>	<u>663,360</u>	<u>1,529,770</u>
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds and notes payable	<u>7,673,088</u>		<u>14,445,899</u>	<u>22,118,987</u>
TOTAL LIABILITIES	<u>8,528,673</u>	<u>10,825</u>	<u>15,109,259</u>	<u>23,648,757</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	11,959,817	855,763	(1,221,404)	11,594,176
Unrestricted	<u>1,818,351</u>	<u>288,405</u>	<u>609,669</u>	<u>2,716,425</u>
TOTAL NET ASSETS (DEFICIT)	<u>13,778,168</u>	<u>1,144,168</u>	<u>(611,735)</u>	<u>14,310,601</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 22,306,841</u>	<u>\$ 1,154,993</u>	<u>\$ 14,497,524</u>	<u>\$ 37,959,358</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	ENTERPRISE FUNDS			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
OPERATING REVENUES				
Charges for services	\$ 4,472,603	\$ 694,484	\$ 2,536,192	\$ 7,703,279
Miscellaneous	27,835	86,355		114,190
TOTAL OPERATING REVENUES	<u>4,500,438</u>	<u>780,839</u>	<u>2,536,192</u>	<u>7,817,469</u>
OPERATING EXPENSES				
Operations	3,700,163	635,940	2,010,666	6,346,769
Depreciation	479,367	95,282	355,246	929,895
TOTAL OPERATING EXPENSES	<u>4,179,530</u>	<u>731,222</u>	<u>2,365,912</u>	<u>7,276,664</u>
OPERATING INCOME	<u>320,908</u>	<u>49,617</u>	<u>170,280</u>	<u>540,805</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	7,644	3,885	6,071	17,600
Tapping fees	19,640			19,640
Interest expense	(347,269)		(368,826)	(716,095)
Amortization	(5,506)		(9,682)	(15,188)
Bond discount	(1,104)		(1,272)	(2,376)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(326,595)</u>	<u>3,885</u>	<u>(373,709)</u>	<u>(696,419)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND FUND TRANSFERS	<u>(5,687)</u>	<u>53,502</u>	<u>(203,429)</u>	<u>(155,614)</u>
CONTRIBUTIONS AND FUND TRANSFERS				
Depreciation, net of related capital contributions	(330,706)			(330,706)
Transfers out	(249,996)	(99,996)		(349,992)
TOTAL CONTRIBUTIONS AND FUND TRANSFERS	<u>(580,702)</u>	<u>(99,996)</u>		<u>(680,698)</u>
CHANGE IN NET ASSETS	<u>(586,389)</u>	<u>(46,494)</u>	<u>(203,429)</u>	<u>(836,312)</u>
TOTAL NET ASSETS (DEFICIT), BEGINNING	<u>14,364,557</u>	<u>1,190,662</u>	<u>(408,306)</u>	<u>15,146,913</u>
TOTAL NET ASSETS (DEFICIT), ENDING	<u>\$ 13,778,168</u>	<u>\$ 1,144,168</u>	<u>\$ (611,735)</u>	<u>\$ 14,310,601</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 4,411,472	\$ 781,159	\$ 2,537,505	\$ 7,730,136
Cash payments to suppliers	(3,382,540)	(337,735)	(1,178,349)	(4,898,624)
Cash payments to employees	(318,528)	(376,290)	(715,031)	(1,409,849)
Cash payments to other governments	(23,375)	(25,725)	(57,661)	(106,761)
Net cash provided by operating activities	<u>687,029</u>	<u>41,409</u>	<u>586,464</u>	<u>1,314,902</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds	(249,996)	(99,996)		(349,992)
Tapping fees	19,640			19,640
Net cash used in noncapital financing activities	<u>(230,356)</u>	<u>(99,996)</u>		<u>(330,352)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(187,962)	(51,337)	(29,352)	(268,651)
Principal paid on long-term debt	(231,375)		(415,000)	(646,375)
Interest paid on long-term debt	(347,269)		(368,826)	(716,095)
Net cash used in capital and related financing activities	<u>(766,606)</u>	<u>(51,337)</u>	<u>(813,178)</u>	<u>(1,631,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings from investments	7,644	3,885	6,070	17,599
Net increase (decrease) in cash and cash equivalents	(302,289)	(106,039)	(220,644)	(628,972)
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,285,454	405,243	883,902	2,574,599
End of year	<u>\$ 983,165</u>	<u>\$ 299,204</u>	<u>\$ 663,258</u>	<u>\$ 1,945,627</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 320,908	\$ 49,617	\$ 170,280	\$ 540,805
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	479,367	95,282	355,246	929,895
(Increase) decrease in				
Accounts receivable	(88,966)	319	(13)	(88,660)
Interfund receivable			1,326	1,326
Inventory			(8,269)	(8,269)
Prepaid expenses	(5,047)	35	(4,000)	(9,012)
Increase (decrease) in				
Accounts payable and accrued expenses	(44,934)	(63,844)	67,633	(41,145)
Interfund payable		(40,000)	(1,325)	(41,325)
Deferred revenue	25,701		5,586	31,287
	<u>\$ 687,029</u>	<u>\$ 41,409</u>	<u>\$ 586,464</u>	<u>\$ 1,314,902</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 687,029</u>	<u>\$ 41,409</u>	<u>\$ 586,464</u>	<u>\$ 1,314,902</u>
 SUPPLEMENTAL DISCLOSURES				
Noncash investing and financing activities				
Depreciation, net of related capital assets contributions	<u>\$ 330,706</u>			

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

**COMBINED STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Pension Trust Funds		Deferred Retirement	Unemployment Compensation		Total
	Police Pension	Non-Uniform Pension	Option Plan Fund	Trust Fund	Agency Fund	Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS						
Cash and cash equivalents	\$ 201,782	\$ 131,213	\$	\$ 84,489	\$ 224,929	\$ 642,413
Investments	6,691,452	3,905,621	373,683			10,970,756
Accounts receivable				4	146,444	146,448
	<u>6,893,234</u>	<u>4,036,834</u>	<u>373,683</u>	<u>84,493</u>	<u>371,373</u>	<u>11,759,617</u>
TOTAL ASSETS						
LIABILITIES						
Accounts payable				841	196,873	197,714
Due to developers					174,500	174,500
				<u>841</u>	<u>371,373</u>	<u>372,214</u>
TOTAL LIABILITIES						
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES						
(Schedule of funding progress for the plan is on page 62).	<u>\$ 6,893,234</u>	<u>\$ 4,036,834</u>	<u>\$ 373,683</u>	<u>\$ 83,652</u>	<u>\$</u>	<u>\$ 11,387,403</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD

**COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Pension Trust Funds		Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Total Fiduciary Funds
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>			
ADDITIONS					
Contributions					
Employer	\$ 12,701	\$ 220,264	\$	\$	\$ 232,965
Investment income (loss)	1,128,480	633,781	9,036	258	1,771,555
Transfers in					
Police Pension Fund			168,057		168,057
State aid	312,801				312,801
TOTAL ADDITIONS	<u>1,453,982</u>	<u>854,045</u>	<u>177,093</u>	<u>258</u>	<u>2,485,378</u>
DEDUCTIONS					
Administrative expenses	43,732	35,920			79,652
Benefits	330,547	128,392		2,160	461,099
Transfer out to DROP Fund	168,057				168,057
TOTAL DEDUCTIONS	<u>542,336</u>	<u>164,312</u>	<u>0</u>	<u>2,160</u>	<u>708,808</u>
CHANGE IN NET ASSETS	911,646	689,733	177,093	(1,902)	1,776,570
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES					
BEGINNING OF YEAR	<u>5,981,588</u>	<u>3,347,101</u>	<u>196,590</u>	<u>85,554</u>	<u>9,610,833</u>
END OF YEAR	<u>\$ 6,893,234</u>	<u>\$ 4,036,834</u>	<u>\$ 373,683</u>	<u>\$ 83,652</u>	<u>\$ 11,387,403</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Lower Makefield, Yardley, Pennsylvania (the Township), formed in 1692, exists as a Second Class Township and is a "local government unit" as defined under the Local Government Unit Debt Act of the General Assembly of the Commonwealth of Pennsylvania.

The five-member governing body of the Township is the Board of Supervisors. A Township Manager is appointed by, and serves at the discretion of, the Board of Supervisors to administer the daily operations of the Township. Principal services provided by the Township include public safety, maintenance of the roads and highways, culture and recreation, maintenance of the sewer system and general governmental administration.

The financial statements of the Township have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements. Pronouncements of the FASB issued after November 30, 1989, are not applied in the preparation of the financial statements of the Proprietary Funds.

The most significant of the Township's accounting policies are described below.

Reporting Entity

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable and, as such, be included in the Township's financial statements. In accordance with GASB Statement No. 14, the Township is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Management has elected to include the Municipal Sewer Authority of the Township of Lower Makefield (the Authority) as a blended component unit in the December 31, 2009 annual financial report. The authority is reported as if it were part of the Township because its sole purpose is to finance and construct the Township's facilities. The Authority issues a separately audited financial statement. Copies of this report may be obtained from the Township Finance Director.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reporting Entity, continued

Management has elected not to include the following potential component units in the December 31, 2009 annual financial report:

- Yardley-Makefield Fire Company
- Lower Makefield Farmland Preservation, Inc.
- Yardley-Makefield Rescue Squad

These entities are under the direction of a separate independent board. These entities are organized under a separate charter and, therefore, not included in the annual financial report.

Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

The Township reports the following major Governmental Funds:

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Reserve Fund (Capital Project Fund)

The Capital Reserve Fund is used to account for financial resources to be used for acquisitions or construction of major capital assets (other than those financed by the Street Project Fund, the 9-11 Memorial Fund, and Proprietary Funds).

Street Project Fund (Capital Project Fund)

The Street Project Fund is used to account for financial resources that are used for the repair or construction of street projects not funded by the Liquid Fuels Funds.

9-11 Memorial Fund

The 9-11 Memorial Fund is used to account for financial resources that are used for the completion of the Garden of Reflection.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Accounting, continued

The Township reports the following major Proprietary Funds:

Sewer Fund

The Sewer Fund accounts for the activities of the sewer system infrastructure, sewage pumping stations and collection systems.

Community Pool Fund

The Community Pool Fund accounts for the operations of the Township's municipal pool.

Golf Course Fund

The Golf Course Fund accounts for the construction and operation of the Township's municipal golf course.

Additionally, the Township reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources. The Township's Special Revenue Funds include: Liquid Fuels, Hydrant, Ambulance, Fire Protection, Parks and Recreation, Street Light, Five Mile Woods, Basin Maintenance, Parks and Recreation Fee-in-Lieu, Library, and Traffic Impact.

Pension Trust Funds

The Pension Trust Funds are used to account for the assets and liabilities held by the Township in a trustee capacity for the police officers and non-uniform employees pension plans.

Deferred Retirement Option Plan Fund

The Deferred Retirement Options Plan Fund is used to account for the assets and liabilities held by the Township in a trustee capacity for police officers within 48 months of retirement (See Note 10).

Unemployment Compensation Trust Fund

The Unemployment Compensation Trust Fund is used to account for the assets and liabilities related to the Township's self-insured unemployment compensation coverage.

Agency Fund

The Agency Fund accounts for the assets held as an agent for the various developer escrows.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting

Government-Wide Financial Statement

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differ from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

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

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Other Governmental Funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Fund Financial Statements, continued

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally 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. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which report on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets (deficit). The statement of revenues, expenses and changes in net assets (deficit) presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer charges, golf fees and pool membership fees. Operating expenses for the Township's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Cash Equivalents

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Investments

Investments are valued at fair value. Investment income attributable to the Township's concentration accounts is allocated to the Township's various funds based on the ratio of each participating fund's average balance to the total pooled average balance.

State statutes authorize the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and insured certificates of deposit.

Short-Term Interfund Receivables / Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables / payables".

Inventory and Prepaid Expenditures / Expenses

Inventories are valued as cost using the average-cost method. Inventory in the Golf Course Fund is capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

The inventories on hand in the Golf Course Fund at December 31, 2009, consist of the following:

Pro Shop	\$ 36,788
Food and Beverage	<u>14,372</u>
	<u>\$ 51,160</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures / expenses in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructures (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems) and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased on constructed. Donated capital assets are recorded at estimated fair market value at the date of donation

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Capital Assets, continued

The cost 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. Interest and real estate taxes incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed and associated land.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	Years
Infrastructure	20
Land Improvements	5-40
Plant and Pools	4-40
Building and Building Improvements	40
Furniture and Equipment	5
Vehicles	3-10

Long-Term Obligations

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds statement of net assets (deficit). Bond / note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond / notes payable are reported net of the applicable bond premium or discount. Bond / note issue costs are reported as deferred charges and amortized over the term of the related debt.

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

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Township before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Fund Equity

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Real Estate Tax Calendar

Property taxes are levied no later than the fourth Monday in March of each year based on assessed values as of the preceding January 1 for all real property located in the Township. Taxpayers are granted discounts if payments are made by April 30 and are subject to penalties if payments are not made by June 30. An elected tax collector monitors, collects and remits property taxes to the Township.

The Township also annually levies a \$10 per capita tax on all residents over the age of 18. In addition, real estate transfer taxes received by the Township are .5% on the transfer of title of real property in the Township. The total levied for real estate transfer taxes is 2%, with the balance of 1.5% paid to the school district and the county.

The tax collector, who is responsible for collecting taxes on behalf of the Township, County and School District, is an elected official. The Township regards the tax collector’s office as a separate entity and, therefore, does not account for its activity in the financial statements.

