

**TOWNSHIP OF LOWER MAKEFIELD**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

# TOWNSHIP OF LOWER MAKEFIELD

## TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2019

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	15
Statement of Activities	16
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	17
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
<b><i>Fiduciary Funds</i></b>	
Statement of Net Position	24
Statement of Changes in Net Position	25

# TOWNSHIP OF LOWER MAKEFIELD

## TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2019

---

	<b>Page</b>
Notes to the Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Budgetary Comparison Statement – General Fund	70
Budgetary Comparison Statement – Special Project Fund	71
Notes to the Budgetary Comparison Statements	72
Trend Data on Infrastructure Condition	73
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	74
Schedule of Police Pension Plan Contributions	75
<i>Non-Uniform Pension Plan</i>	
Schedule of Changes in the Net Non-Uniform Pension Plan Liability and Related Ratios	76
Schedule of Net Non-Uniform Pension Plan Contributions	77
Schedule of Investment Returns Police and Non-Uniform Defined Pension Plan	78
Schedule of Changes in the Administrative Total OPEB Plan Liability and Related Ratios	79
Schedule of Changes in the Public Works Total OPEB Plan Liability and Related Ratios	80
Schedule of Changes in the Police Total OPEB Plan Liability and Related Ratios	81
<b>Supplementary Information Section</b>	
Budgetary Comparison Statement – Debt Service Fund	82
Budgetary Comparison Statement – Capital Reserve Fund	83
Combining Balance Sheet - Other Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds	85

## **FINANCIAL SECTION**

## ***Independent Auditors' 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, 2019, 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***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Makefield as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors  
Township of Lower Makefield  
Yardley, Pennsylvania

***Emphasis of Matter***

For the year ended December 31, 2019, the Township of Lower Makefield adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note P, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Township of Lower Makefield's operational and financial performance. At this point, the Township of Lower Makefield cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. 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 required supplementary information listed in the table of contents 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates 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 is fairly presented, in all material respects, in relation to the basic financial statements as a whole.



Oaks, Pennsylvania  
July 31, 2020

# **TOWNSHIP OF LOWER MAKEFIELD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2019**

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The management of Lower Makefield Township is pleased to present this narrative overview and analysis of the financial activities of Lower Makefield Township for the fiscal year ended December 31, 2019. The information is being presented as a comparative analysis of the previous year.

Lower Makefield Township is a Township of the Second Class under Pennsylvania Law. The governing body of the Township is the Board of Supervisors comprised of five (5) members, who are elected at large and serve six (6) year staggered terms. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations and awarding bids and contracts, and making appointments to various boards and commissions.

### **FINANCIAL HIGHLIGHTS**

- In 2019, the Township continued to move forward resolving lingering financial issues. The Township received final approval for its Community Center RACP grant bringing the Township \$911,000 and closing out that 3-year process.
- In 2019, the Township extended the cell tower lease with American Tower, which increased the least amount by 5% year over year, continued with revenue sharing at the same rate, and successfully negotiated a \$100,000 signing bonus as part of the agreement.
- Lower Makefield has continued to produce very healthy annual transfer tax totals. The Township receives ½ of 1% for every property sale that occurs in the Township. The Township collection continued to be robust. While the 2019 collection was down slightly from the 2018 amount of \$1,690,456, it did come above the 2019 budgeted amount of \$1,325,000 at \$1,530,496. Lower Makefield continues to be viewed as a premier location to locate one's family.

### **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.

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.



# TOWNSHIP OF LOWER MAKEFIELD

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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- 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 Special Project Fund, trend data on infrastructure condition, pension plan information and OPEB plan information.

### 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:

- 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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,909,755	\$ 9,063,133	\$ 317,936	\$ 881,460	\$ 11,227,691	\$ 9,944,593
Other assets	503,825	706,386	2,640,274	2,279,242	3,144,099	2,985,628
Capital assets	88,659,017	88,558,729	33,276,203	34,012,991	121,935,220	122,571,720
<b>TOTAL ASSETS</b>	<b>100,072,597</b>	<b>98,328,248</b>	<b>36,234,413</b>	<b>37,173,693</b>	<b>136,307,010</b>	<b>135,501,941</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension outflows	296,500	2,562,676	7,457	171,073	303,957	2,733,749
Deferred charges	-	-	108,416	138,737	108,416	138,737
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>296,500</b>	<b>2,562,676</b>	<b>115,873</b>	<b>309,810</b>	<b>412,373</b>	<b>2,872,486</b>
<b>LIABILITIES</b>						
Other liabilities	4,278,100	2,876,019	4,853,904	4,268,521	9,132,004	7,144,540
Long-term liabilities	22,838,653	26,942,610	26,439,936	29,408,696	49,278,589	56,351,306
<b>TOTAL LIABILITIES</b>	<b>27,116,753</b>	<b>29,818,629</b>	<b>31,293,840</b>	<b>33,677,217</b>	<b>58,410,593</b>	<b>63,495,846</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred pension inflows	504,047	479,270	24,681	58,418	528,728	537,688
<b>NET POSITION</b>						
Invested in capital assets	81,638,640	80,477,159	5,842,313	5,108,290	87,480,953	85,585,449
Restricted	1,872,702	1,500,286	-	-	1,872,702	1,500,286
Unrestricted	(10,763,045)	(11,384,420)	(810,548)	(1,360,422)	(11,573,593)	(12,744,842)
<b>TOTAL NET POSITION</b>	<b>\$ 72,748,297</b>	<b>\$ 70,593,025</b>	<b>\$ 5,031,765</b>	<b>\$ 3,747,868</b>	<b>\$ 77,780,062</b>	<b>\$ 74,340,893</b>

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, 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,417,245	\$ 2,101,072	\$ 12,428,759	\$ 10,234,136	\$ 14,846,004	\$ 12,335,208
Operating grants and contributions	3,446,834	2,965,473	-	-	3,446,834	2,965,473
General revenues						
Property taxes	10,663,444	10,009,211	-	-	10,663,444	10,009,211
Real estate transfer taxes	1,530,496	1,690,456	-	-	1,530,496	1,690,456
Local service taxes and per-capita taxes	569,473	544,154	7,504	5,599	576,977	549,753
Public utility taxes	11,284	11,606	-	-	11,284	11,606
Franchise taxes	759,379	784,190	-	-	759,379	784,190
Investment earnings	138,592	36,154	-	-	138,592	36,154
Miscellaneous	794,214	998,434	-	-	794,214	998,434
Gain on sale of capital assets	60,200	-	27,500	11,700	87,700	11,700
<b>TOTAL REVENUES</b>	<b>20,391,161</b>	<b>19,140,750</b>	<b>12,463,763</b>	<b>10,251,435</b>	<b>32,854,924</b>	<b>29,392,185</b>
<b>EXPENSES</b>						
General government	2,475,258	2,890,950	-	-	2,475,258	2,890,950
Public safety	10,633,112	10,573,050	-	-	10,633,112	10,573,050
Public works (highways and streets)	3,295,356	3,206,199	-	-	3,295,356	3,206,199
Culture and recreation	1,203,499	1,292,509	-	-	1,203,499	1,292,509
Interest on long-term debt	313,279	321,194	-	-	313,279	321,194
Loss on disposal of capital assets	-	153,226	-	-	-	153,226
Sewer	-	-	7,410,988	7,780,677	7,410,988	7,780,677
Community pool	-	-	1,008,821	989,578	1,008,821	989,578
Golf course	-	-	3,075,442	2,839,007	3,075,442	2,839,007
<b>TOTAL EXPENSES</b>	<b>17,920,504</b>	<b>18,437,128</b>	<b>11,495,251</b>	<b>11,609,262</b>	<b>29,415,755</b>	<b>30,046,390</b>
<b>EXCESS (DEFICIENCY) BEFORE TRANSFERS</b>	<b>2,470,657</b>	<b>703,622</b>	<b>968,512</b>	<b>(1,357,827)</b>	<b>3,439,169</b>	<b>(654,205)</b>
<b>TRANSFER</b>						
Transfers in	-	5,242,274	315,385	3,577,005	315,385	8,819,279
Transfers out	(315,385)	(5,913,766)	-	(2,905,513)	(315,385)	(8,819,279)
<b>CHANGE IN NET POSITION</b>	<b>2,155,272</b>	<b>32,130</b>	<b>1,283,897</b>	<b>(686,335)</b>	<b>3,439,169</b>	<b>(654,205)</b>
<b>NET POSITION, BEGINNING</b>	<b>70,593,025</b>	<b>70,560,895</b>	<b>3,747,868</b>	<b>4,434,203</b>	<b>74,340,893</b>	<b>74,995,098</b>
<b>NET POSITION, ENDING</b>	<b>\$ 72,748,297</b>	<b>\$ 70,593,025</b>	<b>\$ 5,031,765</b>	<b>\$ 3,747,868</b>	<b>\$ 77,780,062</b>	<b>\$ 74,340,893</b>

For the Township of Lower Makefield's governmental activities, total revenues and transfers in exceeded total expenses and transfers out by \$2,155,272 in 2019. In 2019, there was a 1.24 mill increase in the Tax. Revenues increased in 2019 by \$1,250,411, or 6.5%, expenses decreased by \$516,624, or 2.8%.

For the Township of Lower Makefield's business-type activities, net position increased \$1,283,897 in 2019 as a result of increases in the Sewer Fund of \$902,389 and Golf Fund of \$385,253; the decrease in Pool Fund net position in 2019 was \$3,745.

# TOWNSHIP OF LOWER MAKEFIELD

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

### Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities in 2019 was \$20,391,161; 2018 was \$19,140,750; and 2017 was \$18,379,513. Revenues by source are as follows:

Revenue	Amount		% of Total	
	2019	2018	2019	2018
Property taxes	\$ 10,663,444	\$ 10,009,211	52.29%	52.29%
Real estate transfer tax	1,530,496	1,690,456	7.51%	8.83%
Local services taxes and per-capita taxes	569,473	544,154	2.79%	2.84%
Public utility taxes	11,284	11,606	0.06%	0.06%
Franchise taxes	759,379	784,190	3.72%	4.10%
Investment earnings	138,592	36,154	0.68%	0.19%
Miscellaneous	794,214	998,434	3.89%	5.22%
Gain on sale of capital assets	60,200	-	0.30%	0.00%
Charges for services	2,417,245	2,101,072	11.85%	10.98%
Operating grants and contributions	3,446,834	2,965,473	16.90%	15.49%
	<u>\$ 20,391,161</u>	<u>\$ 19,140,750</u>	<u>100.00%</u>	<u>100.00%</u>

As seen above, revenues increased when comparing 2019 and 2018, by \$1,250,411 or 6.5%. Property taxes increased by \$654,233. In December of 2010, 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 earning more than \$12,000 per annum. This revenue source yielded over \$569,473 in 2019 and \$544,154 in 2018.

