

**TOWNSHIP OF LOWER MAKEFIELD**

Financial Statements  
And  
Supplementary Information  
December 31, 2013

# TOWNSHIP OF LOWER MAKEFIELD

## Financial Statement and Supplementary Information December 31, 2013

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## Lopez, Teodosio & Larkin, LLC

413 Executive Drive • Langhorne, PA 19047  
215-579-1580 • Fax: 215-579-1583 • E-Mail: [ltl@ltllc.com](mailto:ltl@ltllc.com)

### 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** as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the **Township of Lower Makefield's** basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

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

## **Emphasis of Matter**

As discussed in Note R to the financial statements for the year ended December 31, 2013, the **Township of Lower Makefield** adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 65, items previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on Pages 3 through 12 and 51 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Lower Makefield's** basic financial statements. The supplementary information described in the table of contents on pages 61-62 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



LOPEZ, TEODOSIO & LARKIN, LLC  
Langhorne, Pennsylvania

May 27, 2014

## TOWNSHIP OF LOWER MAKEFIELD

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2013

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, 2013. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Position.

#### FINANCIAL HIGHLIGHTS

- Makefield Highlands Golf Course completed its ninth full year of operations since opening on July 1, 2004. Operating income before depreciation was \$695,582 for the year. Response to the Course has been extremely favorable and in 2013 rounds were consistent with the previous year, and the Course fared very well when compared to some competitors. 2013 marked the fourth consecutive year of the current management team being in place, with different service and incentive fees reflected. At the end of 2012, the contract to manage the course was extended for another three-year term expiring at the end of 2015.
- In 2009 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 had brought suit against the Township seeking additional funds for the acquisition of the property. The lawsuit settled in 2013 in favor of the previous owner in the amount of \$3,563,918. Payment was funded by the issuance of Series A and Series B of 2013 revenue bonds.
- The assets of the Township exceeded its liabilities and deferred outflows of resources by \$85,423,809, up \$331,361 from last year.
- The General Fund balance remains above the "Safe Harbor," which is 5-8% of General Fund revenues. For fiscal 2013, the General Fund had an increase in its fund balance of \$4,563 despite no tax increases.
- Sewer rates had no increase in 2013. The cash position of the Sewer Fund remains strong, receivables are stable, and the allowance for bad debt is small by comparison (less than 1%). The Sewer Fund began the creation of a capital reserve within its origins in 2010, and has set aside \$500,000 during each of the previous four years to fund capital needs. Another \$500,000 is budgeted for 2014. This Sewer Capital Reserve Fund currently has a balance of just under \$575,000 and has funded approximately \$1.8 million in capital projects from inception.
- The Township owned pool operations had no rate increase in 2013. Membership continues to decline from the previous years' participation. Revenues from members were down in 2013, approximately \$50,000 or 7.4%. The pool has negative operating income before depreciation of (\$3,249).
- The Township enacted a Local Services Tax in 2010 and 2013 was the fourth full year of this revenue source, which charges \$52 per annum to all employees within the Township's geographic boundaries. In 2013, the Township received over \$287,000 from this revenue item and we expect that this is near the maximum Lower Makefield will receive since the tax is capped by regulations and our employee base is stable. In fiscal 2012, the Township received just over \$230,000 from this revenue source. Accordingly, there are approximately 5,500 employees registered in the Township.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Together, they provide a comprehensive financial look at the Township. The components of the report include the Independent Auditor's 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.

## TOWNSHIP OF LOWER MAKEFIELD

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2013

#### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 Position, Statement of Activities, Fund Financial Statements and Notes to the Basic Financial Statements. The Statements of Net Position 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 Position 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 revenues. 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.
- 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 position, revenues, expenses and changes in net position 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 Position, 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 Debt Service Fund, trend data on infrastructure condition, and pension plan funding progress.

#### REPORTING THE TOWNSHIP AS A WHOLE

##### Statement of Net position and Statement of Activities

Our analysis of the Township as a whole begins with the Statement of Net Position. 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 Positions 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:

**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**REPORTING THE TOWNSHIP AS A WHOLE (Continued)**

**Statement of Net Position and Statement of Activities (Continued)**

- **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 position (Table 1) and changed in net position (Table 2) of the Township's governmental and business type activities.

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,960,148	\$ 5,057,753	\$ 3,104,828	\$ 2,616,802	\$ 9,064,976	\$ 7,674,555
Other Assets	633,532	889,908	1,862,886	1,992,051	2,496,418	2,881,959
Capital Assets	78,092,503	78,190,631	35,141,528	32,507,678	113,234,031	110,698,309
Total Assets	84,686,183	84,138,292	40,109,242	37,116,531	124,795,425	121,254,823
<b>Deferred Outflows of Resources</b>						
Deferred charges	-	-	202,553	-	202,553	-
Total Deferred Outflows of Resources	-	-	202,553	-	202,553	-
<b>Liabilities</b>						
Other Liabilities	1,174,964	942,010	799,561	834,429	1,974,525	1,776,439
Long-Term Liabilities	12,606,549	12,738,547	24,807,306	21,457,303	37,413,855	34,195,850
Total Liabilities	13,781,513	13,680,557	25,606,867	22,291,732	39,388,380	35,972,289
<b>Deferred Inflows of Resources</b>						
Deferred revenue	-	20,531	185,789	169,555	185,789	190,086
Total Deferred Inflows of Resources	-	20,531	185,789	169,555	185,789	190,086
<b>Net Position</b>						
Invested in Capital Assets	66,655,116	64,449,181	10,536,775	11,269,038	77,191,891	75,718,219
Restricted	3,692,679	4,755,818	-	-	3,692,679	4,755,818
Unrestricted	556,875	1,232,205	3,982,364	3,386,206	4,539,239	4,618,411
Total Net Position	\$70,904,670	\$70,437,204	\$14,519,139	\$14,655,244	\$ 85,423,809	\$ 85,092,448

Cash and cash equivalents represent 7.0% of the Township of Lower Makefield's governmental activities assets and deferred outflows of resources in 2013 and 6.0% in 2012. Cash and cash equivalents represent 8.4% of the Township of Lower Makefield's business-type activities assets and deferred outflows of resources in 2013 and 7.1% in 2012. Both areas of the Township's cash represented slight increases over the prior year, and the Township's cash position remains healthy.

The largest portion of the Township's governmental activities assets and deferred outflows of resources, 92.2%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment). In 2012, this portion was 92.9%. 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 thirteen 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)**

Year Ended December 31, 2013

**REPORTING THE TOWNSHIP AS A WHOLE (Continued)**

**Statement of Net Position and Statement of Activities (Continued)**

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Program Revenues</b>						
Charges for services	\$ 1,406,095	\$ 1,446,054	\$ 9,006,332	\$ 9,223,133	\$ 10,412,427	\$ 10,669,187
Operating grants and contributions	3,042,199	2,484,292	-	-	3,042,199	2,484,292
Capital grants	-	198,802	-	677,230	-	876,032
<b>General Revenues</b>						
Property taxes	7,705,583	7,802,931	-	-	7,705,583	7,802,931
Real estate transfer tax	1,154,713	947,488	-	-	1,154,713	947,488
Local services taxes and per-capita taxes	496,445	437,981	-	-	496,445	437,981
Public utility taxes	11,527	12,253	-	-	11,527	12,253
Franchise taxes	726,244	674,572	-	-	726,244	674,572
Investment earnings	16,576	14,768	8,293	4,791	24,869	19,559
Miscellaneous	199,436	573,537	-	-	199,436	573,537
<b>Total revenues</b>	<b>14,758,818</b>	<b>14,592,678</b>	<b>9,014,625</b>	<b>9,905,154</b>	<b>23,773,443</b>	<b>24,497,832</b>
<b>Expenses</b>						
General government	1,896,791	2,288,921	-	-	1,896,791	2,288,921
Public safety	8,368,540	8,354,713	-	-	8,368,540	8,354,713
Highways and streets	2,838,024	2,151,665	-	-	2,838,024	2,151,665
Culture and recreation	993,441	1,055,949	-	-	993,441	1,055,949
Community development	53,658	94,800	-	-	53,658	94,800
Bond issuance costs	21,462	-	110,315	-	131,777	-
Interest on long-term debt	247,641	262,147	-	-	247,641	262,147
Loss on disposal of capital assets	53,686	21,575	-	-	53,686	21,575
Sewer	-	-	5,396,500	5,419,728	5,396,500	5,419,728
Community pool	-	-	733,939	639,023	733,939	639,023
Golf course	-	-	2,728,085	2,628,475	2,728,085	2,628,475
<b>Total expenses</b>	<b>14,473,243</b>	<b>14,229,770</b>	<b>8,968,839</b>	<b>8,687,226</b>	<b>23,442,082</b>	<b>22,916,996</b>
<b>Excess before transfers</b>	<b>285,575</b>	<b>362,908</b>	<b>45,786</b>	<b>1,217,928</b>	<b>331,361</b>	<b>1,580,836</b>
<b>Transfers</b>						
Transfers in	1,993,930	1,056,174	1,327,361	1,535,868	3,321,291	2,592,042
Transfers out	(1,812,039)	(752,664)	(1,509,252)	(1,839,378)	(3,321,291)	(2,592,042)
<b>Change in Net Position</b>	<b>467,466</b>	<b>666,418</b>	<b>(136,105)</b>	<b>914,418</b>	<b>331,361</b>	<b>1,580,836</b>
Net position - beginning of the year - restated	70,437,204	69,770,786	14,655,244	13,740,826	85,092,448	83,511,612
<b>Net position end - of the year</b>	<b>\$70,904,670</b>	<b>\$70,437,204</b>	<b>\$14,519,139</b>	<b>\$14,655,244</b>	<b>\$ 85,423,809</b>	<b>\$ 85,092,448</b>



**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**REPORTING THE TOWNSHIP AS A WHOLE (Continued)**

**Statement of Net Position and Statement of Activities (Continued)**

For the **Township of Lower Makefield's** governmental activities, total revenues exceeded total expenses by \$467,466 in 2013 and by \$666,418 in 2012. In 2013, there was no tax increase in any township funds. Although revenues increased by \$166,140, or 1.1%, expenses increased by \$243,473, or 1.8%.

For the **Township of Lower Makefield's** business-type activities, total expenses exceeded total revenues by \$136,105 in 2013. In contrast, total revenues exceeded total expenses by \$1,217,928 in 2012. The primary driver of this decrease was a one-time grant of \$670,000 that was received in the sewer fund in 2012 and bond acquisition cost payments of \$110,315 incurred and paid in 2013.

**Governmental Activities**

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities in fiscal 2013 was \$14,758,818 and \$14,592,678 in 2012. Revenues by source are as follows:

Revenue Analysis

<u>Revenue</u>	<u>Amount</u>		<u>% of Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Property taxes	\$ 7,705,583	\$ 7,802,931	52.21%	53.50%
Real estate transfer tax	1,154,713	947,488	7.82%	6.49%
Local services taxes and per-capita taxes	496,445	437,981	3.36%	3.00%
Public utility taxes	11,527	12,253	0.08%	0.08%
Franchise taxes	726,244	674,572	4.92%	4.62%
Investment earnings	16,576	14,768	0.11%	0.10%
Miscellaneous	199,436	573,537	1.35%	3.93%
Charges for Services	1,406,095	1,446,054	9.53%	9.91%
Operating grants and contributions	3,042,199	2,484,292	20.61%	17.02%
Capital grants	-	198,802	0.01%	1.35%
	<u>\$ 14,758,818</u>	<u>\$ 14,592,678</u>	<u>100.00%</u>	<u>100.00%</u>

As seen above, revenues slightly increased when comparing 2013 and 2012, by \$166,140 or 1.1%. Real estate transfer taxes continue to increase as the economy improves. 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 revenue source yielded over \$287,000 in 2013 and \$230,000 in 2012. Finally, operating grants and contributions increased substantially in 2013, by over \$550,000. The primary driver for this increase was a settlement fee of \$475,000 received by the Township related to the construction of an age restricted housing unit.