Compensated Absences

The Township accounts for compensated absences by complying with GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid. Certain Township employees are entitled to vacation pay based on years of service. Police officers are entitled to a maximum of 60 days sick pay upon retirement. In addition, per the terms of the Township’s police contract, officers are due certain other benefits after retirement.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Compensated Absences, continued

These benefits include six months of medical and life insurance coverage and supplemental cash payments. A new CBA was enacted effective January 1, 2010 which would extend the 30 month window an additional 60 months if an officer elects to retire by December 31, 2010. As of the date of these statements no officer has made this election.

Deferred Charges

Deferred charges consist of bond and note issue costs, which are amortized over the life of the debt.

	Deferred Charges	Accumulated Amortization	Net
Governmental Activities	\$ 69,963	\$ (29,761)	\$ 40,202
Business-Type Activities			
Sewer Funds	137,656	(20,189)	117,467
Golf Course Fund	209,089	(83,219)	125,870
	346,745	(103,408)	243,337
	\$ 416,708	\$ (133,169)	\$ 283,539

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. As of December 31, 2009, the carrying amount of the Township's deposits was \$6,899,843. The Township's bank balance was \$7,284,835, of which \$7,034,835 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Township's name	\$ 7,034,835
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TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, continued

Investments

As of December 31, 2009, the Township had the following investments and maturities in its Pension Trust and Deferred Retirement Option Plan Funds:

<u>Investment Type</u>	<u>Fair Value</u>			<u>Totals</u>
	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Deferred Retirement Option Plan</u>	
U.S. Government Mutual Funds Equities	\$ 2,637,362	\$ 1,573,203	\$	\$ 4,210,565
Mutual Funds	1,743,460	937,126		2,680,586
Investment Contract	2,310,630	1,395,292	373,683	3,705,922
Total	\$ 6,691,452	\$ 3,905,621	\$ 373,683	\$ 10,970,756
	<u>Investment Maturities</u>			
<u>Investment Type</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Five to Ten Years</u>	<u>Totals</u>
U.S. Government Mutual Funds Equities	\$ 4,210,565	\$	\$	\$ 4,210,565
Mutual Funds	2,680,586			2,680,586
Investment Contract	3,705,922			3,705,922
	373,683			373,683
Total	\$ 10,970,756	\$	\$	\$ 10,970,756

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, continued

Investments, continued

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, the Township's Pension Trust Funds' investment policy limits investments to the following criteria:

<u>Asset Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
Cash	0%	10%
Fixed Income	30%	50%
Equities	50%	70%

Restrictions

Fixed Income

- Average credit quality – AA, maximum of 10% in BBB.
- Minimum issuer credit quality – investment grade.
- Duration range – 80% to 120% of index duration.
- No maturity may exceed 30 years.

Equities

- Mutual funds are acceptable vehicles for equity allocation.
The allocation may include international and small cap funds.

The Township's Pension Trust Funds met these requirements. All other investments of the Township follow state statute as it relates to interest rate risk.

Credit Risk

The Township's Pension Trust Funds' credit risk policy is described under interest rate risk restrictions. The Township's investments in corporate bonds have ratings ranging from A1 to AA3 by Moody's.

Concentration of Credit Risk

The Township's Pension Trust Funds' concentration of credit risk is described in Note 7.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	Governmental Type Funds							Total Governmental Funds
	General Fund	Capital Reserve Fund	Street Project Fund	Debt Service Fund	Fire Protection Fund	Nonmajor Funds		
Taxes	\$ 213,003	\$ 7,771	\$ 26	\$ 28,260	\$ 6,984	\$ 22,021	\$ 270,268	
Interest	76			19		82	7,974	
Other Fees and Assessments	331,497	19,196	322,414			29,146	702,253	
Totals	\$ 544,576	\$ 26,967	\$ 322,440	\$ 28,279	\$ 6,984	\$ 51,249	\$ 980,495	
	<u>Proprietary Funds</u>							
	<u>Enterprise Funds</u>	<u>Fiduciary Funds</u>						
Taxes	\$ 39	\$ 14						
Interest								
Other Fees and Assessments								
Sewer Billings Due from Developers	1,328,554	146,434						
Totals	\$ 1,328,593	\$ 146,448						

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

4. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

Interfund transfers are summarized as follows:

	Operating Transfers In	Operating Transfers Out
	<u> </u>	<u> </u>
General Fund	\$ 567,780	\$ 327,801
Street Project Fund	160,000	42,009
Fire Protection Fund		29,530
Debt Service Fund	233,296	
Other Governmental Funds	77,000	601,545
Enterprise Funds		
Sewer Fund		249,996
Community Pool Fund		99,996
Pension Trust Funds		
Police Pension	312,801	168,057
Option Plan Fund	<u>168,057</u>	
Total	<u>\$1,518,934</u>	<u>\$1,518,934</u>

The Township typically transfers budgeted dollar amounts from the General Fund to the Pension Trust Fund to fund the Township's current year minimum municipal obligation.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2009	Additions	Disposals and Reclassifications	Balance December 31, 2009
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 19,508,249	\$ 9,000	\$	\$ 19,517,249
Infrastructure	49,461,786	9,990		49,471,776
Construction in Progress		3,685		3,685
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	68,970,035	22,675		68,992,710
Capital Assets Being Depreciated				
Infrastructure	1,523,322	-		1,523,322
Land Improvements	6,813,031	183,572		6,996,603
Buildings and Improvements	7,844,720	33,450		7,878,170
Furniture and Equipment	3,031,604	48,576		3,080,180
Vehicles	4,265,096	266,787		4,531,883
	23,477,773	532,385		24,010,158
Accumulated Depreciation	(10,868,510)	(1,021,277)		(11,889,787)
TOTAL CAPITAL ASSETS, NET	12,609,263	(488,892)		12,120,371
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	81,579,298	(466,217)		81,113,081
BUSINESS ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	4,197,081	5,000		4,202,081
Construction in Progress	63,130	-		63,130
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,260,211	5,000		4,265,211
Capital Assets Being Depreciated				
Land Improvements	8,742,133	5,817		8,747,950
Plant and Pools	39,148,745	207,680		39,356,425
Buildings and Improvements	2,855,977			2,855,977
Furniture and Equipment	1,517,101	50,154		1,567,255
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,263,956	263,651		52,527,607
Accumulated Depreciation	(21,151,481)	(1,260,351)		(22,411,832)
TOTAL CAPITAL ASSETS, NET	31,112,475	(996,700)		30,115,775
TOTAL BUSINESS ACTIVITY CAPITAL ASSETS, NET	35,372,686	(991,700)		34,380,986
TOTAL CAPITAL ASSETS, NET	\$ 116,951,984	\$ (1,457,917)	\$	\$ 115,494,067