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 2019 were \$17,920,504; 2018 were \$18,437,128; and \$17,442,261 in 2017. Expenditures by source were as follows:

Expenses	Amount		% of Total	
	2019	2018	2019	2018
General government	\$ 2,475,258	\$ 2,890,950	13.81%	15.68%
Public safety	10,633,112	10,573,050	59.33%	57.35%
Highways and streets	3,295,356	3,206,199	18.39%	17.39%
Culture and recreation	1,203,499	1,292,509	6.72%	7.01%
Community development	-	-	0.00%	0.00%
Interest on long-term debt	313,279	321,194	1.75%	1.74%
Loss on disposal of capital assets	-	153,226	0.00%	0.83%
	<u>\$ 17,920,504</u>	<u>\$ 18,437,128</u>	<u>100.00%</u>	<u>100.00%</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**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, 2019, total \$121,935,220 and were \$122,571,720 in 2018 (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 2019 include:

Building improvements	\$	3,674
Construction in progress - other	\$	295,223
Equipment and vehicles	\$	877,534
Golf course renovations	\$	31,768
Golf course - equipment and vehicles	\$	7,333
Land improvements	\$	115,242
Infrastructure	\$	50,350
Pool furniture and fixtures	\$	546,398
Sewer capital contribution - Morrisville	\$	168,386
Sewer capital contribution - Yardley	\$	123,249
Sewer improvements - other	\$	324,919
Sewer equipment and capital repairs	\$	37,651

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Land*	\$ 23,859,951	\$ 23,859,951	\$ 7,765,999	\$ 7,765,999	\$ 31,625,950	\$ 31,625,950
Construction in progress	987,161	808,385	68,805	310,059	1,055,966	1,118,444
Infrastructure	50,289,307	50,238,957	-	-	50,289,307	50,238,957
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>75,136,419</u>	<u>74,907,293</u>	<u>7,834,804</u>	<u>8,076,058</u>	<u>82,971,223</u>	<u>82,983,351</u>
Land improvements	10,236,161	10,120,919	8,160,524	8,160,524	18,396,685	18,281,443
Plant and pools	1,308,418	1,308,418	48,303,845	47,140,893	49,612,263	48,449,311
Buildings and improvements	10,894,065	10,890,391	3,416,400	3,416,400	14,310,465	14,306,791
Furniture and equipment	4,020,564	3,913,522	2,397,339	2,392,350	6,417,903	6,305,872
Vehicles	7,267,045	6,775,353	-	-	7,267,045	6,775,353
TOTAL CAPITAL ASSETS DEPRECIATED	<u>33,726,253</u>	<u>33,008,603</u>	<u>62,278,108</u>	<u>61,110,167</u>	<u>96,004,361</u>	<u>94,118,770</u>
Accumulated depreciation	<u>(20,203,655)</u>	<u>(19,357,167)</u>	<u>(36,836,709)</u>	<u>(35,173,234)</u>	<u>(57,040,364)</u>	<u>(54,530,401)</u>
TOTAL CAPITAL ASSETS	<u>\$ 88,659,017</u>	<u>\$ 88,558,729</u>	<u>\$ 33,276,203</u>	<u>\$ 34,012,991</u>	<u>\$ 121,935,220</u>	<u>\$ 122,571,720</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, 2019**

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 73 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.

**Total Liabilities**

At the end of 2019, the Township had \$36,618,299 in outstanding principal for all Note Payables and Bonds. Net of premiums, discounts and amortization, the total amount is \$38,792,591. Total Long-Term Liabilities at the end of 2019 were \$52,181,959, which includes capital leases, OPEB and pension liabilities and compensated absences.

**Debt**

Outstanding debt at year end (net of premiums, discounts, and amortization) for the years ended December 31, 2019 and 2018 is as follows:

<u>Governmental Activities</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds		
Series B of 2013	\$ 803,616	\$ 803,616
Series of 2015	2,043,160	3,012,240
Series of 2016	6,829,104	7,140,399
Series of 2018	1,537,056	1,671,709
Notes Payable		
PEMA	-	801
Bucks County	145,765	192,279
	<u>11,358,701</u>	<u>12,821,044</u>
<u>Business-Type Activities</u>		
General Obligation Bonds		
Series A of 2013	1,926,798	1,944,157
Series B of 2013	1,988,918	1,988,918
Series of 2015	1,392,057	2,055,586
Series of 2016	13,494,266	14,234,052
Series of 2018	8,631,851	8,681,988
	<u>27,433,890</u>	<u>28,904,701</u>
Capital leases	467,467	-
Net OPEB obligation	5,173,288	4,869,353
Net pension liability	6,326,045	8,448,096
Compensated absences	1,422,568	1,308,112
	<u>52,181,959</u>	<u>56,351,306</u>
Total long-term liabilities	<u>\$ 52,181,959</u>	<u>\$ 56,351,306</u>

# TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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

### Economic Factors

The Township of Lower Makefield services an area of seventeen 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.

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

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

Source: United States Census Bureau (2010 Census)

### The 2020 Budget and Outlook

The total millage for 2020 will be 21.01, which represents an increase of .76 mills from 2019. The millage breakout is as follows: General Fund 13.88 mills, Debt Service 2.79 mills, Fire Protection .90 mills, Fire Hydrants .33 mills, Parks and Recreation 2.43 mills, Ambulance and Rescue .38 mills, and Road Machinery .30 mills. The Township's Debt Service millage is set to cover the costs of bonds not associated with sewers or the golf course. The .30 road machinery millage allows the Township to begin replacing public works equipment, via short term financing, that will allow the Township to maintain its basic service requirements for our residents.

The Township will have challenges to face regarding its golf course. The golf course principal and interest of approximately \$21,000,000 is challenging as the annual payments will begin to spike substantially. These challenges are compounded as about 10% of this debt is un-callable, much of this debt has already been extended (creating legal limits for its future extension), and most importantly is reliant on the taxpayer, i.e. the general fund, to offset losses or shortfalls in meeting the annual debt payment.

In 2019 the Township entered into a 4-year agreement with the Public Works Department. The bargaining agreement with the Public Works Department expires at the end of 2023. This new agreement creates a new health care plan that new hires will be obligated to enter, health care premium contributions for our existing health care plan, and incentives training and certifications with job class mobility.

In addition, the township increased sewer rental rates 37.0% in 2020 to begin to address the sewer fund deficits.

# TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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The Township has begun work on improving our sewer system, by bidding out work for two (2) of our pump stations and lining our most compromised sewer lines for about \$450,000. This work will keep the Township in compliance with the PA Department of Environmental Protection regarding our 7-year capital plan, improve the run-off water infiltrating our sanitary sewer lines that will benefit the environment and begin to lower our treatment costs.

## COVID

The COVID-19 pandemic has been closely monitored by the Township.

The Township immediately identified several areas that required specific attention; the township golf course, real estate transfer taxes, and property tax collection

Lower Makefield doesn't have an earned income tax, which could be very volatile and unpredictable. The two primary areas, of financial concern, would be the golf course, which is driven by golfers (fees) and not taxes, and real estate transfer taxes. Our largest source of revenue is from our property tax collection.

Golf was allowed to reopen, by the Commonwealth, on May 1<sup>st</sup>. That helped our bottom line tremendously. While golf revenues have exceeded expectations, the food and beverage revenues have dropped back considerably. In our 2020 budget it was anticipated that the Township's general fund would need to assist the Golf Course financially with \$276,776 to allow the course to break even for 2020. Our current financial projections suggest that amount will be \$390,000 for 2020.

Real Estate Transfer taxes have trended lower in 2020. In 2019 the Township had 267 property sales through June 30<sup>th</sup>. In 2020 the total number of sales through June 30<sup>th</sup> is at 222. The 2020 property sales total represents 83% of the 2019 total. Transfer revenue is also less in 2020. In 2019, through June 30<sup>th</sup>, the Township had collected \$750,601 while in 2020 we are currently at \$539,122. The transfer tax revenue collection is currently at 71.83% of our 2019 collection.

We have seen increased activity in property transfers in June and July and are currently estimating our 2020 collection, for the remainder of the year, will be at 75% of our 2019 amount. This would place our 2020-year end estimate at \$1,124,118. This represents a budgeted shortfall of \$425,882.

Our property tax collection has always been very robust. Our 2019 actual collection, for our 12,457 households, was 99.42%. Our 2020 budget did estimate a slightly more conservative collection of 98.5%.

The Township did approve extending the face value collection period, to assist property owners during the pandemic, from June 30<sup>th</sup> to July 31<sup>st</sup>.

## Household Collection comparison

	Total HH#	HH paying thru Face period
2019	12,457	11,955*
2020	12,457	11,656**

\*Face period ended June 30<sup>th</sup>

\*\*Face period ends July 31<sup>st</sup>

Our 2020 number, at the end of the face period, will be higher than the current 11,656 total.



**TOWNSHIP OF LOWER MAKEFIELD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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The number of households that the Township will need to collect from, to reach our 98.5% budgeted estimate, is 614.

Our current 11,656 household collection represents a current collection rate of 93.57%.

For our year end estimates, we are assuming a very conservative 96.0% final collection. That number is very fluid and may very well trend higher. However, that 96.0% estimate would result in a budgeted shortfall, in our general fund, of \$186,278.

The Township has taken a number of aggressive steps to cut back on its expenditures. This has included eliminating several projects, not opening our community pool, not hiring any part time workers and not hiring a full-time employee that was budgeted. As such our 5% 2020-year end general fund balance of \$662,342 is currently estimated to be \$632,788.

As every 1% collection in our property tax results in approximately \$74,000 in collection, anything above that very conservative 96% collection will correspondingly increase our year end fund balance. If we were to come in at the budgeted 98.5%, we would expect our fund balance to end the year at \$819,065. We do believe all our estimates are conservative and we are confident that we will be at or above that \$632,788 amount at the end of 2020.