Investment income, which is comprised of bank interest on the five Township interest bearing accounts, remained at a historic low in 2013 as interest rates decreased from a high of 5.01% during 2007 to a low of less than ¼ of 1% during 2013. The Township did switch banks during fiscal 2012 and as such did realize higher interest revenue on funds. With the fed rates at or near 0%, we expect interest income to remain at or below their current levels for the near future and certainly throughout 2013.

**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**REPORTING THE TOWNSHIP AS A WHOLE (Continued)**

**Governmental Activities (Continued)**

The Township's governmental programs consist of various operating departments, including police, public works, planning and zoning, park and recreation and several administrative departments. Total expenditures for fiscal 2013 were \$14,473,243 and \$14,229,770 in 2012. Expenditures by source were as follows:

<u>Expenses</u>	<u>Amount</u>		<u>% of Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General government	\$ 1,896,791	\$ 2,288,921	13.11%	16.10%
Public safety	8,368,540	8,354,713	57.82%	58.71%
Highways and streets	2,838,024	2,151,665	19.61%	15.12%
Culture and recreation	993,441	1,055,949	6.86%	7.42%
Community development	53,658	94,800	0.37%	0.67%
Bond issuance costs	21,462	-	0.15%	0.00%
Interest on long-term debt	247,641	262,147	1.71%	1.84%
Loss on disposal of capital assets	53,686	21,575	0.37%	0.14%
	<u>\$ 14,473,243</u>	<u>\$ 14,229,770</u>	<u>100.00%</u>	<u>100.00%</u>

Total governmental expenditures increased by approximately 1.7% from 2013 to 2012.

Business type activities include the Township's Sewer System, Community Pool and Golf Course. Total revenue from sewer activities for 2013 is \$5,505,411 compared to \$6,337,274 in 2012. Charges for services account for approximately 97.7% of revenue in 2013, compared with 83.3% in 2012. The main reason for this decrease was due to the increase in tapping fees in 2012 from the new age restricted development and a one-time capital grant of \$677,230 received in 2012. Sewer expenditures totaled \$5,396,500 in 2013 and \$5,419,728 in 2012. Total revenue from community pool activities is \$665,469 for 2013 and \$718,319 for 2012. Charges for services account for 98.1% of revenue in 2013, while these charges equaled 97.9% of 2012 revenues. Expenditures to operate the pool total \$733,939 for 2013 and \$639,023 for 2012. Operating expenses remained consistent year over year while depreciation expense accounted for the majority of the increase. Total revenue from golf course activities is \$2,843,745 for 2013 and \$2,849,561 for 2012. Charges for services account for approximately 99.9% of revenue in 2013 and 2012. Expenditures to operate the course total \$2,838,400 in 2013 and \$2,628,475 for 2012.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund had an excess of revenues over expenditures for 2013 and 2012 of \$4,563 and \$259,028, respectively. An operating deficit of \$169,801 had been budgeted for fiscal 2013, so the General Fund outperformed the budget by over \$174,364. The reasons for the out performance of the budgeted results are several, most notably on the revenue side, including over \$200,000 excess of actual over budget in taxes, primarily due to increases in transfer and local services taxes, and over \$280,000 excess of actual over budget in intergovernmental revenues, of which \$230,000 was from a grant received from the Pennsylvania Emergency Management Agency. On the expenditure side, actual expenditures exceeded budgeted expenditures by just over \$25,000. Finally, transfers to other funds exceeded budgeted transfers by just over \$370,000.

The Township had no budget adjustments during the 2013 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.

**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**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, 2013, total \$113,234,031 and were \$110,698,309 in 2012 (net of accumulated depreciation). Township investment in capital assets includes land and land improvements, building improvements, equipment, vehicles and infrastructure (see Table 3). 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 2013 include:

Litigation settlement – golf course land	\$3,563,918
Construction in progress – baseball fields	\$ 762,808
Sewer Capital Contribution – Morrisville	\$ 255,615
Police and Public Works Vehicles	\$ 146,585
Pool Renovations and Improvements	\$ 70,954
Sewer Department Vehicles & Improvements	\$ 49,271
Other Sewer Infrastructure Improvements	\$ 38,056
Tractors	\$ 36,721
Other Land Improvements	\$ 30,743
Golf Course Renovations and Improvements	\$ 27,735
Tennis Court Improvements	\$ 21,980
Land Acquisition (Sweeny Property)	\$ 19,250
LMT Sewer Pump Station Improvement	\$ 16,602

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land*	\$ 19,293,701	\$ 19,274,451	\$ 7,765,999	\$ 4,202,081	\$ 27,059,700	\$ 23,476,532
Construction in Progress	766,492	3,685	-	14,713	766,492	18,398
Infrastructure	49,524,483	49,524,483	-	-	49,524,483	49,524,483
<b>Total Capital Assets</b>						
Not Depreciated	<u>69,584,676</u>	<u>68,802,619</u>	<u>7,765,999</u>	<u>4,216,794</u>	<u>77,350,675</u>	<u>73,019,413</u>
Land Improvements	7,684,697	7,688,748	8,100,864	8,071,438	15,785,561	15,760,186
Plant and Pools	1,308,418	1,308,418	42,202,968	41,838,342	43,511,386	43,146,760
Buildings and Improvements	6,755,536	6,755,536	3,153,313	3,140,291	9,908,849	9,895,827
Furniture and Equipment	3,148,309	3,111,586	1,400,152	1,334,282	4,548,461	4,445,868
Vehicles	5,196,100	5,049,515	-	-	5,196,100	5,049,515
<b>Total Capital Assets</b>						
Depreciated	<u>24,093,060</u>	<u>23,913,803</u>	<u>54,857,297</u>	<u>54,384,353</u>	<u>78,950,357</u>	<u>78,298,156</u>
Accumulated depreciation	<u>(15,585,233)</u>	<u>(14,525,791)</u>	<u>(27,481,768)</u>	<u>(26,093,469)</u>	<u>(43,067,001)</u>	<u>(40,619,260)</u>
<b>Total capital assets</b>	<u>\$ 78,092,503</u>	<u>\$ 78,190,631</u>	<u>\$ 35,141,528</u>	<u>\$ 32,507,678</u>	<u>\$ 113,234,031</u>	<u>\$ 110,698,309</u>

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

**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**

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 55 in 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 A and E in the financial statements.

**Debt**

At December 31, 2013, the Township had \$37,413,855 in outstanding debt, compensated absences, and post-retirement health benefits compared to \$34,195,850 at December 31, 2012. Of the outstanding debt, compensated absences, and post-retirement health benefits at December 31, 2013, \$1,721,091 is due within one year. Table 4 shows a breakdown of debt by type.

The Township received \$4,767,534 of bond proceeds in 2013 through the issuance of General Obligation Bonds, Series A of 2013 and General Obligation Bonds, Series B of 2013. The year 2014 will see a decrease in principal payments of approximately \$7,000 in government funds and an increase of \$15,000 in its business-type funds.

During the process of issuing the Series A and Series B of 2013 General Obligation Bonds, the Township went through the normal rating process and Moody's Investor Services upgraded the Township from AA2 rating to AA1 rating. This was based on 2012 audited financial statements and unaudited statements. The Township continues to meet the requirements of the rating agencies through quarterly and annual reporting, and by exercising strong fiduciary stewardship.

Outstanding debt at year end (net of premiums, discounts, and amortization) for the years ended December 31, 2013 and 2012 is as follows:

<u>Government Activities</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds		
Series of 2011	\$ 602,535	\$ 602,535
Series of 2010	4,601,615	4,911,510
Series A of 2010	3,117,870	3,712,028
Series B of 2013	803,616	-
General Obligation Notes		
Series of 2004	2,245,000	2,353,000
Notes Payable		
PEMA	53,811	63,770
PNC Bank	12,941	61,527
	<u>11,437,388</u>	<u>11,704,370</u>

**TOWNSHIP OF LOWER MAKEFIELD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Year Ended December 31, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Debt (Continued)**

<b>Business Type Activites</b>	<b>2013</b>	<b>2012</b>
General Obligation Bonds		
Series of 2011	7,430,079	7,533,741
Series of 2010	4,881,240	5,417,562
Series A of 2013	2,000,039	-
Series B of 2013	1,988,918	-
General Obligation Notes		
Series A of 2002	3,470,000	3,470,000
Series B of 2002	5,036,000	5,036,000
	<u>24,806,276</u>	<u>21,457,303</u>
Net OPEB obligation	459,848	384,405
Compensated Absences	710,343	649,772
Total Long-Term Liabilities	<u>\$ 37,413,855</u>	<u>\$ 34,195,850</u>

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

**Economic Factors**

The **Township of Lower Makefield** services an area of eighteen square miles and a population of 32,559 (2010 United States Census). The Township is located in the southeastern portion of Bucks County, just across the river from Trenton, New Jersey and twenty-five 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 **Township of Lower Makefield's** real property assessed value for the year ended December 31, 2013 was 517,357,850, up from 515,983,410 from 2012, an increase of \$1,374,440 or .27%.

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

	<b>Lower Makefield Township</b>	<b>Bucks County</b>	<b>Pennsylvania</b>	<b>United States</b>
Per capita income	\$ 54,282	\$ 34,917	\$ 26,933	\$ 28,051
Median family income	136,638	86,196	63,283	53,046
Percentage of population below poverty level	1.5%	5.0%	9.6%	14.9%

Source: United States Census Bureau (2010 Census)

## TOWNSHIP OF LOWER MAKEFIELD

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2013

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)**

##### **Next Year's Budget**

The total mileage for 2014 will remain at 15.12 with no increase over the 2013 mileage.

Real estate transfer taxes are budgeted at \$1,050,000, up \$5,000 from 2013'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 show stability and steady improvement during 2014 however, the trends and factors affecting them have shown no such stability over the last several years.

Total revenues are budgeted at just under \$240,000 over the 2013 budget. The budgeted increase is primarily from real estate taxes. Although the overall mileage did not increase, the allocation to the general fund increased from 10.50 in 2013 to 10.85 in 2014.

Contractual salaries for both the police and public works employees, along with all administrative staff will receive minimal increases in 2013, the fourth of a four year collective bargaining agreement. Both of the Township's collective bargaining agreements expired in 2013 and are currently in the process of being renegotiated.

As was done in the past, the Liquid Fuels fund will help support the public works payroll in 2014.

Membership fees are budgeted at lower levels for 2014. After several years of stable membership numbers, the pool began to decline in 2009 as a result of a volatile and challenging economy.

Golf course revenues have remained stable and are budgeted at 2013 levels.

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 regards 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 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 the litigation for several years with the Township prevailing in an earlier decision.

This suit was resolved in 2013 and the plaintiff was awarded approximately \$3.6 million. This verdict was handed down by the Pennsylvania Supreme Court and no further appeals are available. The township utilized its debt capacity to fund this award, and revenues from the golf course will pay the new debt service. This matter, now resolved and closed, had been in litigation for many years.