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS, continued

The net book value of each capital assets category for governmental and business activity is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
GOVERNMENTAL ACTIVITIES			
Capital Assets Not Being Depreciated			
Land	\$ 19,517,249	\$	\$ 19,517,249
Construction in Progress	3,685		3,685
Infrastructure	49,471,776		49,471,776
Capital Assets Being Depreciated			
Infrastructure	1,523,322	(821,301)	702,021
Land Improvements	6,996,603	(2,262,517)	4,734,086
Buildings and Improvements	7,878,170	(2,830,046)	5,048,124
Furniture and Equipment	3,080,180	(2,865,007)	215,173
Vehicles	4,531,883	(3,110,916)	1,420,967
TOTAL GOVERNMENTAL ACTIVITIES	<u>93,002,868</u>	<u>(11,889,787)</u>	<u>81,113,081</u>
BUSINESS ACTIVITIES			
Capital Assets Not Being Depreciated			
Land	4,202,081		4,202,081
Construction in Progress	63,130		63,130
Capital Assets Being Depreciated			
Land Improvements	8,747,950	(1,271,591)	7,476,359
Plant and Pools	39,356,425	(19,513,808)	19,842,617
Buildings and Improvements	2,855,977	(719,264)	2,136,713
Furniture and Equipment	1,567,255	(907,169)	660,086
TOTAL BUSINESS ACTIVITIES	<u>56,792,818</u>	<u>(22,411,832)</u>	<u>34,380,986</u>
TOTALS	<u>\$ 149,795,686</u>	<u>\$ (34,301,619)</u>	<u>\$ 115,494,067</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 86,436
Public Safety	311,417
Public Works	393,260
Parks & Recreation	230,164
Total	<u>\$ 1,021,277</u>

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Township for the year ended December 31, 2009:

	Principal Outstanding January 1, 2009	Deletions / Maturities	Principal Outstanding December 31, 2009	Due Within One Year
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds:				
Series of 2003	\$ 5,985,000	\$ (395,000)	\$ 5,590,000	\$ 700,000
Series of 2006	643,725	(18,625)	625,100	19,370
General Obligation Notes:				
Series A of 2001	600,000	(600,000)		
Series B of 2001	4,655,000		4,655,000	22,000
Series of 2004	2,745,000	(92,000)	2,653,000	96,000
Notes Payable				
Commonwealth of PA, PEMA Bucks County:	101,668	(9,193)	92,475	9,378
Land Purchase				
Equipment Purchase				
PNC Bank	235,661	(40,580)	195,081	42,654
Deferred Amounts:				
Issuance Premiums	14,112	(1,568)	12,544	1,568
TOTALS	14,980,166	(1,156,966)	13,823,200	890,970
Compensated Absences	896,182	18,842	915,024	
TOTAL GOVERNMENTAL ACTIVITIES	15,876,348	(1,138,124)	14,738,224	890,970
BUSINESS ACTIVITIES				
General Obligation Bonds:				
Series of 2005	6,800,000	(415,000)	6,385,000	430,000
Series of 2006	8,176,275	(231,375)	7,944,900	240,630
General Obligation Notes:				
Series A of 2002	3,470,000		3,470,000	
Series B of 2002	5,036,000		5,036,000	
Deferred Amounts				
Issuance Discounts	(51,464)	2,375	(49,089)	(3,406)
TOTAL BUSINESS-TYPE ACTIVITIES	23,430,811	(644,000)	22,786,811	667,224
TOTAL LONG-TERM LIABILITIES	\$ 39,307,159	\$ (1,782,124)	\$ 37,525,035	\$ 1,558,194

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

Bonds and notes payable at December 31, 2009, consisted of:

General Obligation Note, Series of 2004, payable to Delaware Valley Regional Finance Authority (DVRFA) for the purpose of acquiring open space and constructing Township parks and facilities; principal was payable annually beginning June, 2006, interest was payable monthly beginning December, 2004, at a variable rate, with maturity scheduled for June, 2028. \$ 2,653,000

General Obligation Bonds, Series of 2003, issued in 2003 for the purpose of refunding the Township's General Obligation Bonds, Series of 1997 and 1998; principal was payable annually beginning December, 2003, interest was payable semiannually beginning June 2003 at rates ranging from 1.15% to 4.5%. 5,590,000

General Obligation Note, Series B of 2001, payable to DVRFA for the purpose of renovating buildings and facilities, the acquisition of open space and the acquisition of fire equipment and facilities; principal will be payable annually beginning December, 2010, interest was payable monthly beginning July, 2001, at a rate of 5.01%, with maturity scheduled for December, 2021. 4,655,000

Note payable to the Commonwealth of Pennsylvania Emergency Management Agency for the purpose of constructing an emergency services building and related improvements; the note was issued to the Yardley-Makefield Rescue Squad; the Township assumed payments on the note in July, 2001, with the acquisition of The Rescue Squad Building; principal and interest are due monthly at a rate of 2% through January, 2019. 92,475

Note payable to PNC Bank for the purpose of construction of an emergency services building and related improvements; principal and interest is payable quarterly at a rate of 4.46% through January, 2014; a corresponding note receivable from the Rescue Squad has been established for repayment of principal plus accrued interest to the Township 195,081

SUBTOTAL \$ 13,185,556

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

SUBTOTAL FORWARD \$ 13,185,556

General Obligation Note, Series A of 2002, payable to DVRFA for the purpose of construction of a municipal golf course; principal will be payable annually beginning June, 2022, interest was payable monthly beginning June, 2003, at a variable rate not to exceed 3.5%, with maturity scheduled for June, 2028. 3,470,000

General Obligation Note, Series B of 2002, payable to DVRFA for the purpose of construction a municipal golf course; principal will be payable annually beginning June, 2022, interest was payable monthly beginning June, 2003, at a variable rate not to exceed 3.5%, with maturity scheduled for June, 2028. 5,036,000

General Obligation Bonds, Series of 2005, issued in 2005 for the purpose of refinancing the Township's General Obligation Notes, Series A and B of 2002; principal was payable annually beginning June, 2006, interest was payable semiannually beginning December, 2005, at rates ranging from 2.55% to 4.35%, with maturity scheduled for June, 2021. 6,385,000

General Obligation Bonds, Series of 2006, issued in 2006 for the purpose of advance refinancing a portion of the 2003 Series that pertains to the sewer system and with funding current sewer system renovations and purchase of fire equipment; principal was payable annually beginning in September, 2006, interest was payable semi-annually beginning in September, 2006, at fixed intervals, ranging from 3.50% to 4.50%, with maturity scheduled for June, 2021. 8,570,000

\$ 36,646,556

Funds to repay outstanding bonds and notes will be provided from future taxes, other general revenues and charges for services. Total interest expense paid during the year ended December 31, 2009, was \$1,310,497. Interest costs incurred and charged to expenditures for the year ended December 31, 2009, were \$27,912 in the Fire Fund, \$566,490 in the Debt Service Fund, \$347,269 in the Sewer Fund and \$368,826 in the Golf Course Fund.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

Bond Issuance and Advance Refunding

In a prior year, Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At December 31, 2009, the Township's portion of bonds outstanding that are considered defeased is \$765,000.