**Litigation**

There is no outstanding litigation that will adversely affect Township finances.

**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 Kurt Ferguson, Township Manager, 1100 Edgewood Road, Yardley, Pennsylvania 19067.

# TOWNSHIP OF LOWER MAKEFIELD

## STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 10,909,755	\$ 317,936	\$ 11,227,691
Receivables, net	542,824	2,387,813	2,930,637
Internal balances	(105,018)	105,018	-
Inventory	-	110,585	110,585
Prepaid expenses	66,019	36,858	102,877
<b>TOTAL CURRENT ASSETS</b>	<b>11,413,580</b>	<b>2,958,210</b>	<b>14,371,790</b>
CAPITAL ASSETS, net	88,659,017	33,276,203	121,935,220
<b>TOTAL ASSETS</b>	<b>100,072,597</b>	<b>36,234,413</b>	<b>136,307,010</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflow	296,500	7,457	303,957
Deferred charges on refunding of bond	-	108,416	108,416
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>296,500</b>	<b>115,873</b>	<b>412,373</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	453,685	1,603,195	2,056,880
Accrued expenses	237,565	1,479,554	1,717,119
Unearned revenue	2,021,714	406,055	2,427,769
Security deposits	26,866	-	26,866
Bonds and notes payable, current portion	1,427,824	1,365,100	2,792,924
Capital lease payable, current portion	110,446	-	110,446
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,278,100</b>	<b>4,853,904</b>	<b>9,132,004</b>
<b>LONG-TERM LIABILITIES</b>			
Bonds and notes payable, net of current portion	9,930,877	26,068,790	35,999,667
Capital lease payable, net of current portion	357,021	-	357,021
Other post-employment benefits	5,173,288	-	5,173,288
Compensated absences	1,405,085	17,483	1,422,568
Net pension liability	5,972,382	353,663	6,326,045
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>22,838,653</b>	<b>26,439,936</b>	<b>49,278,589</b>
<b>TOTAL LIABILITIES</b>	<b>27,116,753</b>	<b>31,293,840</b>	<b>58,410,593</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflow	504,047	24,681	528,728
<b>NET POSITION</b>			
Net investment in capital assets	81,638,640	5,842,313	87,480,953
Restricted			
Special revenue funds	10,921	-	10,921
Other governmental funds	1,861,781	-	1,861,781
Unrestricted	(10,763,045)	(810,548)	(11,573,593)
<b>TOTAL NET POSITION</b>	<b>\$ 72,748,297</b>	<b>\$ 5,031,765</b>	<b>\$ 77,780,062</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
<b>PRIMARY GOVERNMENT</b>							
Governmental activities							
General government	\$ 2,475,258	\$ 861,623	\$ 53,562	\$ -	\$ (1,560,073)	\$ -	\$ (1,560,073)
Public safety	10,633,112	234,917	847,969	-	(9,550,226)	-	(9,550,226)
Public works	3,295,356	1,075,497	1,192,707	-	(1,027,152)	-	(1,027,152)
Parks and recreation	1,203,499	245,208	1,352,596	-	394,305	-	394,305
Interest on long-term debt	313,279	-	-	-	(313,279)	-	(313,279)
TOTAL GOVERNMENTAL							
TOTAL GOVERNMENTAL ACTIVITIES	<u>17,920,504</u>	<u>2,417,245</u>	<u>3,446,834</u>	<u>-</u>	<u>(12,056,425)</u>	<u>-</u>	<u>(12,056,425)</u>
Business-type activities							
Sewer fund	7,410,988	8,460,455	-	-	-	1,049,467	1,049,467
Community pool fund	1,008,821	957,137	-	-	-	(51,684)	(51,684)
Golf course fund	3,075,442	3,011,167	-	-	-	(64,275)	(64,275)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>11,495,251</u>	<u>12,428,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>933,508</u>	<u>933,508</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 29,415,755</u>	<u>\$ 14,846,004</u>	<u>\$ 3,446,834</u>	<u>\$ -</u>	<u>(12,056,425)</u>	<u>933,508</u>	<u>(11,122,917)</u>
<b>GENERAL REVENUES</b>							
Property taxes levied for general purposes					10,663,444	-	10,663,444
Transfer taxes					1,530,496	-	1,530,496
Local services and per capita taxes					569,473	-	569,473
PURTA Utility Tax					11,284	-	11,284
Franchise taxes					759,379	-	759,379
Investment earnings					138,592	7,504	146,096
Rent, reimbursement and miscellaneous					794,214	-	794,214
GAIN ON SALE OF CAPITAL ASSETS					60,200	27,500	87,700
TRANSFERS					(315,385)	315,385	-
TOTAL GENERAL REVENUES					<u>14,211,697</u>	<u>350,389</u>	<u>14,562,086</u>
CHANGE IN NET POSITION					2,155,272	1,283,897	3,439,169
NET POSITION AT BEGINNING OF YEAR					70,593,025	3,747,868	74,340,893
NET POSITION AT END OF YEAR					<u>\$ 72,748,297</u>	<u>\$ 5,031,765</u>	<u>\$ 77,780,062</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 4,066,339	\$ 84,078	\$ 4,887,765
Accounts receivable, net	444,078	-	18,158
Prepaid expenses	<u>5,389</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,515,806</u></b>	<b><u>\$ 84,078</u></b>	<b><u>\$ 4,905,923</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 281,812	\$ 109,092	\$ -
Accrued expenses	190,159	-	-
Interfund payables	103,999	-	1,019
Unearned revenues	2,021,339	-	-
Security deposits	<u>20,866</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,618,175</u></b>	<b><u>109,092</u></b>	<b><u>1,019</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	<u>69,566</u>	<u>-</u>	<u>14,117</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	5,389	-	-
Restricted for			
Capital projects	-	-	4,905,060
Debt service	-	-	-
Special revenue funds	-	-	-
Unassigned	<u>1,822,676</u>	<u>(25,014)</u>	<u>(14,273)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,828,065</u></b>	<b><u>(25,014)</u></b>	<b><u>4,890,787</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 4,515,806</u></b>	<b><u>\$ 84,078</u></b>	<b><u>\$ 4,905,923</u></b>

*See accompanying notes to the basic financial statements.*

Special Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 54,300	\$ 1,817,273	\$ 10,909,755
-	80,588	542,824
<u>-</u>	<u>60,630</u>	<u>66,019</u>
<u>\$ 54,300</u>	<u>\$ 1,958,491</u>	<u>\$ 11,518,598</u>
\$ 6,168	\$ 56,613	\$ 453,685
37,211	10,195	237,565
-	-	105,018
-	375	2,021,714
<u>-</u>	<u>6,000</u>	<u>26,866</u>
<u>43,379</u>	<u>73,183</u>	<u>2,844,848</u>
<u>-</u>	<u>23,527</u>	<u>107,210</u>
-	-	5,389
-	-	4,905,060
-	-	-
10,921	1,861,781	1,872,702
<u>-</u>	<u>-</u>	<u>1,783,389</u>
<u>10,921</u>	<u>1,861,781</u>	<u>8,566,540</u>
<u>\$ 54,300</u>	<u>\$ 1,958,491</u>	<u>\$ 11,518,598</u>

# TOWNSHIP OF LOWER MAKEFIELD

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 8,566,540
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$108,862,672 and the accumulated depreciation is \$20,203,655.	88,659,017
Some of the Township' revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.	107,210
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.	(207,547)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds and notes payable, including premiums	(11,358,701)
Capital lease payable	(467,467)
Other post-employment benefits	(5,173,288)
Net pension liability	(5,972,382)
Compensated absences	<u>(1,405,085)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 72,748,297</u>

*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, 2019**

	General Fund	Capital Reserve Fund	Debt Service Fund
<b>REVENUES</b>			
Real estate taxes	\$ 6,795,236	\$ -	\$ 1,470,190
Real estate transfer taxes	1,530,496	-	-
Local services and per capita taxes	569,473	-	-
Licenses, permits and fees	1,901,011	-	-
Fines, forfeits and costs	76,428	-	-
Interest earnings	25,565	-	101,930
Rental income	423,838	-	-
Intergovernmental revenues	1,661,824	-	-
Charges for services	750,589	-	-
Contributions	-	-	-
Miscellaneous	30,588	-	-
TOTAL REVENUES	<u>13,765,048</u>	<u>-</u>	<u>1,572,120</u>
<b>EXPENDITURES</b>			
General government	1,788,751	-	-
Public safety	6,418,980	-	-
Public works	1,399,089	-	-
Parks and recreation	-	-	-
Capital outlay	-	219,913	-
Insurance	452,708	-	-
Employee benefits and taxes	2,132,261	-	-
Debt service			
Principal	-	-	1,377,015
Interest	-	-	395,302
TOTAL EXPENDITURES	<u>12,191,789</u>	<u>219,913</u>	<u>1,772,317</u>
EXCESS (DEFICIENCY) OF REVENUES OF REVENUES OVER EXPENDITURES	<u>1,573,259</u>	<u>(219,913)</u>	<u>(200,197)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund prior year expenditure	94,851	-	-
Proceeds from capital leases	-	-	-
Transfers in	290,000	194,899	522,871
Transfers out	(669,527)	-	(250,339)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(284,676)</u>	<u>194,899</u>	<u>272,532</u>
NET CHANGE IN FUND BALANCES	1,288,583	(25,014)	72,335
FUND BALANCES AT BEGINNING OF YEAR	<u>539,482</u>	<u>-</u>	<u>4,818,452</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,828,065</u>	<u>\$ (25,014)</u>	<u>\$ 4,890,787</u>

*See accompanying notes to the basic financial statements.*

Special Project Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,405,066	\$ 10,670,492
-	-	1,530,496
-	-	569,473
-	-	1,901,011
-	-	76,428
108	10,989	138,592
-	153,883	577,721
300,000	1,407,813	3,369,637
-	352,038	1,102,627
58,908	112,370	171,278
-	98,683	129,271
<u>359,016</u>	<u>4,540,842</u>	<u>20,237,026</u>
-	-	1,788,751
-	899,119	7,318,099
-	1,483,783	2,882,872
-	1,136,037	1,136,037
335,991	721,464	1,277,368
-	-	452,708
-	-	2,132,261
-	-	1,377,015
-	-	395,302
<u>335,991</u>	<u>4,240,403</u>	<u>18,760,413</u>
<u>23,025</u>	<u>300,439</u>	<u>1,476,613</u>
-	6,132	100,983
-	525,087	525,087
145,792	411,300	1,564,862
<u>(300,000)</u>	<u>(660,381)</u>	<u>(1,880,247)</u>
<u>(154,208)</u>	<u>282,138</u>	<u>310,685</u>
(131,183)	582,577	1,787,298
<u>142,104</u>	<u>1,279,204</u>	<u>6,779,242</u>
<u>\$ 10,921</u>	<u>\$ 1,861,781</u>	<u>\$ 8,566,540</u>