#### **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 Terry Fedorchak, Township Manager, 1100 Edgewood Road, Yardley, Pennsylvania 19067.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Net Position  
December 31, 2013

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,960,148	\$ 3,104,828	\$ 9,064,976
Accounts receivable, net	612,629	1,801,190	2,413,819
Inventory	-	57,511	57,511
Prepaid expenses	20,903	4,185	25,088
<b>Total Current Assets</b>	<u>6,593,680</u>	<u>4,967,714</u>	<u>11,561,394</u>
<b>Capital Assets</b>			
Net capital assets	<u>78,092,503</u>	<u>35,141,528</u>	<u>113,234,031</u>
<b>Total Assets</b>	<u>84,686,183</u>	<u>40,109,242</u>	<u>124,795,425</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding of bond	<u>-</u>	<u>202,553</u>	<u>202,553</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	472,965	693,480	1,166,445
Accrued expenses	662,257	106,081	768,338
Security deposits	39,742	-	39,742
Bonds and notes payable, current portion	1,058,718	662,373	1,721,091
<b>Total Current Liabilities</b>	<u>2,233,682</u>	<u>1,461,934</u>	<u>3,695,616</u>
<b>Long-term liabilities</b>			
Bonds and notes payable, net of current portion	10,378,669	24,144,933	34,523,602
Compensated absences	458,819	-	458,819
Other post-employment benefits	710,343	-	710,343
<b>Total Long-term Liabilities</b>	<u>11,547,831</u>	<u>24,144,933</u>	<u>35,692,764</u>
<b>Total Liabilities</b>	<u>13,781,513</u>	<u>25,606,867</u>	<u>39,388,380</u>
<b>Deferred Inflows of Resources</b>			
Deferred gift card and rental receipts	<u>-</u>	<u>185,789</u>	<u>185,789</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	66,655,116	10,536,775	77,191,891
<b>Restricted for:</b>			
Capital projects	1,064,157	-	1,064,157
Debt service	827,634	-	827,634
Special revenue funds	1,800,888	-	1,800,888
Unrestricted	556,875	3,982,364	4,539,239
<b>Total Net Position</b>	<u>\$ 70,904,670</u>	<u>\$ 14,519,139</u>	<u>\$ 85,423,809</u>

See accompanying notes to the basic financial statements.



**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Activities  
Year Ended December 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government	\$ 1,896,791	\$ 501,696	\$ 613,701	\$ -	\$ (781,394)	\$ -
Public safety	8,368,540	231,285	863,303	-	(7,273,952)	-
Public works	2,838,024	486,392	1,531,179	-	(820,453)	-
Parks and recreation	993,441	186,722	34,016	-	(772,703)	-
Community development	53,658	-	-	-	(53,658)	-
Bond acquisition costs	21,462	-	-	-	(21,462)	-
Interest on long-term debt	247,641	-	-	-	(247,641)	-
Total Governmental Activities	14,419,557	1,406,095	3,042,199	-	(9,971,263)	-
<b>Business Type Activities</b>						
Sewer Fund	5,396,500	5,500,407	-	-	-	103,907
Community Pool Fund	733,939	664,346	-	-	-	(69,593)
Golf Course Fund	2,728,085	2,841,579	-	-	-	113,494
Bond acquisition costs	110,315	-	-	-	-	(110,315)
Total Business Type Activities	8,968,839	9,006,332	-	-	-	37,493
Total Primary Government	\$ 23,388,396	\$ 10,412,427	\$ 3,042,199	\$ -	(9,971,263)	37,493
<b>General Revenues (Expenses)</b>						
Property taxes, levied for general purpose					7,705,583	-
Transfer taxes					1,154,713	-
Local services and per capita taxes					496,445	-
Public utility taxes					11,527	-
Franchise taxes					726,244	-
Investment earnings					16,576	8,293
Miscellaneous					199,436	-
Loss on sale of capital assets					(53,686)	-
Transfers in					1,993,930	1,327,361
Transfer out					(1,812,039)	(1,509,252)
Total General Revenues					10,438,729	(173,598)
Change in Net Position					467,466	(136,105)
Net Position at Beginning of Year - Restated					70,437,204	14,655,244
Net Position at End of Year					\$ 70,904,670	\$ 14,519,139

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Balance Sheet  
Governmental Funds  
December 31, 2013

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Debt Service Fund</b>	<b>Special Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash	\$ 2,099,869	\$ 599,439	\$ 824,622	\$ 583,760	\$ 1,852,458	\$ 5,960,148
Accounts receivable, net	398,396	-	12,500	51,804	149,929	612,629
Prepaid expenses	20,903	-	-	-	-	20,903
<b>Total Assets</b>	<b>\$ 2,519,168</b>	<b>\$ 599,439</b>	<b>\$ 837,122</b>	<b>\$ 635,564</b>	<b>\$ 2,002,387</b>	<b>\$ 6,593,680</b>
<b>Liabilities</b>						
Accounts payable	\$ 163,166	\$ 131,359	\$ -	\$ 24,904	\$ 153,536	\$ 472,965
Accrued expenses	615,201	14,583	-	-	32,473	662,257
Security deposits	38,342	-	-	-	1,400	39,742
<b>Total Liabilities</b>	<b>816,709</b>	<b>145,942</b>	<b>-</b>	<b>24,904</b>	<b>187,409</b>	<b>1,174,964</b>
<b>Deferred Inflows of Resources</b>						
Deferred taxes	57,062	-	9,488	-	14,090	80,640
<b>Fund Balances</b>						
Nonspendable:						
Prepaid items	20,903	-	-	-	-	20,903
Restricted:						
Capital projects	-	453,497	-	610,660	-	1,064,157
Debt service	-	-	827,634	-	-	827,634
Special revenue funds	-	-	-	-	1,800,888	1,800,888
Unassigned:						
General fund	1,624,494	-	-	-	-	1,624,494
<b>Total Fund Balances</b>	<b>1,645,397</b>	<b>453,497</b>	<b>827,634</b>	<b>610,660</b>	<b>1,800,888</b>	<b>5,338,076</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,519,168</b>	<b>\$ 599,439</b>	<b>\$ 837,122</b>	<b>\$ 635,564</b>	<b>\$ 2,002,387</b>	<b>\$ 6,593,680</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Reconciliation of Total Governmental Fund Balances  
To Net Position of Governmental Activities  
December 31, 2013

<b>Total Governmental Fund Balances</b>	<b>\$ 5,338,076</b>
Amounts reported for governmental activities on the statement of net position 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 \$93,677,736 and the accumulated depreciation is \$15,585,233.	78,092,503
Taxes and grants not collected within 60 days of year-end are not recognized as a receivable in the funds.	80,640
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:	
Bonds and notes payable, including premiums	(11,437,387)
Post retirement health benefit obligation	(458,819)
Accrued compensated absences - sick time	(710,343)
	<hr/>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 70,904,670</u></b>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER MAKEFIELD

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2013

	General	Capital Reserve	Debt Service	Special Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real estate taxes	\$ 5,376,556	\$ -	\$ 977,889	\$ -	\$ 1,389,870	\$ 7,744,315
Real estate transfer taxes	1,154,713	-	-	-	-	1,154,713
Local services and per capita taxes	496,445	-	-	-	-	496,445
Licenses, permits and fees	1,183,014	-	-	-	-	1,183,014
Fines, forfeits and costs	89,066	-	-	-	-	89,066
Interest earnings	4,978	238	2,586	2,646	6,128	16,576
Rental income	353,176	20,531	-	-	55,567	429,274
Intergovernmental revenues	819,780	198,802	-	200,338	1,086,547	2,305,467
Charges for services	535,415	-	-	-	190,724	726,139
Contributions	2,490	475,000	-	14,000	43,327	534,817
Miscellaneous income	115,403	-	-	-	84,033	199,436
Bond proceeds	-	-	-	803,616	-	803,616
<b>Total Revenues</b>	<b>10,131,036</b>	<b>694,571</b>	<b>980,475</b>	<b>1,020,600</b>	<b>2,856,196</b>	<b>15,682,878</b>
<b>Expenditures</b>						
General government	1,353,691	192,327	-	-	-	1,546,018
Public safety	5,239,510	82,387	-	-	944,080	6,265,977
Public works	1,458,987	-	-	-	1,043,100	2,502,087
Parks and recreation	-	-	-	-	592,725	592,725
Community development	-	-	-	53,658	-	53,658
Capital outlay	-	881,359	-	19,250	117,479	1,018,088
Insurance	333,599	-	-	-	-	333,599
Employee benefits and taxes	1,688,178	-	-	-	-	1,688,178
Debt service	-	-	-	-	-	-
Principal	-	-	1,041,545	-	-	1,041,545
Interest	-	-	247,641	-	-	247,641
Bond acquisition costs	-	-	-	21,462	-	21,462
<b>Total Expenditures</b>	<b>10,073,965</b>	<b>1,156,073</b>	<b>1,289,186</b>	<b>94,370</b>	<b>2,697,384</b>	<b>15,310,978</b>
Excess (deficiency) of revenues over expenditures	57,071	(461,502)	(308,711)	926,230	158,812	371,900
<b>Other Financing Sources (Uses)</b>						
Refund prior year expenditure	110,940	-	-	-	6,149	117,089
Sale of capital assets	250	-	-	-	-	250
Operating transfers in	383,393	970,000	283,446	-	357,091	1,993,930
Operating transfers out	(547,091)	-	(51,331)	(814,057)	(399,560)	(1,812,039)
<b>Total Other Financing Sources (Uses)</b>	<b>(52,508)</b>	<b>970,000</b>	<b>232,115</b>	<b>(814,057)</b>	<b>(36,320)</b>	<b>299,230</b>
Net change in fund balances	4,563	508,498	(76,596)	112,173	122,492	671,130
Fund balances, beginning (deficit) - restated	1,640,834	(55,001)	904,230	498,487	1,678,396	4,666,946
<b>Fund balances, ending</b>	<b>\$ 1,645,397</b>	<b>\$ 453,497</b>	<b>\$ 827,634</b>	<b>\$ 610,660</b>	<b>\$ 1,800,888</b>	<b>\$ 5,338,076</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Reconciliation of Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund  
Balances to the Statement of Activities  
Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 671,130
Capital outlays are reported in the 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. Adjustments consist of:	
Capital outlays	1,018,088
Depreciation expense	(1,062,281)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	1,041,545
Bond proceeds of \$803,616 are recorded as revenue in the Government Funds, but these proceeds increase long-term liabilities in the Statement of Net Position.	(803,616)
Governmental Funds report the effect of premiums when debt is issued, but these amounts are deferred and amortized in the Statement of Activities.	29,054
Taxes not collected within 60 days of year-end are not recognized as revenue in the Government Funds, but are recognized as revenue in the Statement of Activities.	(38,732)
Capital Grants not collected within 60 days of year-end are not recognized as revenue in the Government Funds, but are recognized as revenue in the Statement of Activities.	(198,802)
Compensated absences for unused sick time do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds, but are recorded as expenses in the Statement of Activities.	(60,571)
In the Governmental Funds, post retirement health benefits are reported as expenses when due, but in the Statement of Activities the obligation is accrued.	(74,413)
In the Governmental Funds, proceeds from the sale of fixed assets (\$250) was reported as revenue. In the Statement of Activities, the loss on the sale (\$53,686) was reported and the net book value of the fixed assets were removed.	(53,936)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 467,466</u></u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Net Position (Deficit)  
 Proprietary Funds  
December 31, 2013

	<u>Enterprise Funds</u>			<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Community Pool Fund</u>	<u>Golf Course Fund</u>	
<b>Assets</b>				
Current assets				
Cash	\$ 1,811,890	\$ 257,265	\$ 1,035,673	\$ 3,104,828
Accounts receivable, net	1,792,888	-	8,302	1,801,190
Inventory	-	-	57,511	57,511
Prepaid expenses	-	35	4,150	4,185
Total current assets	<u>3,604,778</u>	<u>257,300</u>	<u>1,105,636</u>	<u>4,967,714</u>
Capital Assets				
Net capital assets	<u>18,312,473</u>	<u>638,175</u>	<u>16,190,880</u>	<u>35,141,528</u>
Total Assets	<u>21,917,251</u>	<u>895,475</u>	<u>17,296,516</u>	<u>40,109,242</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding of bond	<u>118,187</u>	<u>-</u>	<u>84,366</u>	<u>202,553</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	678,896	4,448	10,136	693,480
Accrued expense	47,426	8,479	50,176	106,081
Current portion of long-term debt	103,663	-	558,710	662,373
Total current liabilities	<u>829,985</u>	<u>12,927</u>	<u>619,022</u>	<u>1,461,934</u>
Long-term Liabilities				
Bonds and notes payable	<u>7,326,416</u>	<u>-</u>	<u>16,818,517</u>	<u>24,144,933</u>
<b>Deferred Inflows of Resources</b>				
Deferred gift card receipts	<u>-</u>	<u>-</u>	<u>185,789</u>	<u>185,789</u>
<b>Net position (deficit)</b>				
Invested in capital assets, net of related debt	11,000,581	638,175	(1,101,981)	10,536,775
Unrestricted	2,878,456	244,373	859,535	3,982,364
Total net position (deficit)	<u>\$ 13,879,037</u>	<u>\$ 882,548</u>	<u>\$ (242,446)</u>	<u>\$ 14,519,139</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Revenues, Expenses, and Change in Net Position (Deficit)  
 Proprietary Funds  
Year Ended December 31, 2013