Debt Service Requirements

A summary of long-term debt service requirements to maturity, including principal and interest, other than compensated absences is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2010	1,564,802	1,475,046	3,039,848
2011	1,613,230	1,459,699	3,072,929
2012	1,667,539	1,397,541	3,065,080
2013	1,733,751	1,331,343	3,065,094
2014	1,763,098	1,260,772	3,023,870
2015 to 2019	9,622,578	5,124,997	14,747,575
2020 to 2024	7,132,558	2,965,219	10,097,777
2025 to 2029	6,422,000	1,480,763	7,902,763
2030 to 2032	<u>5,127,000</u>	<u>203,156</u>	<u>5,330,156</u>
	<u>\$ 36,646,556</u>	<u>\$ 16,698,536</u>	<u>\$ 53,345,092</u>

The Township is subject to the Local Governmental Unit Debt Act of the Commonwealth of Pennsylvania, which limits the amount of net bonded debt the Township may have outstanding as of a point of time. The Township's bonded indebtedness as of the statement of net assets date is not in excess of statutory limits.

The various bond indentures contain limitations and restrictions on annual debt service requirements, maintenance of flow of monies through various sinking funds. Management believes the Township is in compliance with all such significant financial limitations and restrictions.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS

Description of Plans

The Township of Lower Makefield sponsors a single employer defined benefit pension plan for both police officers and non-police employees of the Township. These plans are included in the Pension Trust Fund of the Township and are controlled by various ordinances adopted pursuant to Pennsylvania Act 205.

At January 1, 2009 (the most recent valuation date), the Township's pension plan membership consisted of:

	Police Pension Plan	Non-Uniform Pension Plan
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	16	22
Current Employees	30	38
TOTAL MEMBERSHIP	46	60

Police Pension Plan

The Township sponsors a Public Employee Retirement System (PERS) to provide retirement and disability benefits as well as the return of members' contributions in the event of death. For the year ended December 31, 2009 the plan's assets were managed by Glenmede Trust Company. All benefits vest after 12 years of credited service. Employees who retire at or after age 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average salary. Final average salary is the employee's average base salary over the last three years of credited service. Covered employees are not currently required to contribute to the pension plan. If an employee leaves covered employment or dies before age 65, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS, continued

Non-Uniform Pension Plan

The Township sponsors a Public Employee Retirement System (PERS) to provide retirement benefits as well as death and disability benefits. For the year ended December 31, 2009, the plan's assets were managed by Glenmede Trust Company. All benefits vest after five years of credited service. Employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit paid monthly for life in an amount equal to 2.00% of average annual compensation multiplied by credited service up to 30 years. Final average salary is the employee's average salary, including overtime, over the three years of credited service. Employees with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

Covered employees are not currently required by statute to contribute to the pension plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the amounts necessary to fund the plans. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Summary of Significant Accounting Policies

Basis of Accounting

Pension plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Investments are reported at fair value. Market related value of assets is used to determine the indicated contribution.

Financial Reporting

A separate financial statement is not issued on the pension plans.

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS, continued

Plan Expenses

Plan expenses are paid from plan assets.

Concentrations

At December 31, 2009, there were no investments of the Police Pension Plan (other than U.S. Government and U.S. Government guaranteed obligations and mutual funds) in any one organization that represented 5% or more of net assets available for benefits ($\$6,893,234 \times .05 = \$344,662$). Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

At December 31, 2009, there were no investments of the Non-Police Pension Plan (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represented 5% or more of net assets available for benefits ($\$4,036,834 \times .05 = \$201,842$). Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

TOWNSHIP OF LOWER MAKEFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS, continued

Schedules of Contributions from the Employer and Other Contributing Entities

Police Pension Plan

Year Ended December 31,	Annual Required Contribution*	<u>Contribution Source</u>		Totals	Percentage Contributed
		State Aid	Employer		
2005	\$ 348,424	\$ 286,824	\$ 61,600	\$ 348,424	100.00%
2006	316,627	305,764	10,863	316,627	100.00%
2007	353,655	330,258	23,397	353,655	100.00%
2008	343,677	328,192	15,485	343,677	100.00%
2009	325,502	312,801	12,701	325,502	100.00%

Non-Uniform Pension Plan

Year Ended December 31,	Annual Required Contribution*	<u>Contribution Source</u>		Totals	Percentage Contributed
		State Aid	Employer		
2005	\$ 203,574	\$	\$ 203,574	\$ 203,574	100.00%
2006	280,732		280,732	280,732	100.00%
2007	268,812		268,812	268,812	100.00%
2008	241,835		241,835	241,835	100.00%
2009	220,264		220,264	220,264	100.00%

*Per minimum municipal obligation calculation, adopted by resolution by Board of Supervisors.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Police Pension Plan

Valuation date	January 1, 2009
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	20.17 years
Assets valuation method	5 year fresh start smoothing method
Actuarial assumptions	
Investment rate of return	8% per annum
Projected salary increases	5% compounded annually

Non-Uniform Pension Plan

Valuation date	January 1, 2009
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	13.28 years
Assets valuation method	5 year fresh start smoothing method
Actuarial assumptions	
Investment rate of return	8% per annum
Projected salary increases	5% compounded annually

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. TRANSACTIONS WITH DEVELOPERS

In connection with the development agreements for the construction of residential housing within the Township, the Township receives contributions from developers to finance various infrastructure and related costs and to fund legal, engineering and other costs of administering regulatory responsibilities concerning development of real estate.

The Township also receives developer deposits applicable to plan review and development billing activities. In such instances, the Township is required to hold such deposits in escrow and refund amounts not ultimately required to fund anticipated administrative costs. Potentially refundable deposits are accounted for in Agency Funds, which reflect a liability to various developers of \$174,500 as of December 31, 2009.

9. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Contributions are invested with an outside trustee, ICMA Retirement Corporation.

On August 21, 2000, the Board of Supervisors passed a resolution to comply with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, reestablishing the ICMA Retirement Corporation Deferred Compensation Plan and Trust. The resolution directs that the assets of the plan shall be held in trust, with the Township serving as Trustee, for the exclusive benefit of plan participants and their beneficiaries, and the assets shall not be diverted to any other purpose. The assets have been removed from the Township's financial statements.

10. DEFERRED RETIREMENT OPTION PLAN

The Township sponsors a Deferred Retirement Option Plan (DROP) for members of the police department who have not retired prior to the implementation date (May 2005) of the DROP. Employees may enter into the DROP on the first day of any month following completion of 25 years of credited service and attaining the age of 55. When electing to participate in the DROP, the employee must resign from employment no less than 12 months and no more than 48 months from the execution of the DROP option. An employee may elect in writing to terminate participation in the DROP any time up to six months before the previously selected resignation date. Once termination is elected, the employee is barred from any future participation in the program.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

10. DEFERRED RETIREMENT OPTION PLAN, *continued*

After the effective date of the DROP option, the employee shall no longer earn or accrue additional years of continuous service for pension purposes. Earnings or increases in earnings thereafter shall not be recognized or used for the calculation or determination of any benefits payable by the Police Pension Fund. The monthly retirement benefits that would have been payable had the employee elected to cease employment and receive a normal retirement benefit shall, upon the employee commencing participation in the DROP, be paid into the separate account established to receive that participant's monthly pension payments. All other contractual benefits shall continue to accrue, with the exception of those provisions relating to the Police Pension Plan.

