

November 28, 2018

To the Board of Supervisors
c/o Kurt Ferguson
Lower Makefield Township
1100 Yardley, PA 19067

The following represents our understanding of the services we will provide the Township of Lower Makefield.

You have requested that we audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Makefield as of December 31, 2018, and for the year then ended 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. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Statements
3. Notes to the Budgetary Comparison Statements
4. Trend Data on Infrastructure
5. Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios
6. Schedule of Police Pension Plan Contributions
7. Schedule of Changes in the Net Non-Uniform Pension Plan Liability and Related Ratio
8. Schedule of Net Non-Uniform Pension Plan Contributions
9. Schedule of Investment Returns
10. Schedule of Changes in the Administrative Total OPEB Plan Liability and Related Ratios
11. Schedule of Changes in the Public Works Total OPEB Plan Liability and Related Ratios
12. Schedule of Changes in the Police Total OPEB Plan Liability and Related Ratios

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Supplementary information other than RSI will accompany the Township of Lower Makefield's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

1. Combining Balance Sheet – Other Governmental Funds
2. Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds

AUDITOR RESPONSIBILITIES

The Objective of an Audit

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. GAAP **and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole.** Our audit will be conducted in accordance with U.S. GAAS and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

General Audit Procedures

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

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Internal Control Audit Procedures

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Township of Lower Makefield's compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

REPORTING

We will issue a written report upon completion of our audit of the Township of Lower Makefield's basic financial statements. Our report will be addressed to the governing body of the Township of Lower Makefield. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

MANAGEMENT RESPONSIBILITIES

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;
2. For 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;

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3. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
4. For including the auditors' report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;
5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities; and
6. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
7. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

We will perform the following nonattest services:

1. Preparation of financial statements based on your trial balances.
2. Preparation of the Commonwealth of Pennsylvania Department of Community and Economic Development Municipal Annual Audit and Financial Report.



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With respect to any nonattest services we perform, the Township of Lower Makefield's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

As part of our audit process, we will request from management and those charged with governance, written confirmation concerning representations made to us in connection with the audit.

OTHER

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Edward J. Furman, CPA, is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Maillie LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required by the individuals assigned to the engagement, plus direct out-of-pocket expenses. Invoices will be rendered as work progresses and expenses are incurred and are payable upon presentation. We estimate that our fee for the audit will be \$40,000. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate.

In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not resume until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed complete upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

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The audit documentation for this engagement is the property of Maillie LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to various regulators pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Maillie LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to various regulators. The various regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

It is our policy to keep records related to this engagement for seven years. However, Maillie LLP does not keep any original records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for future possible use, including potential examination by government or regulatory agencies. By your signature below, you acknowledge and agree that upon the expiration of the seven year period, Maillie LLP shall be free to destroy our records related to this engagement.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.



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Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

MAILLIE LLP

Edward J. Furman, CPA

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the Township of Lower Makefield by:

Title: Township Manager