	<b>Enterprise Funds</b>			<b>Total Proprietary Funds</b>
	<b>Sewer Fund</b>	<b>Community Pool Fund</b>	<b>Golf Course Fund</b>	
<b>Operating Revenues</b>				
Charges for service	\$ 5,416,623	\$ 653,221	\$ 2,841,579	\$ 8,911,423
Miscellaneous	24,864	11,125	-	35,989
<b>Total Operating Revenues</b>	<b>5,441,487</b>	<b>664,346</b>	<b>2,841,579</b>	<b>8,947,412</b>
<b>Operating Expenses</b>				
Operations	4,171,887	667,595	2,145,997	6,985,479
Depreciation	1,003,321	66,344	318,634	1,388,299
<b>Total Operating Expenses</b>	<b>5,175,208</b>	<b>733,939</b>	<b>2,464,631</b>	<b>8,373,778</b>
<b>Operating Income (loss)</b>	<b>266,279</b>	<b>(69,593)</b>	<b>376,948</b>	<b>573,634</b>
<b>Non-Operating Revenues (Expenses)</b>				
Earnings on investments	5,004	1,123	2,166	8,293
Tapping fees	58,920	-	-	58,920
Interest expense	(216,513)	-	(267,306)	(483,819)
Bond acquisition costs	-	-	(110,315)	(110,315)
(Accretion) Amortization	(4,779)	-	3,852	(927)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(157,368)</b>	<b>1,123</b>	<b>(371,603)</b>	<b>(527,848)</b>
<b>Income (loss) before contributions and fund transfers</b>	<b>108,911</b>	<b>(68,470)</b>	<b>5,345</b>	<b>45,786</b>
<b>Contributions and fund transfers</b>				
Interfund transfers in	830,742	-	496,619	1,327,361
Interfund transfers out	(1,080,742)	(28,510)	(400,000)	(1,509,252)
<b>Total</b>	<b>(250,000)</b>	<b>(28,510)</b>	<b>96,619</b>	<b>(181,891)</b>
<b>Change in Net Position</b>	<b>(141,089)</b>	<b>(96,980)</b>	<b>101,964</b>	<b>(136,105)</b>
<b>Total Net Position (Deficit), Beginning - restated</b>	<b>14,020,126</b>	<b>979,528</b>	<b>(344,410)</b>	<b>14,655,244</b>
<b>Total Net Position (Deficit), Ending</b>	<b>\$ 13,879,037</b>	<b>\$ 882,548</b>	<b>\$ (242,446)</b>	<b>\$ 14,519,139</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Cash Flows  
 Proprietary Funds  
Year Ended December 31, 2013

	<b>Enterprise Funds</b>			<b>Total Proprietary Funds</b>
	<b>Sewer Fund</b>	<b>Community Fund</b>	<b>Golf Course Fund</b>	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 5,364,491	\$ 664,346	\$ 2,855,079	\$ 8,883,916
Cash payments to suppliers	(3,914,286)	(305,442)	(1,192,022)	(5,411,750)
Cash payments to employees	(265,849)	(337,353)	(875,406)	(1,478,608)
Cash payments to other governments	(20,715)	(26,091)	(67,951)	(114,757)
Net cash provided by (used) in operating activities	<u>1,163,641</u>	<u>(4,540)</u>	<u>719,700</u>	<u>1,878,801</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Transfers in (out)	(250,000)	(28,510)	71,619	(206,891)
Tapping fees	58,920	-	-	58,920
Net cash provided by (used) in non-capital financing activities	<u>(191,080)</u>	<u>(28,510)</u>	<u>71,619</u>	<u>(147,971)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(359,543)	(70,954)	(3,591,652)	(4,022,149)
Proceeds from issuance of bonds	-	-	3,990,186	3,990,186
Principal paid on long-term debt	(100,000)	-	(525,000)	(625,000)
Bond acquisition cost payments	-	-	(110,315)	(110,315)
Interest paid on long-term debt	(216,513)	-	(267,306)	(483,819)
Net cash (used) in capital and related financing activities	<u>(676,056)</u>	<u>(70,954)</u>	<u>(504,087)</u>	<u>(1,251,097)</u>
<b>Cash Flows from Investing Activities</b>				
Earnings from investments	5,004	1,123	2,166	8,293
Net increase (decrease) in cash and cash equivalents	<u>301,509</u>	<u>(102,881)</u>	<u>289,398</u>	<u>488,026</u>
<b>Cash and Cash Equivalents</b>				
Beginning of year	<u>1,510,381</u>	<u>360,146</u>	<u>746,275</u>	<u>2,616,802</u>
End of Year	<u>\$ 1,811,890</u>	<u>\$ 257,265</u>	<u>\$ 1,035,673</u>	<u>\$ 3,104,828</u>

See accompanying notes to the basic financial statements.



**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Cash Flows  
 Proprietary Funds  
Year Ended December 31, 2013

	<u>Enterprise Funds</u>			<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Community Pool Fund</u>	<u>Golf Course Fund</u>	
<b>Reconciliation of Operating Income to Net Cash Provided By (Used) In Operating Activities</b>				
Operating income (loss)	\$ 266,279	\$ (69,593)	\$ 376,948	\$ 573,634
Adjustments to reconcile operating income to net cash provided by (used) in operating activities:				
Depreciation	1,003,321	66,344	318,634	1,388,299
(Increase) decrease in				
Accounts receivable	(76,996)	-	(2,734)	(79,730)
Inventory	-	-	6,798	6,798
Prepaid expenses	-	(35)	8,469	8,434
Increase (decrease) in				
Accounts payable	15,140	2,617	(6,843)	10,914
Accrued expense	(44,103)	(3,873)	2,194	(45,782)
Deferred revenue	-	-	16,234	16,234
<b>Net Cash Provided By (Used) In Operating Activities</b>	<b>\$ 1,163,641</b>	<b>\$ (4,540)</b>	<b>\$ 719,700</b>	<b>\$ 1,878,801</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2013

	<u>Pension Trust Funds</u>		<u>Deferred Retirement Option Plan Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>	<u>Total Fiduciary Funds</u>
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>				
<b>Assets</b>						
Cash and cash equivalents	\$ 145,336	\$ 111,485	\$ -	\$ 48,745	\$ 454,293	\$ 759,859
Investments	8,993,317	5,986,058	379,047	-	-	15,358,422
Accounts receivable	-	-	-	-	118,386	118,386
<b>Total assets</b>	<u>9,138,653</u>	<u>6,097,543</u>	<u>379,047</u>	<u>48,745</u>	<u>572,679</u>	<u>16,236,667</u>
<b>Liabilities</b>						
Accounts payable	-	-	-	91	126,094	126,185
Due to developers	-	-	-	-	446,585	446,585
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>572,679</u>	<u>572,770</u>
<b>Net Position Held in Trust for Pension Benefits and Other purposes</b> (Schedule of funding progress for the plan is on Pages 57 and 58 )	<u>\$ 9,138,653</u>	<u>\$ 6,097,543</u>	<u>\$ 379,047</u>	<u>\$ 48,654</u>	<u>\$ -</u>	<u>\$ 15,663,897</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Combined Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended December 31, 2013

	Pension Trust Funds		Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Total Fiduciary Funds
	Police Pension	Non-Uniform Pension			
<b>Additions</b>					
Contributions					
State aid	\$ 419,511	\$ -	\$ -	\$ -	\$ 419,511
Employer	165,072	347,111	-	-	512,183
Transfer from Police Pension	-	-	156,303	-	156,303
Investment income	1,111,656	727,937	6,386	125	1,846,104
<b>Total additions</b>	<b>1,696,239</b>	<b>1,075,048</b>	<b>162,689</b>	<b>125</b>	<b>2,934,101</b>
<b>Deductions</b>					
Administrative expenses	55,104	28,775	-	-	83,879
Benefits	525,309	255,691	117,522	2,381	900,903
Transfer to Deferred Retirement Option Plan	156,303	-	-	-	156,303
<b>Total deductions</b>	<b>736,716</b>	<b>284,466</b>	<b>117,522</b>	<b>2,381</b>	<b>1,141,085</b>
<b>Change in Net Position</b>	<b>959,523</b>	<b>790,582</b>	<b>45,167</b>	<b>(2,256)</b>	<b>1,793,016</b>
Net position held in trust for pension benefits and other purposes					
Beginning of year	8,179,130	5,306,961	333,880	50,910	13,870,881
End of year	<u>\$ 9,138,653</u>	<u>\$ 6,097,543</u>	<u>\$ 379,047</u>	<u>\$ 48,654</u>	<u>\$ 15,663,897</u>

See accompanying notes to the basic financial statements.

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2013

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Entity

The **Township of Lower Makefield** (the Township) is located in Bucks County, Pennsylvania, was 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 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 direction 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 United States 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 Standard Board (FASB) and AICPA Pronouncement statements to its governmental and business type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements.

#### Reporting Entity

The Township has adopted all applicable GASB Statements 33 through 66. During the year ended December 31, 2013, the Township implemented GASB 65 and see Note R – Restatement of Net Position. The Township has not determined the effect of GASB Statement 67 through 71 on the financial statements since these GASB statements are pending.

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. 39, the Township is financially accountable if it appoints a voting majority of the organization's 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, 2013 annual financial report. The Authority is reported as if it was 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's Finance Director.

Management has elected not to include the following potential component units in the December 31, 2013 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.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate.

The Township has the following funds:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund form which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in current financial resources, rather than upon net income determination.

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, including bond and loan proceeds, 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).

***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.

***Special Project Fund***

The Special Project Fund is used to account for non-recurring financial resources that are not part of any other special revenue funds.

***Other Special Revenue Funds***

The other special revenue funds of the Township are considered nonmajor (presented in a single column) and are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Township's Other Special Revenue Funds include: Liquid Fuels, Hydrant, Ambulance, Fire Protection, 9-11 Memorial Fund, Parks and Recreation, Street Lights, Parks and Recreation Fee-in-Lieu, Library, and Traffic Impact.

The following Other Special Revenue Funds had fund balance (deficits) as of December 31, 2013:

Street Light Fund	(\$20,323)
Hydrant Fund	(\$23,585)

## TOWNSHIP OF LOWER MAKEFIELD

### Notes to the Basic Financial Statements December 31, 2013

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Proprietary Funds**

Proprietary funds are used to account for operations that are organized to be self-supporting through user charges. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Township has not and does not intend to apply any Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 to the government-wide financial statements and the proprietary funds.

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.

##### **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Township as a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

The Township reports the following Fiduciary Funds:

##### ***Pension Trust Funds***

The Pension Trust Funds 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 Option Plan Fund accounts for the assets and liabilities held by the Township in a trustee capacity for policy officers within forty-eight months of retirement. (See Note J).

##### ***Unemployment Compensation Trust Fund***

The Unemployment Compensation Trust Fund accounts 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.

##### **Basis of Presentation and Accounting**

##### ***Government-wide and Fund Financial Statements***

The statement of net position and the statement of activities report information on all nonfiduciary activities of the primary government and its blended component unit. All fiduciary activities are reported only in the fund financial statements. *Government activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges to external customers for support.