# TOWNSHIP OF LOWER MAKEFIELD

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,787,298
<p>Capital outlays are reported in the Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Adjustments consist of:</p>	
Capital outlays	1,225,576
Depreciation expense	(1,125,288)
<p>Repayment of bond and lease principal is an expenditure in the Governmental Funds, but the repayments reduce long-term liabilities in the statement of net position.</p>	
	1,434,635
<p>Borrowing of debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net position.</p>	
	(525,087)
<p>Governmental funds report the effect of premiums when debt is issued, but these amounts are deferred and amortized in the statement of activities.</p>	
	85,328
<p>Taxes not collected within 60 days of year end are not recognized as revenue in the Governmental Funds, but are recognized as revenue in the statement of activities.</p>	
	(7,048)
<p>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 reported as expenses in the statement of activities.</p>	
	(119,401)
<p>Net pension liability and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.</p>	
	(296,806)
<p>Other post-employment benefits and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.</p>	
	<u>(303,935)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,155,272</u>

*See accompanying notes to the basic financial statements.*

# TOWNSHIP OF LOWER MAKEFIELD

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

DECEMBER 31, 2019

	Sewer Fund	Community Pool Fund	Golf Course Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 42,459	\$ 275,477	\$ 317,936
Accounts receivable, net	2,373,744	-	14,069	2,387,813
Due from other funds	1,019	-	103,999	105,018
Inventory	-	-	110,585	110,585
Prepaid expenses	-	-	36,858	36,858
<b>TOTAL CURRENT ASSETS</b>	<b>2,374,763</b>	<b>42,459</b>	<b>540,988</b>	<b>2,958,210</b>
<b>CAPITAL ASSETS, net</b>	<b>17,592,071</b>	<b>869,675</b>	<b>14,814,457</b>	<b>33,276,203</b>
<b>TOTAL ASSETS</b>	<b>19,966,834</b>	<b>912,134</b>	<b>15,355,445</b>	<b>36,234,413</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflow	7,457	-	-	7,457
Deferred charges on refunding of bond	65,514	-	42,902	108,416
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>72,971</b>	<b>-</b>	<b>42,902</b>	<b>115,873</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	1,578,454	5,329	19,412	1,603,195
Accrued expenses	1,459,473	5,356	14,725	1,479,554
Unearned revenue	86,416	-	319,639	406,055
Current portion of long-term debt	720,100	-	645,000	1,365,100
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,844,443</b>	<b>10,685</b>	<b>998,776</b>	<b>4,853,904</b>
<b>LONG-TERM LIABILITIES</b>				
Net pension liability	353,663	-	-	353,663
Compensated absences	11,707	5,776	-	17,483
Bonds and notes payable	12,774,166	-	13,294,624	26,068,790
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>13,139,536</b>	<b>5,776</b>	<b>13,294,624</b>	<b>26,439,936</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflow	24,681	-	-	24,681
<b>NET POSITION</b>				
Net investment in capital assets	4,097,805	869,675	874,833	5,842,313
Unrestricted	(1,066,660)	25,998	230,114	(810,548)
<b>TOTAL NET POSITION</b>	<b>\$ 3,031,145</b>	<b>\$ 895,673</b>	<b>\$ 1,104,947</b>	<b>\$ 5,031,765</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Sewer Fund	Community Pool Fund	Golf Course Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 8,241,312	\$ 946,369	\$ 3,011,167	\$ 12,198,848
Miscellaneous	45,119	10,768	-	55,887
<b>TOTAL OPERATING REVENUES</b>	<b>8,286,431</b>	<b>957,137</b>	<b>3,011,167</b>	<b>12,254,735</b>
<b>OPERATING EXPENSES</b>				
Operations	5,732,389	905,525	2,423,423	9,061,337
Depreciation	1,297,902	103,296	302,272	1,703,470
<b>TOTAL OPERATING EXPENSES</b>	<b>7,030,291</b>	<b>1,008,821</b>	<b>2,725,695</b>	<b>10,764,807</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,256,140</b>	<b>(51,684)</b>	<b>285,472</b>	<b>1,489,928</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Earnings on investments	4,673	1,429	1,402	7,504
Tapping fees	201,524	-	-	201,524
Interest expense	(415,823)	-	(434,811)	(850,634)
Amortization	35,126	-	85,064	120,190
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(174,500)</b>	<b>1,429</b>	<b>(348,345)</b>	<b>(521,416)</b>
<b>INCOME (LOSS) BEFORE INTERFUND TRANSFERS</b>	<b>1,081,640</b>	<b>(50,255)</b>	<b>(62,873)</b>	<b>968,512</b>
<b>INTERFUND TRANSFERS</b>				
Transfers in	476,081	467,185	448,126	1,391,392
Transfers out	(655,332)	(420,675)	-	(1,076,007)
<b>TOTAL INTERFUND TRANSFERS</b>	<b>(179,251)</b>	<b>46,510</b>	<b>448,126</b>	<b>315,385</b>
<b>CHANGE IN NET POSITION</b>	<b>902,389</b>	<b>(3,745)</b>	<b>385,253</b>	<b>1,283,897</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>2,128,756</b>	<b>899,418</b>	<b>719,694</b>	<b>3,747,868</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 3,031,145</b>	<b>\$ 895,673</b>	<b>\$ 1,104,947</b>	<b>\$ 5,031,765</b>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Sewer Enterprise Fund	Community Pool Fund	Golf Course Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 7,978,050	\$ 957,006	\$ 2,943,924	\$ 11,878,980
Cash payments to suppliers	(6,218,573)	(464,945)	(1,251,934)	(7,935,452)
Cash payments to employees	(239,096)	(407,136)	(1,087,433)	(1,733,665)
Cash payments to other governments	(23,252)	(31,782)	(105,151)	(160,185)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,497,129</u>	<u>53,143</u>	<u>499,406</u>	<u>2,049,678</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tapping fees	201,524	-	-	201,524
Interfund transfers	(179,251)	46,510	448,126	315,385
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>22,273</u>	<u>46,510</u>	<u>448,126</u>	<u>516,909</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(412,952)	(546,397)	(7,332)	(966,681)
Principal paid on long-term debt	(695,300)	-	(625,000)	(1,320,300)
Interest paid on long-term debt	(415,823)	-	(434,811)	(850,634)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,524,075)</u>	<u>(546,397)</u>	<u>(1,067,143)</u>	<u>(3,137,615)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings from investments	4,673	1,429	1,402	7,504
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(445,315)	(118,209)	(563,524)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	487,774	393,686	881,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 42,459</u>	<u>\$ 275,477</u>	<u>\$ 317,936</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,256,140	\$ (51,684)	\$ 285,472	\$ 1,489,928
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	1,297,902	103,296	302,272	1,703,470
Pension expense	1,975	-	-	1,975
(Increase) decrease in				
Accounts receivable	(234,694)	-	(9,965)	(244,659)
Due from other funds	(1,019)	-	(103,999)	(105,018)
Prepaid expenses	-	-	(9,094)	(9,094)
Inventory	-	-	(2,261)	(2,261)
Increase (decrease) in				
Accounts payable	(893,099)	(68)	(7,520)	(900,687)
Unearned revenue	(72,668)	(131)	46,721	(26,078)
Compensated absences	(5,149)	204	-	(4,945)
Accrued expenses	147,741	1,526	(2,220)	147,047
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,497,129</u>	<u>\$ 53,143</u>	<u>\$ 499,406</u>	<u>\$ 2,049,678</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	Pension Trust Funds		
	Police Pension	Non-Uniform Pension	Deferred Contribution Plan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 159,134	\$ 132,724	\$ -
Investments	11,944,760	8,480,930	503,596
Accounts receivable	-	-	-
TOTAL ASSETS	<u>12,103,894</u>	<u>8,613,654</u>	<u>503,596</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
<b>NET POSITION</b>			
Net position restricted for pensions	12,103,894	8,613,654	503,596
Net position restricted for other purposes	-	-	-
Net position restricted for custodial purposes	-	-	-
TOTAL NET POSITION	<u>\$ 12,103,894</u>	<u>\$ 8,613,654</u>	<u>\$ 503,596</u>

*See accompanying notes to the basic financial statements.*

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Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Custodial Fund	Total Fiduciary Funds
\$ -	\$ -	\$ 594,122	\$ 885,980
558,561	-	-	21,487,847
-	-	103,707	103,707
<u>558,561</u>	<u>-</u>	<u>697,829</u>	<u>22,477,534</u>
<u>-</u>	<u>-</u>	<u>107,943</u>	<u>107,943</u>
-	-	-	21,221,144
558,561	-	-	558,561
<u>-</u>	<u>-</u>	<u>589,886</u>	<u>589,886</u>
<u>\$ 558,561</u>	<u>\$ -</u>	<u>\$ 589,886</u>	<u>\$ 22,369,591</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds		
	Police Pension	Non-Uniform Pension	Deferred Contribution Pension
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 729,757	\$ 392,879	\$ 68,014
Member	72,666	33,813	68,014
Transfer from police pension	-	-	-
Developers	-	-	-
Investment income	2,021,607	1,485,428	74,433
<b>TOTAL ADDITIONS</b>	<u>2,824,030</u>	<u>1,912,120</u>	<u>210,461</u>
<b>DEDUCTIONS</b>			
Administrative expenses	72,731	55,411	-
Benefits	743,783	576,330	-
Transfer to Township General Fund	-	-	-
Transfer to deferred retirement option plan	109,126	-	-
Funds released for professional services	-	-	-
Funds returned to developer	-	-	-
Other	-	-	-
<b>TOTAL DEDUCTIONS</b>	<u>925,640</u>	<u>631,741</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	1,898,390	1,280,379	210,461
<b>NET POSITION</b>			
BEGINNING OF YEAR, restated*	<u>10,205,504</u>	<u>7,333,275</u>	<u>293,135</u>
END OF YEAR	<u>\$ 12,103,894</u>	<u>\$ 8,613,654</u>	<u>\$ 503,596</u>

*See accompanying notes to the basic financial statements.*

Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Custodial Fund	Total Fiduciary Funds
\$ -	\$ -	\$ -	\$ 1,190,650
-	-	-	174,493
109,126	-	-	109,126
-	-	492,596	492,596
29,933	-	1,704	3,613,105
<u>139,059</u>	<u>-</u>	<u>494,300</u>	<u>5,579,970</u>
-	-	-	128,142
184,656	-	-	1,504,769
-	1,049	-	1,049
-	-	-	109,126
-	-	456,349	456,349
-	-	34,847	34,847
-	-	36,407	36,407
<u>184,656</u>	<u>1,049</u>	<u>527,603</u>	<u>2,270,689</u>
(45,597)	(1,049)	(33,303)	3,309,281
<u>604,158</u>	<u>1,049</u>	<u>623,189</u>	<u>19,060,310</u>
<u>\$ 558,561</u>	<u>\$ -</u>	<u>\$ 589,886</u>	<u>\$ 22,369,591</u>



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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.