Upon the termination date set forth in the employee's DROP option notice or such date as the Township separates the employee from employment, the retirement benefits payable to the employee or employee's beneficiary, if applicable, shall be paid to the employee or beneficiary and shall no longer be paid to the employee's DROP account. Within 30 days following termination of an employee's employment, the balance in the employee's DROP account shall be paid to the employee in a single lump-sum payment or, at the employee's option, in any fashion permitted by law.

The Township has entered into an administrative service agreement with The International City Management Association Retirement Corporation (RC). RC acts as investment adviser to the Vantage Trust (the "Trust"). The Trust is a common law trust governed by an elected Board of Trustees for the commingled investment of retirement funds held by state and local government units for their employees. The Township has adopted the Declaration of Trust of the Trust and agrees to the commingled investments of assets of the DROP within the Trust. Cost of management of the DROP shall be paid directly from the Police Pension Fund and not by the Township.

Any amendments to the DROP Ordinance shall be consistent with the provisions covering deferred retirement option plans set forth in the collective bargaining agreement and shall be binding upon all future DROP participants and existing participants.

No DROP payment shall be made unless and until the Pennsylvania Legislature authorizes the adoption of the DROP program for police officers employed by a Township of the Second Class or a final judicial determination issues from the Pennsylvania Appellate Court that such DROP benefits is lawful for police officers employed by a Township of the Second Class. In the event that either of these two situations occur, the DROP will be modified only to the extent necessary to become compliant with the maximum then allowed by law for DROP programs. If neither of these occur by the DROP date, the participant shall receive his full pension benefits as set forth in the Police Pension Ordinance as if no such DROP election were made.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENT LIABILITIES

Lease Agreement – The Municipal Sewer Authority of the Township of Lower Makefield

At December 1, 1991, the Township entered into a lease agreement with The Municipal Sewer Authority of the Township of Lower Makefield, which superseded the 1978 lease agreement. The Authority leases the sewer system to the Township for operation and use for one dollar (\$1) per annum. The lease expired on March 14, 2005, and was renewed on August 2, 2006 for a period of 25 years, expiring on December 31, 2031. The payments remain at \$1 per annum.

Equipment lease

In May, 2004, the Township entered into a lease purchase agreement for golf carts to be used at the Makefield Highlands Golf Club. The lease terms called for monthly rental payments of \$4,646, including interest, beginning June, 2004 through May, 2008. Total rent expense for the year ended December 31, 2008, was \$13,230.

In May, 2008, the Township entered into a new lease purchase agreement for golf carts to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$5,774, including interest, beginning June, 2008 through May, 2012. At the end of the lease term, the Township has the option to purchase the golf carts for the total of all rents still outstanding, including accrued interest, and the termination value of \$112,250. The lease is not being treated as a capital lease because the Township has no intention of purchasing the golf carts at the end of the lease. Therefore, the total value of the equipment has not been included in the capital assets of the Golf Course Fund. Total rent expense for the year ended December 31, 2009, was \$69,291.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2010	69,288
2011	69,288
2012	28,870

Self-Insured Unemployment Compensation

The Township self-insured for unemployment compensation coverage. A reserve of \$84,489 is established at December 31, 2009. During 2009, there were several claims.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENT LIABILITIES, *continued*

Litigation

The Township is the defendant in several lawsuits arising in the normal course of operations. A matter that is material pending or threatening litigation is a condemnation matter that originated in 1996 and went to trial in 2008, resulting in a judgment against the Township, with a potential liability of over two million dollars. The matter has been appealed to the Commonwealth Court and it is uncertain as to its likely success on appeal. Several issues that have been raised are considered to be meritorious and the terms of success cannot be predicted. Due to the uncertainty of the outcome of this matter, no provision for loss has been recorded. The Township expects this matter to be resolved late in 2010 or early 2011.

12. RISK MANAGEMENT

The Township is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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. The Trust retains the first \$250,000 of each general liability, police professional liability and automobile liability loss. DVIT assumes the first \$100,000 of each first party property loss public official liability claim. Reinsurance coverage is through commercial companies. The Trust also serves as group purchaser of boiler and machinery and crime and public official policies for its members.

The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions.

The Township continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

13. MUNICIPAL SEWER AUTHORITY

In accordance with agreements with The Municipal Sewer Authority of the Township of Lower Makefield, all repairs, renewals, replacements, improvements, additions and extensions and all real estate made or acquired by (or dedicated to) the Township in connection with the sewer system shall become the property of the Authority and part of the sewer system.

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

14. ACQUISITION

On August 31, 2001, the Yardley Makefield Emergency Unit agreed to transfer title and interest in the Emergency Rescue Squad Building to the Township. This was due to the financial problems of the Emergency Unit. The Township capitalized \$1,151,410 (equity in the building). This included assuming \$700,475 of outstanding obligations, payment to the Emergency Unit of \$100,000, a credit of \$56,000 in funds provided to the Emergency Unit in 2000 and a balance due by the Township to the Emergency Unit in the amount of \$294,935. The balance due shall be reduced \$25,000 per year and recognized as rental income by the Township over a period of 12 years. The outstanding balance is \$95,531 at December 31, 2009.

15. MANAGEMENT AGREEMENT

In July 2003, the Township entered into a management agreement with Kemper Sports Management, Inc. to manage the day-to-day operations of the Makefield Highlands Golf Club. Phase II of the agreement began on the date Phase I (pre-opening phase) terminated and shall terminate on the December 31 following the fifth anniversary of the opening date (July 1, 2004). Throughout Phase II, the Township is required to pay \$8,495 per month. This fee will be increased annually by a percentage equal to the Consumer Price Index each year on the anniversary of Phase II. Additionally, the Township will pay, no later than 60 days after the end of each calendar year. The following is the additional incentive fee calculation:

GROSS RECEIPTS BETWEEN	
\$2,000,001 and \$2,500,000.....	5%
\$2,500,001 and \$3,500,000.....	7%
Greater than \$3,500,000.....	10%

The Township paid a total of \$107,407 in management fees and \$86,664 in incentive fees during the year ended December 31, 2009. The incentive fee payment represented 1.5 years worth of data as the contract with Kemper was terminated on December 31, 2009. Kemper has been replaced by Applied Golf, a regional firm with a local presence in the township who was awarded a 3 year contract beginning January, 2010.