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2013

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation and Accounting (Continued)**

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. 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 providers have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by 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 clearly identifiable with a specific function. Administrative overhead charges of the general government are included in the direct expenses. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. 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***

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by the measurement focus. The Governmental fund financial statements are reported using the *current financial resources measurement 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 sixty days of the end of the fiscal period. Those revenues generally susceptible to accrual are real estate taxes, real estate transfer taxes, and local services and per capita taxes. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other postemployment benefits, compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are 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.

In applying the susceptible to accrual concept in intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Township. Therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

## TOWNSHIP OF LOWER MAKEFIELD

### Notes to the Basic Financial Statements December 31, 2013

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Basis of Presentation and Accounting (Continued)**

Licenses, permits, and fees, fines, forfeitures, and costs, charges for services, rental income, and other miscellaneous income are generally recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

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 position (deficit). The statement of revenues, expenses and changes in net position (deficit) presents increases (i.e., revenues) and decreases (i.e., expenses) in total net Position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguished operating revenues and expenses from non-operating 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 revenue or expenses not meeting this definition are reported as non-operating revenues and expenses.

##### **Use of Estimates**

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

##### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

##### **Investments**

Investments are stated at fair value. State statutes authorize the Township to invest in obligations of the United States Treasury, short-term obligations of the United States 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.

As of December 31, 2013, the only the Township's fiduciary funds held investments.

Interest earnings 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.

##### **Accounts Receivable**

Real estate tax receivables are recognized when levied to the extent that they are available as current assets. Real estate taxes are levied March 1. An elected tax collector bills and collects all real estate taxes and remits them to the Township. Taxes unpaid in the current year are lien January 15 of the succeeding year. Taxes are paid as follows: tow percent (2%) discount, March 1 through April 30; face amount May through June 30; and a ten percent (10%) penalty thereafter.



**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

Other fees and assessments include franchise fees, transfer taxes, and street light and solid waste collection assessments and are recognized when billed.

See Note O – Acquisition to loan receivable.

Accounts receivable includes all invoices owed by other governments, individuals and private enterprises for services rendered and/or materials supplied. Revenue is recognized when the invoice is prepared.

**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” on the Governmental Funds balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.” At December 31, 2013, there were no interfund receivables or payables.

**Inventory and Prepaid Expenditures/Expenses**

Inventories are valued at 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, 2013, consist of the following:

Pro Shop	\$45,744
Food and Beverage	<u>11,767</u>
	<u>\$57,511</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.

**Deferred Charges**

Deferred charges consist of bond and note deferred losses on early retirement of debt, which are amortized over the life of the new debt.

**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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

In the case of road, curb, sidewalk and bike path infrastructure, the Township has elected to use the modified approach and the assets are not depreciated. See page 56 for a more detailed description of the method.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

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

	<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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and government fund balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period and thus will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item in the proprietary funds and government-wide statement of net position that qualifies for reporting in this category. Deferred charges on refunding of bonds are amortized over the life of the bonds.

In addition to liabilities, the statement of net position and the government funds balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and thus will not be recognized as an inflow of resources (revenue) until that time. The township has one item in the government funds balance sheet that qualifies for this category. Property taxes receivable not collected within 60 days are not available for current use and therefore are classified as a deferred out-flow of resource in the government funds financial statements. The township has one item in the proprietary funds and government-wide statement of net position that qualifies for reporting in this category. Deferred revenue from unused golf fund gift certificates and gift cards are recognized as revenue when redeemed.

**Compensated Absences and Post-Employment Benefits**

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 sixty days sick pay upon retirement. In addition, per the terms of the Township's police and public works contract, officers and public works employees are due certain other benefits after retirement. See Note H - Post Retirement Health Benefits.

These post-retirement health benefits include thirty-six months of medical, dental, prescription, and life insurance coverage for eligible retirees and their dependents. The CBA that was enacted effective January 1, 2010 extend the thirty month window an additional sixty months if an officer elected to retire by December 31, 2010.

**Long-Term Obligations**

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

In the fund financial statements, Governmental Funds recognize bond/note premiums and discounts 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 December 31, 2013

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Long-Term Obligations (Continued)**

In accordance with GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," bond issuance costs that were previously recorded as assets in the government-wide and proprietary funds statement of net position are now recorded as expenses in the year incurred. GASB Statement No. 65 was retroactively implemented during the year ended December 31, 2013, and the position of the township has been restated as of January 1, 2013 to reflect this implementation. See Note R - Restatement of Fund Balances Net Position.

##### **Fund Equity**

The Township follows GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This statement provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. Fund balances of the government funds are classified as follows:

**Non-Spendable** - Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.

**Restricted** - Amounts that can be spent only for specific purposes because of constitutional provisions of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - Amounts that can be used only for specific purposes determined by a formal action of the Township Board of Supervisors. The Board of Supervisors is the highest decision making authority of the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Supervisors.

**Assigned** - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** - Residual net resources.

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

##### **Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government wide and proprietary fund financial statements. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capita assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are considered unrestricted. The Township applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

##### **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.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Real Estate Tax Calendar (Continued)**

The Township also annually levies a \$10 per capita tax on all residents over the age of eighteen. In addition, a Local Services Tax on all people employed within the township boundaries with annual salaries over \$12,000 are assessed at \$52 annual charge. Real estate transfer taxes received by the Township are .5% on the transfer of title of real property in the Township.

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.

**Subsequent Events**

Subsequent events after the statement of net position date through the date the financial statements were available to be issued, May 27, 2014, have been evaluated in the preparation of the financial statements management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

**NOTE B - 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, 2013, the Township's total cash and cash equivalents held in deposit accounts was \$9,025,234. The Township's bank balance was \$9,556,208 of which \$9,115,546 was uninsured and 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. \$9,155,546

**Investments**

As of December 31, 2013, the Township had the following investments and maturities in its Pension Trust and Deferred Retirement Option Plan Funds:

Investment Type	Fair Value			Total
	Police Pension Fund	Non-Uniform Pension Fund	Deferred Retirement Option Plan	
Fixed Income Mutual Funds	\$ 3,430,417	\$ 2,282,961	\$ -	\$ 5,713,378
Equity Mutual Funds	4,048,463	2,739,088	-	6,787,551
Common Stock	1,514,437	964,009	-	2,478,446
Investment Contract	-	-	379,047	379,047
<b>Total</b>	<b>\$ 8,993,317</b>	<b>\$ 5,986,058</b>	<b>\$ 379,047</b>	<b>\$ 15,358,422</b>

  

Investment Type	Investment Maturities			Total
	Less than One Year	One to Five Years	Five to Ten Years	
Fixed Income Mutual Funds	\$ 5,713,378	\$ -	\$ -	\$ 5,713,378
Equity Mutual Funds	6,787,551	-	-	6,787,551
Common Stock	2,478,446	-	-	2,478,446
Investment Contract	379,047	-	-	379,047
<b>Total</b>	<b>\$ 15,358,422</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,358,422</b>

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

***Interest Rate Risk***

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

<b>Asset Allocation</b>	<b>Minimum</b>	<b>Maximum</b>
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 G.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	<u>Governmental Type Funds</u>				Total Governmental Funds
	General Fund	Debt Service Fund	Special Project Fund	Other Governmental Funds	
Real estate taxes	\$ 74,349	\$ 12,500	\$ -	\$ 18,129	\$ 104,978
Loan receivable	-	-	-	125,000	125,000
Other fees and assessments	324,047	-	51,804	6,800	382,651
<b>Total</b>	<b>\$ 398,396</b>	<b>\$ 12,500</b>	<b>\$ 51,804</b>	<b>\$ 149,929</b>	<b>\$ 612,629</b>

	<u>Proprietary Funds</u>	
	Enterprise Funds	Fiduciary Funds
Golf course	\$ 8,302	\$ -
Sewer billings	1,792,888	-
Due from developers	-	118,386
<b>Total</b>	<b>\$ 1,801,190</b>	<b>\$ 118,386</b>

Accounts receivable for the sewer billings is reported net of allowance for doubtful accounts of \$25,000. No bad debt expense was recorded for the year ended December 31, 2013.

**NOTE D - INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS**

Interfund transfers are summarized as follows for the year-ended December 31, 2013:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 383,393	\$ 547,091
Capital Reserve Fund	970,000	-
Debt Service Fund	283,446	51,331
Special Project Fund	-	814,057
Other Governmental Funds	357,091	399,560
Enterprise Funds		
Sewer Fund	830,742	1,080,742
Community Pool Fund	-	28,510
Golf Course Fund	496,619	400,000
<b>Total</b>	<b>\$ 3,321,291</b>	<b>\$ 3,321,291</b>

Significant interfund transfers include the following: (1) \$700,000 transfer from the special project fund to the capital reserve fund to fund future capital projects. The source of this transfer was from the bond proceeds received from the issuance of Series A and B of 2013 revenue bonds that were deposited into the special project fund and golf fund, (2) \$250,000 transfer from the sewer fund to the general fund to support current year activities, (3) \$200,000 transfer from the general fund to the capital reserve fund to fund current year capital outlays, (4) \$173,757 transfer from the parks and recreation fund to the debt service fund to fund current year principal and interest payments, (5) \$175,00 transfer from the general fund to the ambulance rescue fund to support the Yardley Makefield Emergency Unit, and (6) \$172,021 transfer from the general fund to the liquid fuels fund to fund current year salaries, wages, and repair projects.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE E - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<b>Balance January 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance December 31, 2013</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 19,274,451	\$ 19,250	\$ -	\$ 19,293,701
Infrastructure	49,524,483	-	-	49,524,483
Construction in progress	3,685	762,807	-	766,492
<b>Total capital assets not being depreciated</b>	<b>68,802,619</b>	<b>782,057</b>	<b>-</b>	<b>69,584,676</b>
Capital assets being depreciated				
Infrastructure	1,308,418	-	-	1,308,418
Land improvements	7,688,748	52,724	(56,775)	7,684,697
Buildings and improvements	6,755,536	-	-	6,755,536
Vehicles	5,049,515	146,585	-	5,196,100
Furniture and equipment	3,111,586	36,723	-	3,148,309
	23,913,803	236,032	(56,775)	24,093,060
Accumulated depreciation	(14,525,791)	(1,062,281)	2,839	(15,585,233)
<b>Total capital assets, net</b>	<b>9,388,012</b>	<b>(826,249)</b>	<b>(53,936)</b>	<b>8,507,827</b>
<b>Total governmental activities capital assets, net</b>	<b>78,190,631</b>	<b>(44,192)</b>	<b>(53,936)</b>	<b>78,092,503</b>
<b>Business Activities</b>				
Capital assets not being depreciated				
Land	4,202,081	3,563,918	-	7,765,999
Construction in progress	14,713	(14,713)	-	-
<b>Total capital assets not being depreciated</b>	<b>4,216,794</b>	<b>3,549,205</b>	<b>-</b>	<b>7,765,999</b>
Capital assets being depreciated				
Land improvements	8,071,438	29,426	-	8,100,864
Plant and pools	41,838,342	364,626	-	42,202,968
Buildings and improvements	3,140,291	13,022	-	3,153,313
Furniture and equipment	1,334,282	65,870	-	1,400,152
<b>Total capital assets being depreciated</b>	<b>54,384,353</b>	<b>472,944</b>	<b>-</b>	<b>54,857,297</b>
Accumulated depreciation	(26,093,469)	(1,388,299)	-	(27,481,768)
<b>Total capital assets, net</b>	<b>28,290,884</b>	<b>(915,355)</b>	<b>-</b>	<b>27,375,529</b>
<b>Total business activity capital assets, net</b>	<b>32,507,678</b>	<b>2,633,850</b>	<b>-</b>	<b>35,141,528</b>
<b>Total capital assets, net</b>	<b>\$ 110,698,309</b>	<b>\$ 2,589,658</b>	<b>\$ (53,936)</b>	<b>\$ 113,234,031</b>