**Financial Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Township are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

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, 2019 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.

The Police Pension Plan and Non-Uniformed Pension Plan are single employer defined benefit pension plans. Although the plans are separate legal entities they are reported as if they are part of the government as they are governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plans are reported as a fiduciary funds and a copy of each component unit's financial statements can be obtained at the Township's office located at 1100 Edgewood Rd, Yardley, PA.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Management has elected not to include the following potential component units in the December 31, 2019 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.

**Basis of Presentation and Accounting**

The Township's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-Wide Financial Statements***

The statement of net position and the statement of activities report information on all non-fiduciary 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.

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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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. Non-major 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.

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.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

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.

**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 from 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.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**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. The fund also contains bond proceeds restricted for capital projects.

**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 non-major (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, Parks and Recreation, Street Lights, Parks and Recreation Fee-in-Lieu, Library, Traffic Impact, Regency Bridge, Tree, Road Machinery and Patterson Park.

**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.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

***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.

***Custodial Fund***

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

**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. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Cash and Cash Equivalents**

The Township considers 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, 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, 2019, 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 liened January 15 of the succeeding year. Taxes are paid as follows: two percent (2%) discount, March 1 through April 30; face amount May through June 30; and a ten percent (10%) penalty thereafter.

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

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."

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Inventory and Prepaid Expenditures/Expenses**

Inventories are valued 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, 2019, consist of the following:

Pro shop	\$ 98,102
Food and beverage	<u>12,483</u>
	<u>\$ 110,585</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 73 for a more detailed description of the method.



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide and proprietary fund statement of net position. The deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred pension outflow is reported in the government-wide and proprietary fund statement of net position and is the result of changes in assumptions and differences between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide and proprietary fund statement of net position and is the result of the differences between expected and actual experience of the pension plan and differences between projected and actual earnings on pension plan investments.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Compensated Absences, Post-Employment Benefits and Net Pension Liability**

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. The unpaid vacation time incurred as of December 31, 2019 is reported as compensated absences in the government-wide financial statements and accrued expenses in the proprietary fund financial statements. Police officers are entitled to a maximum of sixty days' sick pay upon retirement and the accrued sick time is reported as compensated absences in the government-wide financial statements. 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 CSA 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.

During 2015, the Township adopted GASB 68 which is the inclusion of the Net Pension Liability. See Note G - Defined Benefit Pension Plan. During 2018, the Township adopted GASB 75 which is the inclusion of the Total OPEB liability. See Note H - Post Retirement Health Benefits.

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund in the fund financial statements, long- term obligations are reported as liabilities in the applicable governmental activities, business type activities, or Proprietary Fund statement of net position. 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, 2019

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

**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 Funds 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 capital 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, granters 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.

**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, granters, 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*** - Amounts available for any purpose.

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.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Real Estate Tax Calendar**

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

The Township also annually levies a \$10 per capita tax on all residents over the age of eighteen. In addition, a Local Services Tax on all people employed within the township boundaries with annual salaries over \$12,000 are assessed at a \$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.

**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, 2019, the bank balance of all Township funds on deposit with financial institutions, including Fiduciary Funds totaled \$10,813,511, of which, \$532,238 was covered by FDIC and \$10,281,273 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Township's name	\$ <u>10,281,273</u>
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**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Investments**

As of December 31, 2019, 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	Deferred Contribution Pension Fund	
Fixed income mutual funds	\$ 4,329,573	\$ -	\$ -	\$ 290,454	\$ 4,620,027
Equity mutual funds	7,615,187	5,465,097	-	110,577	13,190,861
Mixed assets	-	3,015,833	-	-	3,015,833
Stable value/cash management funds	-	-	558,561	102,565	661,126
	<u>\$ 11,944,760</u>	<u>\$ 8,480,930</u>	<u>\$ 558,561</u>	<u>\$ 503,596</u>	<u>\$ 21,487,847</u>

Investment Type	Investment Maturities			Total
	Less than One Year	One to Five Years	Five to Ten Years	
Fixed income mutual funds	\$ 4,620,027	\$ -	\$ -	\$ 4,620,027
Equity mutual funds	13,190,861	-	-	13,190,861
Mixed assets	3,015,833	-	-	3,015,833
Investment contract	661,126	-	-	661,126
	<u>\$ 21,487,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,487,847</u>

***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:

Asset Allocation	Minimum	Maximum
Cash	0%	10%
Fixed income	30%	50%
Equities	50%	70%

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**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.

**Concentration of Credit Risk**

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

***Fair Value Measurement*** – The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's Pension Trust Fund investments are level 1 investments.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	Governmental Type Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Real estate taxes	\$ 90,366	\$ 18,158	\$ 30,916	\$ 139,440
Other fees and assessments	<u>353,712</u>	<u>-</u>	<u>49,672</u>	<u>403,384</u>
	<u>\$ 444,078</u>	<u>\$ 18,158</u>	<u>\$ 80,588</u>	<u>\$ 542,824</u>
			Proprietary Funds	
			Enterprise Funds	Fiduciary Funds
Golf Course			\$ 14,069	\$ -
Sewer billings			2,373,744	-
Due from developers			<u>-</u>	<u>103,707</u>
			<u>\$ 2,387,813</u>	<u>\$ 103,707</u>

Accounts receivable for the sewer billings is reported net of allowance for doubtful accounts of \$16,592. No bad debt expense was recorded for the year ended December 31, 2019.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE D - CAPITAL ASSETS**

Changes in capital asset activity for the year ended December 31, 2019, were as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 23,859,951	\$ -	\$ -	\$ 23,859,951
Infrastructure	50,238,957	50,350	-	50,289,307
Construction in progress	808,385	295,223	(116,447)	987,161
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>74,907,293</b>	<b>345,573</b>	<b>(116,447)</b>	<b>75,136,419</b>
Capital assets subject to depreciation				
Infrastructure	1,308,418	-	-	1,308,418
Land improvements	10,120,919	115,242	-	10,236,161
Building and improvements	10,890,391	3,674	-	10,894,065
Vehicles	6,775,353	670,817	(179,125)	7,267,045
Furniture and equipment	3,913,522	206,717	(99,675)	4,020,564
	33,008,603	996,450	(278,800)	33,726,253
Accumulated depreciation	(19,357,167)	(1,125,288)	278,800	(20,203,655)
<b>TOTAL CAPITAL ASSETS SUBJECT TO DEPRECIATION, net</b>	<b>13,651,436</b>	<b>(128,838)</b>	<b>-</b>	<b>13,522,598</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>88,558,729</b>	<b>216,735</b>	<b>(116,447)</b>	<b>88,659,017</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets not being depreciated				
Land	7,765,999	-	-	7,765,999
Construction in progress	310,059	31,768	(273,022)	68,805
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>8,076,058</b>	<b>31,768</b>	<b>(273,022)</b>	<b>7,834,804</b>
Capital assets subject to depreciation				
Land improvements	8,160,524	-	-	8,160,524
Sewer infrastructure and pools	47,140,893	1,162,952	-	48,303,845
Buildings and improvements	3,416,400	-	-	3,416,400
Furniture and equipment	2,392,350	44,984	(39,995)	2,397,339
	61,110,167	1,207,936	(39,995)	62,278,108
Accumulated depreciation	(35,173,234)	(1,703,470)	39,995	(36,836,709)
<b>TOTAL CAPITAL ASSETS SUBJECT TO DEPRECIATION, net</b>	<b>25,936,933</b>	<b>(495,534)</b>	<b>-</b>	<b>25,441,399</b>
<b>TOTAL BUSINESS-TYPE ACTIVITY CAPITAL ASSETS, net</b>	<b>34,012,991</b>	<b>(463,766)</b>	<b>(273,022)</b>	<b>33,276,203</b>
<b>TOTAL CAPITAL ASSETS, net</b>	<b>\$ 122,571,720</b>	<b>\$ (247,031)</b>	<b>\$ (389,469)</b>	<b>\$ 121,935,220</b>



**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE D - CAPITAL ASSETS (Continued)**

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

GOVERNMENTAL	
General government	\$ 153,352
Public safety	627,390
Public works	247,152
Parks and recreations	<u>97,394</u>
	\$ <u>1,125,288</u>
BUSINESS - TYPE	
Sewer Fund	\$ 1,297,902
Golf Course Fund	302,272
Pool Fund	<u>103,296</u>
	\$ <u>1,703,470</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of long-term activity of the Township for the year ended December 31, 2019:

	Principal Outstanding January 1, 2019	Additions	Deletions/ Maturities	Principal Outstanding December 31, 2019	Due Within One year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds					
Series B of 2013	\$ 803,616	\$ -	\$ -	\$ 803,616	\$ -
Series of 2015	2,880,000	-	(925,000)	1,955,000	960,000
Series of 2016	6,751,700	-	(289,700)	6,462,000	299,900
Series of 2018	1,485,000	-	(115,000)	1,370,000	120,000
Notes payable					
PEMA	801	-	(801)	-	-
Bucks County	192,279	-	(46,514)	145,765	47,924
Deferred amounts					
Bond premiums	707,648	-	(85,328)	622,320	-
<b>TOTAL BONDS     AND NOTES</b>	<b>12,821,044</b>	<b>-</b>	<b>(1,462,343)</b>	<b>11,358,701</b>	<b>1,427,824</b>
Capital Leases	-	525,087	(57,620)	467,467	110,446
Other post-employment benefits	4,869,353	303,935	-	5,173,288	-
Compensated absences	1,285,684	119,401	-	1,405,085	-
Net pension liability	7,966,529	-	(1,994,147)	5,972,382	-
<b>TOTAL GOVERNMENT     ACTIVITIES</b>	<b>26,942,610</b>	<b>948,423</b>	<b>(3,514,110)</b>	<b>24,376,923</b>	<b>1,538,270</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds					
Series A of 2013	1,930,000	-	(15,000)	1,915,000	15,000
Series B of 2013	1,988,918	-	-	1,988,918	-
Series of 2015	1,895,000	-	(610,000)	1,285,000	630,000
Series of 2016	13,433,300	-	(695,300)	12,738,000	720,100
Series of 2018	7,955,000	-	-	7,955,000	-
Deferred amounts					
Bond premiums	1,702,483	-	(150,511)	1,551,972	-
<b>TOTAL BONDS     AND NOTES</b>	<b>28,904,701</b>	<b>-</b>	<b>(1,470,811)</b>	<b>27,433,890</b>	<b>1,365,100</b>
Compensated absences	22,428	-	(4,945)	17,483	-
Net pension liability	481,567	-	(127,904)	353,663	-
<b>TOTAL     BUSINESS-TYPE     ACTIVITIES</b>	<b>29,408,696</b>	<b>-</b>	<b>(1,603,660)</b>	<b>27,805,036</b>	<b>1,365,100</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 56,351,306</b>	<b>\$ 948,423</b>	<b>\$ (5,117,770)</b>	<b>\$ 52,181,959</b>	<b>\$ 2,903,370</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

The following is a summary of long-term activity of the Township for the year ended December 31, 2019:

Funds to repay outstanding bonds and notes will be provided from future taxes, other general revenues and charges for services. Total interest expense incurred during the year ended December 31, 2019 was \$1,243,436. Interest costs incurred and charged to expenditures for the year ended December 31, 2019 were \$392,802 in the Debt Service Fund, \$415,823 in the Sewer Fund and \$434,811 in the Golf Course Fund.

**County of Bucks**

Note payable for the purpose of acquiring radio equipment principal and interest are due annually at a rate of 1.92% through November 2022.

\$ 145,765

**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.

1,915,000

**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 4.4% to 5.45%, with maturity scheduled for December 2032.

2,792,534

Subtotal forwarded

\$ 4,853,299

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Subtotal forwarded \$ 4,853,299

**General Obligation Bonds, Series of 2015**

Issued in 2015 for the purpose of refunding the townships 2010 general obligation bonds. The bond proceeds will be payable annually beginning in December 2015, interest will be payable annually beginning December 2015, at fixed intervals, ranging from .25% to 4.00%, with maturity scheduled for December 2021.

3,240,000

**General Obligation Bonds, Series of 2016**

Issued in 2016 for the purpose of refunding the townships 2011 general obligation bonds and the remaining proceeds to be used for future capital projects. The bond proceeds will be payable annually-beginning March 2017 at fixed intervals ranging from 2.00% to 5.00% with maturity scheduled for March 2036.

19,200,000

**General Obligation Bonds, Series of 2018**

Issued in 2018 for the purpose of refunding the townships 2002 general obligation bonds and 2004 general obligation bonds and the remaining proceeds to be used for the payment of related expenses to replace notes with bonds as permitted by the Debt Act. The bond proceeds will be payable annually beginning December 2018 at fixed intervals, ranging from 1.65% to 3.150% with a maturity scheduled for June 2033.

9,325,000

\$ 36,618,299

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Debt Service Requirements**

A summary of long-term debt service requirements to maturity, including principal and interest are as follows:

Year Ending December 31,	Principal	Interest	Total Debt Service
2020	\$ 2,792,924	\$ 1,144,941	\$ 3,937,865
2021	2,893,661	1,042,347	3,936,008
2022	2,334,180	958,668	3,292,848
2023	2,370,000	870,455	3,240,455
2024	2,470,000	772,749	3,242,749
2025-2029	12,188,794	2,442,441	14,631,235
2030-2034	9,638,740	840,315	10,479,055
2035-2036	1,930,000	62,619	1,992,619
	<u>\$ 36,618,299</u>	<u>\$ 8,134,535</u>	<u>\$ 44,752,834</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.

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

Interfund transfers are summarized as follows for the year-ended December 31, 2019:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 290,000	\$ 669,527
Capital Reserve Fund	194,899	-
Debt Service Fund	522,871	250,339
Special Project Fund	145,792	300,000
Other Governmental Funds	411,300	660,381
Enterprise Funds		
Sewer Fund	476,081	655,332
Community Pool Fund	467,185	420,675
Golf Course Fund	448,126	-
	<u>\$ 2,956,254</u>	<u>\$ 2,956,254</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE F - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)**

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 103,999
Debt Service Fund	-	1,019
Enterprise Funds		
Sewer Fund	1,019	-
Golf Course Fund	<u>103,999</u>	<u>-</u>
	<u>\$ 105,018</u>	<u>\$ 105,018</u>

**NOTE G - DEFINED BENEFIT PENSION PLANS**

**Description of Plans**

The Township of Lower Makefield sponsors a single employer defined benefit pension plan for both police officers and non-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 December 31, 2019, plan membership consisted of the following:

	<u>Police Pension Plan</u>	<u>Non-Uniform Pension Plan</u>
Active employees	35	20
Retirees and beneficiaries currently receiving benefits	23	35
Terminated employees entitled to benefits but not yet receiving them	<u>3</u>	<u>11</u>
Total Membership	<u>61</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, 2019, the plan's assets were managed by RBC Wealth Management.

**Benefits Provided**

The following table provides information concerning the Township's Police Pension Plan:

Covered Employees: All full-time uniformed employees.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

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

Normal Retirement Date:	Age 55 and the completion of 25 years of service for all participants.
Disability Retirement Date:	The first day of the month following the date on which the member incurs a total and permanent service-related disability. The Township Supervisors shall determine if a member is eligible to receive a disability benefit under the Plan after securing the opinion of one or more practicing physicians licensed to practice medicine.
Drop Retirement Date:	The first day of the month following eligibility for a normal retirement date.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The monthly pension shall be 50% of the average compensation of the participant's last 36 months of employment, plus a service increment of \$100 per month, if officer completes 25 years or more of benefit service. The monthly benefit attributable to the contractually limited service increment shall not exceed \$500 per month. The normal retirement benefit is payable monthly during the lifetime of the retired officer.
Death Benefit:	<p>Pre-Retirement - Upon the death of a member, the beneficiary shall receive a lump sum death benefit equal to a refund of the member's contributions plus interest earned at the rate of five percent (5%) per annum.</p> <p>Post-Retirement Survivors Benefit - The widow of a member who has attained eligibility for retirement, or a member who retired on pension, shall receive during the spouse's lifetime, seventy-five percent (75%) of the pension the member was receiving or would have been receiving had he been retired at the time of his death.</p> <p>If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18) [or are attending college and have not yet attained age twenty-three (23)], shall be entitled to the same benefit described above.</p>
Disability Benefit Service Related:	A disability pension shall be provided to an officer with a total and permanent service-related disability equal to 50% of the officer's average monthly salary at the time of disability, reduced by Social Security disability benefits provided for the same illness or injury.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

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

**Non-Uniform Pension Plan**

The Township sponsors a Public Employee Retirement System (PERS) to provide retirement benefits as well as death and disability benefits. For the year ended December 31, 2019, the plan's assets were managed by RBC Wealth Management.

The following table provides information concerning the Township's Non-Uniform Employees' Pension Plan:

Covered Employees:	All full-time non-uniformed employees. Participation is frozen effective January 1, 2012.
Normal Retirement Date:	The later of the first day of the month following the attainment of age sixty-five (65) or the fifth (5th) anniversary of his date of employment.
Early Retirement Date:	The first day of the month following the latter of the attainment of age fifty-five (55) or the completion of five (5) years of service.
Special Early Retirement Window:	Participants who meet the eligibility of Rule of 80 (Age 60) during January 1, 2018 through December 31, 2019 are eligible.
Vesting:	None for the first five years of service; thereafter 100%.
Normal Retirement Benefit:	2.0% of the Average Monthly Compensation of a member multiplied by years of benefit service not exceeding thirty (30) years of service. The minimum monthly benefit shall not be less than \$200.00 provided the participant works until the Normal Retirement Date.
Early Retirement Benefit:	The accrued Normal Retirement Benefit actuarially reduced by five-tenths percent (.5%) for each month that a member's Early Retirement Date precedes the Normal Retirement Date.
Early Retirement Window:	The unreduced benefit of 2.5% of compensation times credited service to a maximum of 24 years (60% of compensation).

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.



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

**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.

***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. In accordance with the plan's governing document, the non-union administrative employees are required to contribute 3% compensation and the union employees are required to contribute 2% of compensation to the plan. 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.

**Investments**

**Investment Policy**

The police and non-uniform pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities; domestic fixed instruments and other asset classes as may be deemed prudent.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

---

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

The plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Police Pension Plan</u>		<u>Non-Uniform Pension Plan</u>	
<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Domestic equity large cap	43%	Domestic equity large cap	44%
Domestic equity small cap	5%	Domestic equity small cap	5%
International equity	15%	International equity	15%
Fixed income	36%	Fixed income	35%

**Rate of Return**

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.24% for the Police Pension Plan and 19.85% for the Non-Uniform Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Concentrations**

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township does not currently invest more than 5% of its assets in any one of its equities, corporate or international bond issuers.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Net Pension Liability**

The components of the net pension liabilities of the Township at December 31, 2019, were as follows:

	<u>Non-Uniform</u>	<u>Police</u>	<u>Total</u>
Total pension liability	\$ 10,681,865	\$ 16,361,728	\$ 27,043,593
Plan fiduciary net position	<u>8,613,654</u>	<u>12,103,894</u>	<u>20,717,548</u>
<b>NET PENSION LIABILITY</b>	<b><u>\$ 2,068,211</u></b>	<b><u>\$ 4,257,834</u></b>	<b><u>\$ 6,326,045</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u>80.6%</u>	<u>74.0%</u>	<u>76.6%</u>

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biannually. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2019. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method described below:

**Police Pension Plan**

1. Liabilities - All plan benefits are valued using the entry age normal cost valuation method.
2. Economic Assumptions
  - a. Investment Return - 8.0% per annum, net of investment expenses.
  - b. Salary Increases - 5.0% compounded annually.
3. Demographic Assumptions
  - a. Mortality
    - Healthy Lives - The Blue-Collar RP-2000 Mortality Table projected to 2017 using Scale AA.
    - Disabled Lives - Current liability mortality for males under Revenue Ruling 96-7.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

- b. Retirement Age - Normal retirement age, or age on valuation date if greater.
- c. Marital Status - 80% of active members are assumed to be married. Female spouse is assumed to be 3 years younger than male spouse.
- d. Form of Annuity - Joint & 75% survivor.