The fee structure is changed whereas Applied Golf is as follows:

Year 1 - \$8,500 per month
Year 2 - \$8,000 per month
Year 3 - \$7,500 per month

The incentive fee structure has also changed, it is now based on EBIDA numbers as follows:

3% of all funds earned after EBIDA reaches \$900,000 and
5% of all funds earned after EBIDA reaches \$1,000,000

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Township entered into its General Obligation Notes, Series of 2001A, 2001B, 2002A, 2002B and 2004, with the DVRFA. In order to provide funds for the notes, the DVRFA issued Local Government Revenue Bonds, Series of 1997, 1998 and 2002 (DVRFA Bonds). The DVRFA has entered into an interest rate swap agreement related to the DVRFA Bonds to provide variable and fixed rates on loans, to reduce the costs of participants in the loan program and to enhance the ability of participants to manage their interest rate risks. The following is a summary of the Township's general obligation notes with DVRFA and the estimated termination payment at December 31, 2009:

<u>General Obligation Notes</u>	<u>Original Issue Amount</u>	<u>Outstanding at December 31, 2009</u>	<u>Marker Value of Related Interest Rate Swap Agreements</u>
Series of 2001B	\$ 4,655,000	\$ 4,655,000	\$ (318,367)
Series of 2002A	10,300,000	3,470,000	400,245
Series of 2002B	5,661,000	5,036,000	1,198,393
Series of 2004	<u>3,000,000</u>	<u>2,653,000</u>	<u>631,322</u>
	<u>\$ 28,240,000</u>	<u>\$ 15,814,000</u>	<u>\$ 1,911,593</u>

If the Township defaults on all or a portion of the above-mentioned general obligation notes with DVRFA, it may owe costs, if any, associated with the liquidation or termination of the respective fixed rate swap used by the DVRFA to provide the fixed rate to the Township. The carrying amount of the related interest rate swap at December 31, 2009, on the Township's government-wide and fund financial statements is \$0. The market value of related interest rate swap agreements or estimated Township termination payment is \$312,955 for governmental activities and \$1,598,638 for business activities at December 31, 2009. The fair value increase for the current year is \$226,784 for governmental activities and \$846,429 for business activities.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The costs of the cash and cash equivalents are reasonable estimates of the fair value because the cash equivalents have maturities of, or can be liquidated at par in 90 days or less. The fair values of the derivative financial instruments have been estimated based upon the termination payment the DVRFA would receive (pay) if the associated swap agreements were terminated on December 31, 2009 (Note 16).

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

A comparison of carrying value and fair value as of December 31, 2009, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,193,151	\$ 7,578,187
Investments (Note 2)	10,970,756	10,970,756
LIABILITIES		
Bonds payable (Note 6)	\$ 20,545,000	\$ 20,545,000
Notes payable (Note 6)	16,101,556	16,101,556
DERIVATIVE FINANCIAL INSTRUMENTS		
(Note 16)	\$	\$ 1,911,593

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF LOWER MAKEFIELD
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

REVENUES	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Taxes	\$ 6,216,033	\$ 6,216,033	\$ 5,877,389	\$ (338,644)
Fees, licenses and permits	502,203	502,203	948,907	446,704
Interest and rents	314,816	314,816	277,504	(37,312)
Intergovernmental revenues	599,604	599,604	759,651	160,047
Fines and forfeits	93,400	93,400	94,356	956
Charges for services	737,940	737,940	559,086	(178,854)
Contributions	2,100	2,100	31,431	29,331
Miscellaneous	17,400	17,400	62,197	44,797
TOTAL REVENUES	8,483,496	8,483,496	8,610,521	127,025
EXPENDITURES				
General government	1,589,584	1,589,584	1,592,373	(2,789)
Public safety	4,036,939	4,036,939	4,610,083	(573,144)
Public works	1,389,113	1,389,113	1,054,190	334,923
Insurance	301,577	301,577	330,765	(29,188)
Employee benefits	1,678,076	1,678,076	1,646,174	31,902
TOTAL EXPENDITURES	8,995,289	8,995,289	9,233,585	(238,296)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(511,793)	(511,793)	(623,064)	(111,271)
OTHER FINANCING SOURCES (USES)				
Refund prior year expenditure	35,000	35,000	123,828	88,828
Sale of capital assets	2,000	2,000	9,146	7,146
Transfers in	461,283	461,283	567,780	106,497
Transfers out	(545,766)	(545,766)	(327,801)	217,965
TOTAL OTHER FINANCING SOURCES (USES)	(47,483)	(47,483)	372,953	420,436
NET INCREASE (DECREASE) IN FUND BALANCE	(559,276)	(559,276)	(250,111)	309,165
FUND BALANCE, BEGINNING	1,172,121	1,172,121	1,172,121	
FUND BALANCE, ENDING	\$ 612,845	\$ 612,845	\$ 922,010	\$ 309,165

See notes to required supplementary information

TOWNSHIP OF LOWER MAKEFIELD

NOTES TO THE BUDGETARY COMPARISON STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009

1. BUDGETARY INFORMATION

The Township's process for establishing its annual operating budget involves submission of the budget by the Township Manager to the Board of Supervisors for its approval and adoption. The Township Manager, Finance Director and Budget Review Committee are responsible for the preparation of the annual budget.

The budgetary process consists of the evaluation and review of appropriation requests of the operating directors and various Township departments. Revenue estimates are made throughout the process to determine the amount of Township property taxes and other revenue required to balance the budget.

The Board of Supervisors is required to introduce the budget for the following year by 20 days prior to the end of the fiscal year, after which it is advertised and reviewed at public hearings held by the Board of Supervisors of the Township. After the close of the public hearings, the Board of Supervisors approves and adopts the budget on or before December 31, the close of the Township's fiscal year.

The Township Supervisors may authorize supplemental appropriations for any lawful purpose via resolution. In addition, the Supervisors are permitted to transfer funds from one Township account to another, however, such transfers are not permitted during the first three months of the fiscal year. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. It is the Township's policy to maintain budgetary control at the fund level.

The Township prepares budgets for Governmental Funds on a basis of accounting which is consistent with U.S. generally accepted accounting principles.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2009, expenditures exceeded appropriations in the following General Fund object levels (the legal level of the budgetary control):

General government	\$ 2,789
Public safety	573,144
Insurance	29,188

This over-expenditure was funded by available fund balance in the General Fund.

TOWNSHIP OF LOWER MAKEFIELD

TREND DATA ON INFRASTRUCTURE CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2009

The Township has elected to use the modified approach to account for maintenance of its streets system. The Township annually inspects its streets, and the Township engineers use the Micro PAVER program, developed by the U.S. Army Corps of Engineers, as part of a pavement management system to describe the condition of all roadways in the Township. The streets are rated on their life expectancy before milling and overlay work is needed. The rating is the probable number of years remaining before resurfacing work is needed. The Township's streets as a whole are given an overall rating, indicating the average condition of all streets operated by the Township. The assessment of condition is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Township's policy is to maintain the street condition at a level of 65 or better. The results of the last inspection were:

<u>Evaluation Period</u>	<u>Rating</u>
2007	65

The budgeted expenditures and amounts actually expensed for maintenance and preservation for the past year are as follows:

	<u>Budget</u>	<u>Actual</u>
2009	<u>\$235,000</u>	<u>\$326,000</u>

The prior year actual expenditures were \$91,000 more than the budgeted amount. The current year actual expenditures were \$ more than the budgeted amount.