Depreciation expense was charged to governmental functions and business-type functions as follows:

<u>Governmental</u>		<u>Business</u>	
General Government	\$ 46,228	Sewer Fund	\$1,003,321
Public Safety	304,180	Golf Course Fund	318,634
Public Works	311,157	Pool Fund	66,344
Parks and Recreation	400,716		
<b>Total</b>	<b>\$1,062,281</b>	<b>Total</b>	<b>\$1,388,299</b>

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity of the Township for the year ended December 31, 2013:

	Principal Outstanding January 1, 2013	Additions	Deletions / Maturities	Principal Outstanding December 31, 2013	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
Series of 2011	\$ 602,535	\$ -	\$ -	\$ 602,535	\$ -
Series of 2010	4,865,000	-	(305,000)	4,560,000	315,000
Series A of 2010	3,555,000	-	(570,000)	2,985,000	580,000
Series B of 2013	-	803,616	-	803,616	-
General Obligation Notes:					
Series of 2004	2,353,000	-	(108,000)	2,245,000	112,000
Notes Payable:					
Commonwealth of PA:					
PEMA	63,770	-	(9,959)	53,811	9,723
PNC Bank	61,527	-	(48,586)	12,941	12,941
Deferred amounts:					
Bond premiums	203,538	-	(29,054)	174,484	29,054
<b>Total</b>	<b>11,704,370</b>	<b>803,616</b>	<b>(1,070,599)</b>	<b>11,437,387</b>	<b>1,058,718</b>
Net OPEB obligation	384,405	164,481	(90,067)	458,819	-
Accrued Sick Time	649,772	60,571	-	710,343	-
<b>Total Government Activities</b>	<b>12,738,547</b>	<b>1,028,668</b>	<b>(1,160,666)</b>	<b>12,606,549</b>	<b>1,058,718</b>
<b>Business Activities</b>					
General Obligation Bonds:					
Series of 2011	7,482,465	-	(100,000)	7,382,465	100,000
Series of 2010	5,310,000	-	(525,000)	4,785,000	540,000
Series A of 2013	-	1,975,000	-	1,975,000	5,000
Series B of 2013	-	1,988,918	-	1,988,918	-
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					
Bond premiums	158,838	26,268	(15,183)	169,923	17,373
<b>Total business type activities</b>	<b>21,457,303</b>	<b>3,990,186</b>	<b>(640,183)</b>	<b>24,807,306</b>	<b>662,373</b>
<b>Total long-term liabilities</b>	<b>\$34,195,850</b>	<b>\$5,018,854</b>	<b>\$ (1,800,849)</b>	<b>\$37,413,855</b>	<b>\$1,721,091</b>



TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE F - LONG-TERM LIABILITIES (Continued)**

Bonds and notes payable at December 31, 2013, 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.

\$ 2,245,000

**General Obligation Bonds, Series A of 2010**

Issued in 2010 for the purpose of currently refunding the Township's General Obligation Bonds, Series of 2003, of \$5,590,000 principal was payable annually beginning December 2010, interest was payable semi-annually beginning December 2010 at rates ranging from 1% to 4%.

2,985,000

**General Obligation Note, Series of 2010**

Payable to BNY Mellon for the purpose of advance refunding the Township's General Obligation Note Series B of 2001 of \$4,655,000 and refunding the General Obligation Bond Series of 2005 of \$6,385,000 and pay the costs of issuing bonds; principal is payable annually beginning June 2010, interest is payable semi-annually beginning June 2010, at rates ranging from 2% to 3%, with maturity scheduled for December 2021.

9,345,000

**Commonwealth of Pennsylvania Emergency Management Agency**

Note payable 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 if July 2001, with the acquisition of the Rescue Squad Building; principal and interest are due monthly at a rate of 2% through January 2019.

53,811

**PNC Bank**

Note payable 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 interest to the Township .

12,941

**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 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.

5,036,000

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE F - LONG-TERM LIABILITIES (Continued)**

**General Obligation Bonds, Series of 2011**

Issued in 2011 for the purpose of currently refunding the Series of 2006 General Obligation Bonds and paying the cost of issuing the bonds, principal will be payable annually beginning September 2012, interest will be payable semi-annually beginning March 2012, at fixed intervals, ranging from 2.0% to 3.50%, with maturity scheduled for September 2031. 7,985,000

**General Obligation Bonds, Series A of 2013**

Issued in 2013 for the purpose of funding the litigation settlement payment and establishing a golf course construction fund. The bond proceeds will be payable annually beginning in December 2014, interest will be payable semi-annually beginning December 2013, at fixed intervals, ranging from 2.0% to 3.5%, with maturity scheduled for December 2024. 1,975,000

**General Obligation Bonds, Series B of 2013**

Issued in 2013 for the purpose of funding the litigation settlement payment and establishing a golf course construction fund. The bond proceeds will be payable annually beginning in December 2025, interest will be payable annually beginning December 2025, at fixed intervals, ranging from 4.40% to 5.45%, with maturity scheduled for December 2032. 2,792,534

\$35,900,286

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, 2013 was \$731,460. Interest costs incurred and charged to expenditures for the year ended December 31, 2013 were \$247,641 in the Debt Service Fund, \$216,513 in the Sewer Fund and \$267,306 in the Golf Course Fund.

**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 June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 1,674,664	\$ 1,030,830	\$ 2,705,494
2015	1,917,166	978,125	2,895,291
2016	2,086,629	1,355,821	3,442,450
2017	2,137,113	862,216	2,999,329
2018	2,047,619	807,302	2,854,921
2018 to 2022	10,486,561	3,109,817	13,596,378
2023 to 2027	9,130,606	2,757,275	11,887,881
2028 to 2032	6,419,928	2,721,060	9,140,988
	<u>\$ 35,900,286</u>	<u>\$ 13,622,446</u>	<u>\$ 49,522,732</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 any 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 and 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  
December 31, 2013

**NOTE G - DEFINED BENEFIT PENSION PLANS**

**Description of Plans**

The **Township of Lower Makefield** sponsors a single employer defined pension plan for both police officers and non-uniformed 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, 2013 (the most recent valuation date), the Township's pension plan membership consisted of:

	<u>Police Pension Plan</u>	<u>Non-Uniform Pension Plan</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	19	33
Current employees	<u>36</u>	<u>33</u>
Total membership	<u>55</u>	<u>66</u>

**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, 2013, the plan's assets were managed by Glenmede Trust Company. All benefits vest after twelve years of credited service. Employees who retire at or after age fifty five with twenty-five 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 the age sixty-five, 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.

**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, 2013, 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 sixty-five 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 thirty 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 fifty-five 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 revenue in the period in which employee services are performed.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

***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 plans 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.

***Plan Expenses***

Plan expenses are paid from plan assets.

***Concentrations***

At December 31, 2013, there were no investments of the Police Pension Plan in any one organization that represented 5% or more of net assets available for benefits. Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

At December 31, 2013, there were no investments of the Non-Police Pension Plan in any one organization that represented 5% or more of net assets available for benefits. Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

***Funded Status***

The Schedules of Funding Progress and Schedule of Contributions from employer and other contributing entities are presented as required supplementary information (RSI) following the notes to the financial statements present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. As of January 1, 2013, the latest valuation date, both plans had unfunded actuarial accrued liabilities as follows:

Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
--	--------------------------------	--	------------------------------	---------------------	-----------------------------	---

2013	8,384,277	12,147,005	3,762,728	69.0%	2,955,813	127.3%
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Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
--	--------------------------------	--	------------------------------	---------------------	-----------------------------	---

2013	5,348,628	6,941,576	1,592,948	77.1%	1,981,301	80.4%
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**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

Additional information as of the latest actuarial valuation follows.

**Police Pension Plan**

Valuation date	January 1, 2013
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	16.44 years
Assets valuation method	5 year 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, 2013
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	11.45 years
Assets valuation method	5 year smoothing method
Actuarial assumptions	
Investment rate of return	8% per annum
Projected salary increases	5% compounded annually

**Annual Pension Cost and Net Pension Liability**

	<u>Police</u>	<u>Non-Uniformed</u>
Annual required contribution	\$ 585,583	\$ 347,111
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	<u>585,583</u>	<u>347,111</u>
Contributions made	<u>(585,583)</u>	<u>(347,111)</u>
Increase (decrease) in net pension obligation	-	-
Net pension obligation (asset) at beginning of year	-	-
Net pension obligation (asset) at end of year	<u>\$ -</u>	<u>\$ -</u>

<u>Police</u>		
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2011	\$ 456,011	100%
2012	\$ 511,918	100%
2013	\$ 584,583	100%
<u>Non-Uniform</u>		
2011	\$ 261,477	100%
2012	\$ 354,504	100%
2013	\$ 347,111	100%

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE H – POST RETIREMENT HEALTH BENEFITS**

**Plan Description**

The Township provides a defined benefit group health plan for retirees. The retiree group health plan provides the first thirty months of benefits for eligible retirees and their dependents. Benefit coverage includes medical, dental, prescription, and life insurance. The Township offered a termination benefit to employees who retired on or before December 31, 2010. The entire medical, dental and prescription drug benefits that were provided to employees at the time will be provided for a period of ninety-six months, as compared to thirty months available for other retired members, at the Township's cost. Currently, five retirees are receiving benefits for a ninety-six month period. Benefit provisions are established annually by the Supervisors.

Current benefit provisions are as follows:

Single Member	\$ 6,400 per year
Member with Dependents	\$14,600 per year

In order to be eligible for the Township's contribution, the retiree must have a minimum of twenty years of service for police and twenty-five years for public works.

**Funding Policy**

The Township's Board of Supervisors will not be funding the plan in the current year. The Supervisors will review the funding requirements and policy annually.

**Annual OPEB Cost and Net OPEB Obligation**

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No.45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual required contributions	\$	164,481
Interest on net OPEB obligation		1,530
Adjustment to annual required contribution		(2,559)
		163,452
Annual OPEB cost (expense)		163,452
Contributions		89,038
		74,414
Increase in net OPEB obligation		74,414
Net OPEB obligation, beginning of year		384,405
		384,405
Net OPEB obligation, end of year	\$	458,819

Membership of the plan consisted of the following on January 1, 2012 (the date of the latest actuarial valuation):

Active Members	Retired Members	Total Members
<u>54</u>	<u>6</u>	<u>60</u>

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE H - POST RETIREMENT HEALTH BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2013 and the preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2011	\$ 164,481	53%	\$ 307,524
2012	\$ 164,481	53%	\$ 384,405
2013	\$ 163,452	54%	\$ 458,819

**Funding Status and Funding Progress**

As of January 1, 2012, the actuarial accrued liability (AAL) for benefits was \$1,848,732, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

**Retirement age for active employees** – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age sixty for police and sixty-five for public works, or at the first subsequent year in which the member would qualify for benefits.

**Mortality** – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website ([www.cdc.gov](http://www.cdc.gov)). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

**Turnover** – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in Paragraph 35 of GASB Statement No.45. In addition, the expected future working life times of employees were determined using Table 2 in Paragraph 35c of GASB Statement No.45.

**Healthcare cost trend** – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment.

## TOWNSHIP OF LOWER MAKEFIELD

### Notes to the Basic Financial Statements December 31, 2013

#### **NOTE H - POST RETIREMENT HEALTH BENEFITS (Continued)**

##### **Methods and Assumptions (Continued)**

**Health insurance premiums** – 2012 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

**Payroll increase** – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.0% annually.

**Discount rate** – The calculation uses an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

**Actuarial cost method** – The entity age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed thirty year basis.

##### **Plan for Funding**

On an ongoing basis, the Township will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

#### **NOTE I - 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 Statements 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

#### **NOTE J - 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 twenty-five years of credited service and attaining the age of fifty-five. When electing to participate in the DROP, the employee must resign from employment no less than twelve months and no more than forty eight 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.

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 accrued, with the exception of those provisions relating to the Police Pension Plan.