**Non-Uniformed Pension Plan**

- 1. Liabilities - All plan benefits are valued using the entry age normal cost valuation method.
- 2. Economic Assumptions
  - a. Investment Return - 8.0% per annum, net of investment expenses.
  - b. Salary Increases - 5.0% compounded annually.
- 3. Demographic Assumptions
  - a. Mortality - The RP-2000 Mortality Table projected to 2017 using Scale AA.
  - b. Termination - T-1 table of the pension Actuary's Handbook.
  - c. Disability - None assumed.
  - d. Retirement Age - Normal retirement age, or age on valuation date if greater.
  - e. Form of Annuity - Single life annuity.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Police and Non-Uniformed Pension Plan**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity large cap	6.09%
Domestic equity mid cap	7.27%
Domestic equity small cap	7.27%
International equity	8.24% (Police); 8.09% (NU)
Fixed income	3.17%
Cash	0.82%

**Changes in the Net Pension Liability**

Changes in the Police Defined Benefit Pension Plan net pension liability recognized over the measurement period are as follows:

	<u>Increase/(Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
BALANCES AT DECEMBER 31, 2018	\$ 15,837,412	\$ 10,205,504	\$ 5,631,908
Changes for the year			
Service cost	380,919	-	380,919
Interest	1,243,678	-	1,243,678
Differences between expected and actual experience	(244,432)	-	(244,432)
Contributions - employer	-	176,743	(176,743)
Contributions - state aid	-	553,014	(553,014)
Contributions - member	-	72,666	(72,666)
Net investment income	-	1,958,084	(1,958,084)
Benefit payments	(855,849)	(855,849)	-
Administrative expense	-	(6,268)	6,268
NET CHANGES	<u>524,316</u>	<u>1,898,390</u>	<u>(1,374,074)</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ 16,361,728</u>	<u>\$ 12,103,894</u>	<u>\$ 4,257,834</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Changes in the Non-Uniformed Defined Benefit Plan net pension liability recognized over the measurement period are as follows:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCES AT DECEMBER 31, 2018	\$ 10,149,463	\$ 7,333,275	\$ 2,816,188
Changes for the year			
Service cost	130,779	-	130,779
Interest	812,727	-	812,727
Differences between expected and actual experience	168,807	-	168,807
Contributions - employer	-	381,418	(381,418)
Contributions - member	-	45,274	(45,274)
Net investment income	-	1,439,548	(1,439,548)
Benefit payments	(579,911)	(579,911)	-
Administrative expense	-	(5,950)	5,950
NET CHANGES	<u>532,402</u>	<u>1,280,379</u>	<u>(747,977)</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ 10,681,865</u>	<u>\$ 8,613,654</u>	<u>\$ 2,068,211</u>

**Discount Rate**

The discount rate used to measure the total pension liability is 8.00%. The projections of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2019, the Township recognized pension expense of \$1,016,995 (Police) and \$392,961 (Non-Uniformed). At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Deferred Outflows of Resources</u>	<u>Non-Uniformed Deferred Outflows of Resources</u>	<u>Total</u>
Changes in assumptions	\$ 240,625	\$ 43,610	\$ 284,235
Net difference between projected and actual earnings on pension plan investments	<u>19,722</u>	<u>-</u>	<u>19,722</u>
	<u>\$ 260,347</u>	<u>\$ 43,610</u>	<u>\$ 303,957</u>
	<u>Police Deferred Inflows of Resources</u>	<u>Non-Uniformed Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience	\$ 384,393	\$ 70	\$ 384,463
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>144,265</u>	<u>144,265</u>
	<u>\$ 384,393</u>	<u>\$ 144,335</u>	<u>\$ 528,728</u>

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

<u>Year Ending December 31,</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Total</u>
2020	\$ 58,957	\$ (10,765)	\$ 48,192
2021	7,663	8,328	15,991
2022	135,842	75,089	210,931
2023	(248,056)	(173,377)	(421,433)
2024	(16,329)	-	(16,329)
Thereafter	<u>(62,123)</u>	<u>-</u>	<u>(62,123)</u>
	<u>\$ (124,046)</u>	<u>\$ (100,725)</u>	<u>\$ (224,771)</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

---

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liabilities of the Township, calculated using the discount rate of 8.0%, as well as what the Township's net pension liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u> 7.00%	<u>Discount Rate</u> 8.00%	<u>1% Increase</u> 9.00%
Net pension liability - Police	\$ <u>6,177,213</u>	\$ <u>4,257,834</u>	\$ <u>2,635,073</u>
Net pension liability - Non-Uniform	\$ <u>3,063,775</u>	\$ <u>2,068,211</u>	\$ <u>1,197,261</u>

**NOTE H - POST RETIREMENT HEALTH BENEFITS**

**Plan Description**

The Township provides health benefits to eligible employees and retirees through three separate single-employer defined benefit plans for benefits other than pension. 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.

***Plan Membership*** – At January 1, 2019, plan membership consisted of the following:

	<u>Administrative</u>	<u>Public Works</u>	<u>Police</u>
Fully eligible active employees	2	1	2
Other active employees not fully eligible	13	17	36
Retirees and beneficiaries currently receiving benefits	<u>13</u>	<u>2</u>	<u>10</u>
Total	<u>28</u>	<u>20</u>	<u>48</u>

**Investments**

The Township does not have a GASB qualified trust, and therefore, there are no investments.



**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

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

**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation at January 1, 2018 with update procedures used to roll forward the plan's fiscal plan year ending December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

**Administrative Plan**

1. Actuarial Methods
  - a. Liabilities – All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.
2. Economic Assumptions
  - a. Investment return – There are no invested assets.
  - b. Salary increases – 5% compounded annually.
  - c. Discount rate – 3.5%. The discount rate is based on the S&P 20 year AA municipal bond rate.
3. Demographic Assumptions
  - a. Mortality – RP-2000 Combined Mortality Tables for Males and Females projected 17 years using Scale AA.
  - b. Termination – T-1 Table of Pension Actuary's Handbook.
  - c. Disability – None assumed.
  - d. Retirement is assumed to occur at a minimum of age 65 with 5 years of service.

**Public Works Plan**

1. Actuarial Methods
  - a. Liabilities – All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.
2. Economic Assumptions
  - a. Investment return – There are no invested assets.
  - b. Salary increases – 5% compounded annually.
  - c. Discount rate – 3.5%. The discount rate is based on the S&P 20 year AA municipal bond rate.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

---

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

3. Healthcare Cost Trend Rate
  - a. Non-Medicare Medical and Rx costs are assumed to increase by 0% during 2019, 8% during 2020 reduced by 0.25% per year thereafter to an ultimate level of 5% per year.
  - b. HRA costs are assumed to decrease by 10% during 2019 and increase by 2.5% per year for the following 34 years.
  - c. Dental costs are assumed to increase by 3% per year.
4. Demographic Assumptions
  - a. Mortality – RP-2000 Combined Mortality Tables for Males and Females projected 17 years using Scale AA.
  - b. Termination – T-1 Table of Pension Actuary's Handbook.
  - c. Disability – None assumed.
  - d. Retirement is assumed to occur at a minimum of age 65 with 5 years of service.
  - e. Participation – 100% of retirees, spouses and eligible dependents who are eligible to participate are assumed to do so for the first 30 months of coverage. No retirees are assumed to participate in Township coverage beyond the first 30 months.
  - f. 80% of all future retirees are assumed to have a spouse participating in coverage. Female spouses are assumed to be 3 years younger than male spouses.
  - g. Children – 20% of all future retirees are assumed to have a child participating in coverage. Retirees are assumed to be 40 years older than their child.

**Police Plan**

1. Actuarial Methods
  - a. Liabilities – All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.
2. Economic Assumptions
  - a. Investment return – There are no invested assets.
  - b. Salary increases – 5% compounded annually.
  - c. Discount rate – 3.5%. The discount rate is based on the S&P 20 year AA municipal bond rate.
3. Healthcare Cost Trend Rate
  - a. Non-Medicare Medical and Rx costs are assumed to increase by 0% during 2019, 8% during 2020 reduced by 0.25% per year thereafter to an ultimate level of 5% per year.
  - b. HRA costs are assumed to decrease by 10% during 2019 and increase by 2.50% per year for the following 34 years.
  - c. Dental costs are assumed to increase by 3% per year.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

4. Demographic Assumptions
  - a. Mortality – Blue Collar RP-2000 Combined Mortality Tables for Males and Females projected 17 years using scale AA.
  - b. Termination – T-1 Table of Pension Actuary’s Handbook.
  - c. Disability – 100% of the United Auto Workers Table.
  - d. Retirement is assumed to occur at a minimum of age 58 with 28 years of service. This assumes a 3-year DROP period.
  - e. Participation – 100% of retirees, spouses and eligible dependents who are eligible to participate are assumed to do so. No retirees are assumed to participate in Township coverage beyond the Township paid period.
  - f. 80% of all future retirees are assumed to have a spouse participating in coverage. Female spouses are assumed to be 3 years younger than male spouses.
  - g. Children – 20% of all future retirees are assumed to have a child participating in coverage. Retirees are assumed to be 40 years older than their child.