The next inspection of Township roadways is scheduled to be completed in early 2011.

TOWNSHIP OF LOWER MAKEFIELD

PENSION PLAN FUNDING PROGRESS

FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 2007, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Assets in Excess of) AAL	Funded Ratio	Annual Covered Payroll	Unfunded (Assets in Excess of) AAL as a Percentage of Annual Covered Payroll
January 1,	a	b	b-a	a/b	c	(b-a)/c
2001	5,551,269	5,830,396	279,127	95.2%	1,532,797	18.2%
2003	5,432,735	6,658,810	1,226,075	81.6%	1,730,301	70.9%
2005	6,517,334	7,594,862	1,077,528	85.8%	2,225,538	48.4%
2007	7,679,178	8,440,447	761,269	91.0%	2,246,198	33.9%
2009	7,795,871	10,022,136	2,226,265	77.8%	2,301,929	96.7%

Non-Uniform Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Assets in Excess of) AAL	Funded Ratio	Annual Covered Payroll	Unfunded (Assets in Excess of) AAL as a Percentage of Annual Covered Payroll
January 1,	a	b	b-a	a/b	c	(b-a)/c
2001	2,191,322	2,315,191	123,869	94.6%	1,431,783	8.7%
2003	2,302,164	2,878,254	576,090	80.0%	1,629,357	35.4%
2005	2,977,214	3,986,028	1,008,814	74.7%	1,740,803	58.0%
2007	3,907,249	4,426,551	519,302	88.3%	1,592,265	32.6%
2009	4,359,510	5,068,804	709,294	86.0%	1,987,208	35.7%

Source: Township Police and Non-Uniform Employee Retirement Plan Actuarial Valuation Reports.

TOWNSHIP OF LOWER MAKEFIELD

PENSION PLAN FUNDING PROGRESS

FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE OF FUNDING PROGRESS, continued

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF LOWER MAKEFIELD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Street Light Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Open Space Fund	Traffic Impact Fund	Five Mile Woods Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Total Other Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 10,462	\$ 33,712	\$ 278,999	\$ 59,060	\$ 88,182	\$ 91,823	\$ 492,766	\$ (6,304)	\$ 388,474	\$ 25,971	\$ 1,463,145
Accounts receivable	1	3,094	45,428	3	5	4	23		11	2,667	51,236
Interfund receivable											
TOTAL ASSETS	\$ 10,463	\$ 36,806	\$ 324,427	\$ 59,063	\$ 88,187	\$ 91,827	\$ 492,789	\$ (6,304)	\$ 388,485	\$ 28,638	\$ 1,514,381
LIABILITIES											
Accounts payable	\$ 2,575	\$ 11,631	\$ 25,241	\$	\$	\$ 200	\$ 1,350	\$ 3,782	\$ 341,245	\$	\$ 386,024
Accrued expenses			20,060								20,060
Interfund payable			13,281					1,400		2,170	17,968
Deferred revenue		2,517									1,400
Member deposits											
TOTAL LIABILITIES	2,575	14,148	58,582			200	1,350	5,182	341,245	2,170	425,452
FUND BALANCES											
Unreserved for:											
Special revenue funds	7,888	22,658	265,845	59,063	88,187	91,627	491,439	(11,486)	47,240	26,468	1,088,929
TOTAL FUND BALANCES	7,888	22,658	265,845	59,063	88,187	91,627	491,439	(11,486)	47,240	26,468	1,088,929
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,463	\$ 36,806	\$ 324,427	\$ 59,063	\$ 88,187	\$ 91,827	\$ 492,789	\$ (6,304)	\$ 388,485	\$ 28,638	\$ 1,514,381

See accompanying notes to the basic financial statements

TOWNSHIP OF LOWER MAKEFIELD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Street Light Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Open Space Fund	Traffic Impact Fund	Five Mile Woods Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Total Other Governmental Funds
REVENUES											
Real estate taxes	\$ 115	\$ 140,333	\$ 784,162	\$ 172	\$ 266	\$ 768	\$ 2,433	\$ 25	\$ 530	\$ 128,280	\$ 1,052,775
Interest earnings		121	522							138	5,090
Rental income			28,294					16,800			45,094
Intergovernmental revenues			2,803						735,711		738,514
Charges for services			121,095					876			121,971
Contributions			565	19,188			8,073				27,826
Miscellaneous income	33,520		36,229								69,749
TOTAL REVENUES	33,635	140,454	973,670	19,360	266	768	10,506	17,701	736,241	128,418	2,061,019
EXPENDITURES											
Public safety										125,659	125,659
Public works	38,833	146,525	572,033			132,226	98,541		710,262		1,126,387
Parks and recreation								29,936			29,936
Community development			9,990						144,840		154,830
Capital outlay											
TOTAL EXPENDITURES	38,833	146,525	582,023	19,360	266	132,226	98,541	29,936	855,102	125,659	2,008,845
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,198)	(6,071)	391,647	19,360	266	(131,458)	(88,035)	(12,235)	(118,861)	2,759	52,174
OTHER FINANCING SOURCES (USES)											
Refund of prior year expenditure	27,000		3,491	(50,000)		2,116		492			6,099
Operating transfers (out)			(221,125)			(13,920)	(266,500)				(524,545)
TOTAL OTHER FINANCING SOURCES (USES)	27,000		(217,634)	(50,000)		(11,804)	(266,500)	492			(518,446)
NET INCREASE (DECREASE) IN FUND BALANCES	21,802	(6,071)	174,013	(30,640)	266	(143,262)	(354,535)	(11,743)	(118,861)	2,759	(466,272)
FUND BALANCES, BEGINNING	(13,914)	28,729	91,832	89,703	87,921	234,889	845,974	257	166,101	23,709	1,555,201
FUND BALANCES, ENDING	\$ 7,888	\$ 22,658	\$ 265,845	\$ 59,063	\$ 88,187	\$ 91,627	\$ 491,439	\$ (11,486)	\$ 47,240	\$ 26,468	\$ 1,088,929

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Supervisors
TOWNSHIP OF LOWER MAKEFIELD
Yardley, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF LOWER MAKEFIELD as of and for the year ended December 31, 2009, which collectively comprise the TOWNSHIP OF LOWER MAKEFIELD's financial statements, and have issued our report thereon dated June 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the TOWNSHIP OF LOWER MAKEFIELD'S internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TOWNSHIP OF LOWER MAKEFIELD'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TOWNSHIP OF LOWER MAKEFIELD'S internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TOWNSHIP OF LOWER MAKEFIELD'S financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Township management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

STANLEY N. BOOZ, LLC
Certified Public Accountants