## **TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

### **NOTE J - DEFERRED RETIREMENT OPTION PLAN (Continued)**

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 thirty 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 occurs, 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 occurs 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.

### **NOTE K - 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 \$446,585 as of December 31, 2013.

### **NOTE L - 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 twenty five years, expiring on December 31, 2031. The payments remain at \$1 per annum.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE L - COMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**Equipment Leases**

In May 2012, 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 \$6,694, including interest, beginning June 2012 through May 2016. 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. In February 2013 the Township also entered into a new lease purchase agreement for maintenance equipment to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$5,901. At the end of the lease term, the Township has the option to purchase the golf carts for a bargain purchase option of \$1.

The leases are not being treated as capital leases because the Township has no intention of purchasing the golf carts or equipment at the end of the leases. 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, 2013 for the leases was \$139,941.

The future minimum lease payments are as follows:

<b>Year Ending December 31</b>	
2014	\$151,139
2015	151,139
2016	104,281
201	770,811
2018	<u>11,802</u>
	<u>\$395,172</u>

**Management Agreement**

In 2012 the Township extended its management agreement with Applied Golf to manage the day-to-day operations of the Makefield Highlands Golf Club. The extended agreement expires on December 31, 2015 and calls for monthly management fee payments of \$7,500 per month.

The future minimum management fee payments are as follows:

<b>Year Ending December 31</b>	
2014	\$ 90,000
2015	<u>90,000</u>
	<u>\$180,000</u>

**Self-Insured Unemployment Compensation**

The Township self-insured for unemployment compensation coverage. A reserve of \$48,654 is established at December 31, 2013. During 2013, there were several claims totaling \$2,381.

**Litigation**

The Township is the defendant in several lawsuits arising in the normal course of operations. A matter that was material pending or threatening litigation is a condemnation of land that originated in 1996 and went to trial in 2008. The matter settled during the year ended December 31, 2013 and resulted in a judgment against the Township in the amount of \$3,563,918, which was capitalized as a land acquisition in the Golf Course Fund.

## **TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

### **NOTE M - 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 a 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 risk of loss, including worker's 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.

### **NOTE N - 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 by the Township over a period of twelve years.

### **NOTE O - 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 was reduced \$25,000 per year and recognized as rental income. During the year ended December 31, 2013, the balance of the rental income was fully recognized.

In November of 2012, Lower Makefield Township loaned the Yardley-Makefield Emergency Unit \$125,000 to fund operations. This loan is supported by a promissory note and is shown in the Townships accounts receivable. The note is interest free and is due on demand.

### **NOTE P - DERIVATIVE FINANCIAL INSTRUMENTS**

The Township entered into its General Obligation Notes, Series of 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 rates on these loans, to reduce the costs of participants in the loan program and to enhance the ability of participants to manage their interest rate risks. If the Township defaults on all or a portion of the general obligation notes with DVRFA, it may owe costs, if any, associated with the liquidation or termination of the respective variable rate swaps used by the DVRFA to provide the variable rates to the Township.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE P - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The following is a summary of the Township's general obligation notes with DVRFA and the estimated fair market value of the swap agreements at December 31, 2013:

<u>General Obligation Notes</u>	<u>Original Issue Amount</u>	<u>Outstanding at December 31, 2013</u>	<u>Market Value of Related Interest Rate Swap Agreements</u>
Series of 2002A	\$ 10,300,000	\$ 3,470,000	\$ 455,567
Series of 2002B	5,661,000	5,036,000	661,163
Series 2004	3,000,000	2,245,000	294,740
	<u>\$ 18,961,000</u>	<u>\$ 10,751,000</u>	<u>\$ 1,411,470</u>

With the execution of the variable rate swap agreement and in accordance with GASB 53, "Accounting and Reporting for Derivative Instruments", the Township accounts for the interest rate under both the consistent critical terms and quantitative methods standards of GASB 53. However, because the Township is not entitled to termination benefits per the swap agreements, the value of the swaps at December 31, 2013 are not reflected in the Statement of Net Position of the Township

**NOTE Q - 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 ninety 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, 2013. See Note P – Derivative Financial Instruments.

A comparison of carrying value and fair value as of December 31, 2013 is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Assets</b>		
Cash and cash equivalents (See Note B)	\$ 9,785,093	\$ 9,785,093
Investments (See Note B)	\$ 15,358,422	\$ 15,358,422
<b>Liabilities</b>		
Bonds payable (See Note F)	\$ 25,082,534	\$ 25,082,534
Notes payable (See Note F)	\$ 10,817,752	\$ 10,817,752
<b>Derivative Financial Instruments</b>		
See Note P.	\$ 1,411,470	\$ 1,411,470

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2013

**NOTE R - RESTATEMENT OF NET POSITION**

During the year ended December 31, 2013, the township retroactively implemented the requirements GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities." In accordance with GASB 65, the township restated its fund balance/net position as of January 1, 2013 to recognize bond issuance costs that were previously capitalized as expenditures in the year paid.

Additionally, the township's fund balance/net position as of January 1, 2013 were restated to correct two prior period errors; (1) accrued wages as of December 31, 2012 were improperly omitted from accrued expenses in the 2012 financial statements, and (2) a duplicate fixed asset and related payable that were included in the 2012 financial statements were corrected in 2013.

As a result of the implementation of GASB Statement Number 65 and the correction of the prior period errors noted above, fund balance/net position as of January 1, 2013 was restated in the fund financial statements and government-wide financial statements as follows:

	<u>Governmental Fund Financial Statements</u>		
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Other Governmental Funds</u>
Effect on fund balance as presented:			
January 1, 2013 as previously stated	\$ 1,874,030	\$ 160,282	\$ 1,450,110
Correct accrued wages as of December 31, 2012	(233,196)	(663)	(10,468)
January 1, 2013 as restated	<u>\$ 1,640,834</u>	<u>\$ 159,619</u>	<u>\$ 1,439,642</u>

	<u>Proprietary Fund Financial Statements</u>		
	<u>Sewer Fund</u>	<u>Community Pool Fund</u>	<u>Golf Course Fund</u>
Effect on net position as presented:			
January 1, 2013 as previously stated	\$ 13,618,243	\$ 982,285	\$ (223,218)
GASB No. 65 Implementation	(125,718)	-	(121,192)
Correct accrued wages as of December 31, 2012	(9,844)	(2,757)	-
Correct duplicate fixed asset and related payable	98,707	-	-
January 1, 2013 as restated	<u>\$ 13,581,388</u>	<u>\$ 979,528</u>	<u>\$ (344,410)</u>

	<u>Government Wide Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Effect on net position as presented:		
January 1, 2013 as previously stated	\$ 70,832,732	\$ 14,816,048
GASB No. 65 Implementation	(151,201)	(246,910)
Correct accrued wages as of December 31, 2012	(244,327)	(12,601)
Correct duplicate fixed asset and related payable	-	98,707
January 1, 2013 as restated	<u>\$ 70,437,204</u>	<u>\$ 14,655,244</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
General Fund  
Year Ended December 31, 2013

	<u>Budgeted Amount Final</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 6,818,350	\$ 7,027,714	\$ 209,364
Licenses, permits and fees	1,123,575	1,183,014	59,439
Fines, forfeits and costs	117,000	89,066	(27,934)
Interest earnings and rental income	331,460	358,154	26,694
Intergovernmental revenues	538,943	819,780	280,837
Charges for services	559,525	535,415	(24,110)
Contributions	3,100	2,490	(610)
Miscellaneous	55,000	115,403	60,403
	<hr/>	<hr/>	<hr/>
Total revenues	9,546,953	10,131,036	584,083
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
General government	1,362,188	1,353,691	8,497
Public safety	5,270,046	5,239,510	30,536
Public works	1,327,803	1,458,987	(131,184)
Capital outlay	-	-	-
Insurance	341,652	333,599	8,053
Employee benefits	1,744,970	1,688,178	56,792
	<hr/>	<hr/>	<hr/>
Total expenditures	10,046,659	10,073,965	(27,306)
	<hr/>	<hr/>	<hr/>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(499,706)</u>	<u>57,071</u>	<u>556,777</u>
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>			
Refund prior year expenditure	94,000	110,940	16,940
Sale of capital assets	2,500	250	(2,250)
Transfers in	408,405	383,393	(25,012)
Transfers out	(175,000)	(547,091)	(372,091)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	329,905	(52,508)	(382,413)
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in fund balance	(169,801)	4,563	<u>\$ 174,364</u>
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning	1,297,290	1,640,834	
	<hr/>	<hr/>	
Fund Balance, Ending	<u>\$ 1,127,489</u>	<u>\$ 1,645,397</u>	

See notes to budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
Debt Service Fund  
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Real estate taxes	\$ 977,500	\$ 977,889	\$ 389
Interest earnings	350	2,586	2,236
Miscellaneous income	-	-	-
Total revenues	<u>977,850</u>	<u>980,475</u>	<u>2,625</u>
<b>Expenditures</b>			
Fiscal agent fees	1,000	-	1,000
Debt service			
Principal	1,041,625	1,041,545	80
Interest	289,747	247,641	42,106
Total expenditures	<u>1,332,372</u>	<u>1,289,186</u>	<u>43,186</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(354,522)</u>	<u>(308,711)</u>	<u>45,811</u>
<b>Other Financing Sources (uses)</b>			
Operating transfers in	233,446	283,446	50,000
Operating transfers out	(38,760)	(51,331)	(12,571)
Total other financing sources	<u>194,686</u>	<u>232,115</u>	<u>37,429</u>
Net (decrease) in fund balance	(159,836)	(76,596)	<u>\$ 83,240</u>
Fund Balance, Beginning	<u>904,230</u>	<u>904,230</u>	
Fund Balance, Ending	<u>\$ 744,394</u>	<u>\$ 827,634</u>	

See notes to budgetary comparison statements.



**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
 Capital Reserve Fund  
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest earnings	\$ 600	\$ 238	\$ (362)
Rental income	25,000	20,531	(4,469)
Intergovernmental revenues	400,000	198,802	(201,198)
Contributions	475,000	475,000	-
<b>Total revenues</b>	<u>900,600</u>	<u>694,571</u>	<u>(206,029)</u>
<b>Expenditures</b>			
General government	212,000	192,327	19,673
Public safety	-	82,387	(82,387)
Capital outlay	720,000	881,359	(161,359)
<b>Total expenditures</b>	<u>932,000</u>	<u>1,156,073</u>	<u>(224,073)</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(31,400)</u>	<u>(461,502)</u>	<u>(430,102)</u>
<b>Other Financing Sources</b>			
Operating transfers in	70,000	970,000	900,000
<b>Total other financing sources</b>	<u>70,000</u>	<u>970,000</u>	<u>900,000</u>
<b>Net increase in fund balance</b>	38,600	508,498	<u>\$ 469,898</u>
Fund Balance (deficit), Beginning	141,235	(55,001)	
<b>Fund Balance, Ending</b>	<u>\$ 179,835</u>	<u>\$ 453,497</u>	

See notes to budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
 Special Project Fund  
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest earnings	\$ 300	\$ 2,646	\$ 2,346
Intergovernmental revenues	375,000	200,338	(174,662)
Contributions	20,000	14,000	(6,000)
Bond proceeds	-	803,616	803,616
Total revenues	<u>395,300</u>	<u>1,020,600</u>	<u>625,300</u>
<b>Expenditures</b>			
Community development	-	53,658	(53,658)
Capital outlay	404,000	19,250	384,750
Bond acquisition costs	-	21,462	(21,462)
Total expenditures	<u>404,000</u>	<u>94,370</u>	<u>309,630</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(8,700)</u>	<u>926,230</u>	<u>934,930</u>
<b>Other Financing Sources (uses)</b>			
Operating transfers out	<u>(30,009)</u>	<u>(814,057)</u>	<u>(784,048)</u>
Total other financing (uses)	<u>(30,009)</u>	<u>(814,057)</u>	<u>(784,048)</u>
Net (decrease) increase in fund balance	<u>(38,709)</u>	112,173	<u>\$ 150,882</u>
Fund Balance, Beginning	<u>513,821</u>	<u>498,487</u>	
Fund Balance, Ending	<u>\$ 475,112</u>	<u>\$ 610,660</u>	

See notes to budgetary comparison statements.

# TOWNSHIP OF LOWER MAKEFIELD

## Notes to the Budgetary Comparison Statements Year Ended December 31, 2013

### 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 twenty 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 by 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 United States general accepted accounting principles.

### 2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations in the following General Fund object levels (the legal level of the budgetary control):

Public works	\$131,184
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These over expenditures were funded by available fund balance in the General Fund.

For the year ended December 31, 2013, expenditures exceeded appropriations in the capital reserve fund by \$224,073. These expenditures were funded by available balances in the capital reserve fund.

**TOWNSHIP OF LOWER MAKEFIELD**

**Trend Data on Infrastructure Condition  
Year Ended December 31, 2013**

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 United States 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 service. The Township's policy is to maintain the street condition at a level of sixty five or better. The results of the last inspection were:

<u>Period</u>	<u>Evaluation Rating</u>
2011	65

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

<u>Period</u>	<u>Budget</u>	<u>Actual</u>
2013	\$520,000	\$454,026

The prior year expenditures were the same as the budgeted amount. The prior year expenditures were \$65,974 under the budgeted amount.

The next inspection of Township roadways is scheduled to be completed in early 2014.

**TOWNSHIP OF LOWER MAKEFIELD**

Pension Plans Plan Funding Progress  
Year Ended December 31, 2013

**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:

**Uniform Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	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%
2011	8,184,092	11,223,302	3,039,210	72.9%	3,028,049	100.4%
2013	8,384,277	12,147,005	3,762,728	69.0%	2,955,813	127.3%

**Non-Uniform Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	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%
2011	4,865,807	6,153,975	1,288,168	79.1%	2,131,981	60.4%
2013	5,348,628	6,941,576	1,592,948	77.1%	1,981,301	80.4%

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

The actuarial accrued liability measure was determined as part of the calculation to determine the actuarially determined contribution requirement that was made at January 1, 2013. The entry age normal funding method was used to calculate the actuarial accrued liability. Significant actuarial assumptions include:

- A rate of return on the investment of present and future assets of 8.00% per year.
- Projected salary increases of 5% per year compounded annually, attributable to inflation.

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

Pension Plan Funding Progress  
Year Ended December 31, 2013

**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.

Schedules of Contributions from the Employer and Other Contributing Entities:

<b>Police Pension Plan</b>					
<b>Year Ended December 31,</b>	<b>Annual Required Contribution*</b>	<b>State Aid</b>	<b>Employer</b>	<b>Total</b>	<b>Percentage Contributed</b>
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%
2010	\$ 565,286	\$ 352,598	\$ 212,688	\$ 565,286	100.00%
2011	\$ 456,011	\$ 342,936	\$ 113,075	\$ 456,011	100.00%
2012	\$ 571,918	\$ 396,948	\$ 174,970	\$ 571,918	100.00%
2013	\$ 584,583	\$ 419,511	\$ 165,072	\$ 584,583	100.00%

<b>Non-Uniformed Pension Plan</b>					
<b>Year Ended December 31,</b>	<b>Annual Required Contribution*</b>	<b>State Aid</b>	<b>Employer</b>	<b>Total</b>	<b>Percentage Contributed</b>
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%
2010	\$ 301,072	\$ -	\$ 301,072	\$ 301,072	100.00%
2011	\$ 261,479	\$ -	\$ 261,479	\$ 261,479	100.00%
2012	\$ 354,504	\$ -	\$ 354,504	\$ 354,504	100.00%
2013	\$ 347,111	\$ -	\$ 347,111	\$ 347,111	100.00%

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

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

Post Retirement Health Benefits Funding Progress  
Year Ended December 31, 2013

**SCHEDULE OF FUNDING PROGRESS**

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

The actuarial information is required every three years.

Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
2013	8,384,277	12,147,005	3,762,728	69.0%	2,955,813	127.3%

Source: The Post Retirement Health Benefits Actuarial Valuation Report.

The actuarial accrued liability measure was determined as part of the calculation to determine the actuarially determined contribution requirement that was made at January 1, 2012. The entry age actuarial cost method was used to calculate the actuarial accrued liability. Significant actuarial assumptions include:

- A rate of return on the investment of present and future assets of 2.00% per year.
- Projected salary increases of 2.00% per year compounded annually, attributable to inflation.

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 health benefit'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 health benefits' funding status is.

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 health benefits' 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 funded status is. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the funding status is.

Schedules of Contributions from the Employer and Other Contributing Entities:

Fiscal Year Ended	Annual OPEB Cost	Total Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 164,481	\$ 87,600	53%	\$ 307,524
2012	\$ 164,481	\$ 87,600	53%	\$ 384,405
2013	\$ 163,452	\$ 89,038	54%	\$ 458,817

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

**Notes to Pension and OPEB Plans  
December 31, 2013**

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:

	<u>Police</u>	<u>Non Uniform</u>
Date of actuarial valuation	1/1/2013	1/1/2013
Investment rate of return (a)	8.0%	8.0%
Projected salary increases (b)	5.0%	5.0%
Inflation rate	Included in (a) and (b)	Included in (a) and (b)
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	16.44 years	11.45 years
Cost of living increases	0%	0%

Information for the Other Post Employment Benefits is as follows:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2012
Projected salary increases	2.0%
Inflation rate	2.8%
Cost method	Entry Age Normal
Amortization method	Level % Open
Amortization period	30 years

Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment.



## **SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MAKEFIELD**

Combining Balance Sheet  
Other Governmental Funds  
December 31, 2013

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Traffic Impact Fund	Regency Bridge Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Total Other Governmental Funds
<b>Assets</b>												
Cash and cash equivalents	\$ (14,592)	\$ 28,068	\$ 160,603	\$ 10,629	\$ 265,248	\$ 85,026	\$ 88,996	\$ 448,738	\$ 120,795	\$ 570,402	\$ 88,545	\$ 1,852,458
Accounts receivable	556	-	5,757	1,854	15,110	-	-	-	-	-	126,652	149,929
<b>Total Assets</b>	<b>\$ (14,036)</b>	<b>\$ 28,068</b>	<b>\$ 166,360</b>	<b>\$ 12,483</b>	<b>\$ 280,358</b>	<b>\$ 85,026</b>	<b>\$ 88,996</b>	<b>\$ 448,738</b>	<b>\$ 120,795</b>	<b>\$ 570,402</b>	<b>\$ 215,197</b>	<b>\$ 2,002,387</b>
<b>Liabilities</b>												
Accounts payable	\$ 5,752	\$ 924	\$ 1,200	\$ 34,637	\$ 20,185	\$ -	\$ -	\$ -	\$ -	\$ 15,838	\$ 75,000	\$ 153,536
Accrued expenses	-	-	810	-	31,663	-	-	-	-	-	-	32,473
Security deposits	-	-	-	-	1,400	-	-	-	-	-	-	1,400
<b>Total Liabilities</b>	<b>5,752</b>	<b>924</b>	<b>2,010</b>	<b>34,637</b>	<b>53,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,838</b>	<b>75,000</b>	<b>187,409</b>
<b>Deferred Inflows of Resources</b>												
Deferred taxes and rental receipts	535	-	4,443	1,431	6,401	-	-	-	-	-	1,280	14,090
<b>Fund Balances</b>												
Restricted:												
Special revenue funds	(20,323)	27,144	159,907	(23,585)	220,709	85,026	88,996	448,738	120,795	554,564	138,917	1,800,888
<b>Total Fund Balances</b>	<b>(20,323)</b>	<b>27,144</b>	<b>159,907</b>	<b>(23,585)</b>	<b>220,709</b>	<b>85,026</b>	<b>88,996</b>	<b>448,738</b>	<b>120,795</b>	<b>554,564</b>	<b>138,917</b>	<b>1,800,888</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ (14,036)</b>	<b>\$ 28,068</b>	<b>\$ 166,360</b>	<b>\$ 12,483</b>	<b>\$ 280,358</b>	<b>\$ 85,026</b>	<b>\$ 88,996</b>	<b>\$ 448,738</b>	<b>\$ 120,795</b>	<b>\$ 570,402</b>	<b>\$ 215,197</b>	<b>\$ 2,002,387</b>

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  
Year Ended December 31, 2013

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Traffic Impact Fund	Regency Bridge Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Total Other Governmental Funds
<b>Revenues</b>												
Real estate taxes	\$ -	\$ -	\$ 460,450	\$ 141,968	\$ 657,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,286	\$ 1,389,870
Interest earnings	(16)	132	734	57	823	178	220	1,090	245	2,375	90	6,128
Rental income	-	-	-	-	55,567	-	-	-	-	-	-	55,567
Intergovernmental revenues	-	-	365,273	-	-	-	-	-	-	721,274	-	1,086,547
Charges for services	33,349	-	26,220	-	131,155	-	-	-	-	-	-	190,724
Contributions	-	1,018	-	-	-	28,548	-	13,761	-	-	-	43,327
Miscellaneous income	-	-	-	-	34,533	-	-	-	49,500	-	-	84,033
<b>Total Revenues</b>	<b>33,333</b>	<b>1,150</b>	<b>862,677</b>	<b>142,025</b>	<b>879,244</b>	<b>28,726</b>	<b>220</b>	<b>14,851</b>	<b>49,745</b>	<b>723,849</b>	<b>130,376</b>	<b>2,856,196</b>
<b>Expenditures</b>												
Public safety	-	-	744,430	-	-	-	-	-	-	-	199,650	944,080
Public works	40,242	-	-	159,211	-	-	-	-	-	843,647	-	1,043,100
Parks and recreation	-	53,141	-	539,584	-	-	-	-	-	-	-	592,725
Capital outlays	-	-	-	-	21,980	-	-	-	-	95,499	-	117,479
<b>Total Expenditures</b>	<b>40,242</b>	<b>53,141</b>	<b>744,430</b>	<b>159,211</b>	<b>561,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>939,146</b>	<b>199,650</b>	<b>2,697,384</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,909)</b>	<b>(51,991)</b>	<b>108,247</b>	<b>(17,186)</b>	<b>317,680</b>	<b>28,726</b>	<b>220</b>	<b>14,851</b>	<b>49,745</b>	<b>(215,297)</b>	<b>(69,274)</b>	<b>158,812</b>
<b>Other Financing Sources (Uses)</b>												
Refund of prior year expenditure	-	-	681	-	5,468	-	-	-	-	-	-	6,149
Operating transfers in	-	-	-	10,000	-	-	-	-	-	-	175,000	357,091
Operating transfers out	(1,245)	-	(108,640)	(5,002)	(274,673)	(10,000)	-	-	-	172,091	-	(399,560)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,245)</b>	<b>-</b>	<b>(107,959)</b>	<b>(5,002)</b>	<b>(259,205)</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,091</b>	<b>175,000</b>	<b>(36,320)</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>(8,154)</b>	<b>(51,991)</b>	<b>288</b>	<b>(22,188)</b>	<b>58,475</b>	<b>18,726</b>	<b>220</b>	<b>14,851</b>	<b>49,745</b>	<b>(43,206)</b>	<b>105,726</b>	<b>122,492</b>
Fund Balances, Beginning (deficit)	(12,169)	79,135	159,619	(1,397)	162,234	66,300	88,776	433,887	71,050	597,770	33,191	1,678,396
Fund Balances, Ending (deficit)	\$ (20,323)	\$ 27,144	\$ 159,907	\$ (23,585)	\$ 220,709	\$ 85,026	\$ 88,996	\$ 448,738	\$ 120,795	\$ 554,564	\$ 138,917	\$ 1,800,888

See accompanying notes to the basic financial statements.