**Changes in the Total OPEB Liability**

<b>Administrative Plan</b>	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2019	\$ <u>223,615</u>
Changes for the year	
Service cost	6,379
Interest cost	7,861
Benefit payments	<u>(10,797)</u>
NET CHANGES	<u>3,443</u>
BALANCES AT DECEMBER 31, 2019	\$ <u><u>227,058</u></u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

<b>Public Works Plan</b>	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2019	\$ <u>838,393</u>
Changes for the year	
Service cost	41,009
Interest cost	30,435
Benefit payments	<u>(19,653)</u>
NET CHANGES	<u>51,791</u>
 BALANCES AT DECEMBER 31, 2019	 \$ <u><u>890,184</u></u>
<b>Police Plan</b>	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2019	\$ <u>3,807,345</u>
Changes for the year	
Service cost	222,666
Interest cost	139,072
Benefit payments	<u>(113,037)</u>
NET CHANGES	<u>248,701</u>
 BALANCES AT DECEMBER 31, 2019	 \$ <u><u>4,056,046</u></u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the total OPEB liability of the Township, calculated using the discount rate of 3.5% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.5%) or 1 percent higher (4.5%) than the current rate:

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Administrative Plan	\$ 257,506	\$ 227,058	\$ 201,900
Public Works Plan	950,404	890,184	834,398
Police Plan	<u>4,388,227</u>	<u>4,056,046</u>	<u>3,748,314</u>
 Total Net OPEB liability	 <u>\$ 5,596,137</u>	 <u>\$ 5,173,288</u>	 <u>\$ 4,784,612</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate –**  
The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the total OPEB liability calculated using the current trend rate as well as what the total OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher and 1 percent lower than expected:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Administrative Plan	\$ 227,058	\$ 227,058	\$ 227,058
Public Works Plan	820,840	890,184	968,463
Police Plan	<u>3,589,020</u>	<u>4,056,046</u>	<u>4,608,238</u>
Total Net OPEB liability	<u>\$ 4,636,918</u>	<u>\$ 5,173,288</u>	<u>\$ 5,803,759</u>

**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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Upon the termination date set forth in the employee's DROP option notice or such date as the Township separates the employee from employment, the retirement benefits payable to the employee or employee's beneficiary, if applicable, shall be paid to the employee or beneficiary and shall no longer be paid to the employee's DROP account. Within 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.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

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 Custodial Funds, which reflects a net position balance of \$589,886 as of December 31, 2019.

**NOTE L - LEASES, COMMITMENTS AND CONTINGENT LIABILITIES**

**Lease Agreement - The Municipal Sewer Authority of the Township of Lower Makefield**

On December 1, 1991, the Township entered into a lease agreement with the Municipal Sewer Authority of the Township of Lower Makefield (Authority), 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.

**Treatment Capacity Agreement**

The Authority has entered into agreements with certain adjoining municipal authorities in order to guarantee treatment capacity at the Municipal Authority of the Borough of Morrisville's sewage treatment plant and to guarantee the right to connect to and transport through the Yardley Borough Sewer Authority's system. Under terms of the agreement, the Authority has made capital contributions representing its pro rata share for joint use or expansion of the facilities. During the year ended December 31, 2019, capital contributions in the form of system improvements and expansion were \$291,635.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Equipment Leases**

The Township leases maintenance equipment to be used at the Makefield Highlands Golf Club. In 2016, the Township entered into lease agreement for golf carts to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$6,888, beginning September 2016 through August 2020. Total rent expense for the year ended December 31, 2019 for the maintenance equipment and the golf cart leases was \$131,576.

The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ <u>55,104</u>

**Capital Leases**

In 2019, the Township entered into lease agreements, as lessee, for financing the acquisition of various vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Equipment	\$ 525,087
Accumulated depreciation	<u>(2,025)</u>
	\$ <u>523,062</u>



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, are as follows:

<u>Year Ending December 31,</u>		
2020	\$	121,848
2021		121,848
2022		108,790
2023		95,732
2024		<u>47,866</u>
		496,084
Amount representing interest		<u>(28,617)</u>
	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ <u><u>467,467</u></u>

**Management Agreement**

In 2019, the Township extended its management agreement with Highland Golf Management Company, LLC and Spirit Golf, LLC to manage the day-to-day operations of the Makefield Highlands Golf Club. The agreement extended the terms through December 31, 2022 and called for monthly management fee payments of \$7,833 per month.

The future minimum management fee payments are as follows:

<u>Year Ending December 31,</u>		
2020	\$	94,000
2021		94,000
2022		<u>94,000</u>
	\$	<u><u>282,000</u></u>

**Sewer Billing Service Contract**

Effective December 1, 2015, the Township agreed to a sewer billing service contract with Bucks County Water Sewer Authority (BCWSA) that will expire on November 30, 2021. The contract states the Township will reimburse BCWSA costs for data conversion, license cost, personnel and billing supplies. In addition, a management fee of 10% of cost is paid to BCWSA on a monthly basis.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Self-Insured Unemployment Compensation**

The Township is self-insured for unemployment compensation coverage. During 2019, there were several claims totaling \$6,673.

**Litigation**

The Township is party to legal proceedings. The Township is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Township.

**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 (OVIT)) 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. OVIT 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 OVIT insurance coverage in any of the past three years

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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 - COMMUNICATION EASEMENT AGREEMENT**

In June 2018, the Township entered into a thirty-five year communication easement agreement with a Company over real property currently leased by the Company from the Township. A one-time payment in the sum of \$2,020,000 was made to the Township in advance to execute the agreement for the thirty-five year term. Upon payment, rent for the balance of the thirty-five year term ended. The advance payments to the Township will be recognized as revenue over the term of the lease. As of December 31, 2019, \$1,896,732 is unearned. This amount is included in unearned revenues as a liability on the General Fund Balance Sheet.

**NOTE P - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the collection of sewer charges. In addition, due to the economic uncertainty, future federal and state funding may be impacted. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have been in turmoil and could experience significant declines. These losses, if not regained, could have a detrimental impact on the value of investments held by the Township.

At this point, the extent to which COVID-19 will impact the Township's financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE Q - PRIOR PERIOD RESTATEMENT**

The Township implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary Activities for accounting and financial reporting purposes and how those activities should be reported.

For the fiduciary fund custodial activities, the Township has treated the beginning of the year net position of \$ 623,189 as having been recognized in the period incurred. The Township has adjusted beginning net position for their fiduciary activities from \$0 to \$623,189.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amount Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 8,684,097	\$ 8,895,205	\$ 211,108
Licenses, permits and fees	1,591,350	1,901,011	309,661
Fines, forfeits and costs	82,000	76,428	(5,572)
Interest earnings and rental income	202,500	449,403	246,903
Intergovernmental revenues	1,553,100	1,661,824	108,724
Charges for services	719,250	750,589	31,339
Contributions	500	-	(500)
Miscellaneous	45,000	30,588	(14,412)
TOTAL REVENUES	<u>12,877,797</u>	<u>13,765,048</u>	<u>887,251</u>
<b>EXPENDITURES</b>			
General government	1,873,246	1,788,751	84,495
Public safety	6,797,066	6,418,980	378,086
Public works	1,723,360	1,399,089	324,271
Insurance	381,708	452,708	(71,000)
Employee benefits	2,226,763	2,132,261	94,502
TOTAL EXPENDITURES	<u>13,002,143</u>	<u>12,191,789</u>	<u>810,354</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(124,346)</u>	<u>1,573,259</u>	<u>1,697,605</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year expenditures	70,000	94,851	24,851
Transfers in	250,000	290,000	40,000
Transfers out	(400,619)	(669,527)	(268,908)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(80,619)</u>	<u>(284,676)</u>	<u>(204,057)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (204,965)</u>	1,288,583	<u>\$ 1,493,548</u>
FUND BALANCE AT BEGINNING OF YEAR		<u>539,482</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 1,828,065</u>	

See accompanying notes to the budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**SPECIAL PROJECT FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Interest earnings	\$ 100	\$ 108	\$ 8
Intergovernmental revenues	1,220,000	300,000	(920,000)
Contributions	<u>319,000</u>	<u>58,908</u>	<u>(260,092)</u>
TOTAL REVENUES	<u>1,539,100</u>	<u>359,016</u>	<u>(1,180,084)</u>
EXPENDITURES			
Capital outlay	<u>3,238,719</u>	<u>335,991</u>	<u>2,902,728</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,699,619)</u>	<u>23,025</u>	<u>1,722,644</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,420,000	145,792	1,274,208
Operating transfers out	<u>-</u>	<u>(300,000)</u>	<u>300,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,420,000</u>	<u>(154,208)</u>	<u>1,574,208</u>
NET CHANGE IN FUND BALANCES	<u>\$ (279,619)</u>	(131,183)	<u>\$ 148,436</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>142,104</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 10,921</u>	

*See accompanying notes to the budgetary comparison statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BUDGETARY COMPARISON STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE A - 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.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2019, expenditures exceeded appropriations in the following fund object levels (the legal level of the budgetary control):

<u>General Fund</u>	
Insurance	\$ (71,000)

These over expenditures were funded by available fund balance and transfers in the respected fund.



**TOWNSHIP OF LOWER MAKEFIELD**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
**YEAR ENDED DECEMBER 31, 2019**

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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>
2017	103.41

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>
2019	\$ 2,315,000	\$ 1,154,506

An inspection was not performed in 2018 or 2019.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN**  
**LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 380,919	\$ 345,035	\$ 328,605	\$ 324,509	\$ 309,056
Interest	1,243,678	1,195,846	1,128,769	1,066,588	1,020,453
Differences between expected and actual experience	(244,432)	-	(251,682)	-	-
Changes of assumptions		-	359,941	-	-
Benefit payments, including refunds of member contributions	(855,849)	(613,022)	(657,652)	(794,727)	(741,830)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>524,316</b>	<b>927,859</b>	<b>907,981</b>	<b>596,370</b>	<b>587,679</b>
Total pension liability, beginning	<u>15,837,412</u>	<u>14,909,553</u>	<u>14,001,572</u>	<u>13,405,202</u>	<u>12,817,523</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b><u>16,361,728</u></b>	<b><u>15,837,412</u></b>	<b><u>14,909,553</u></b>	<b><u>14,001,572</u></b>	<b><u>13,405,202</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
Employer	176,743	223,063	176,857	209,735	281,180
State aide	553,014	459,070	449,649	406,842	388,163
Member	72,666	69,493	61,862	46,945	29,940
Net investment income	1,958,084	(1,039,024)	1,403,735	473,031	(241,454)
Benefit payments, including refunds of member contributions	(855,849)	(613,022)	(657,652)	(794,727)	(741,830)
Administrative expense	(6,268)	(2,110)	(6,050)	(1,000)	(6,707)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,898,390</b>	<b>(902,530)</b>	<b>1,428,401</b>	<b>340,376</b>	<b>(290,708)</b>
Plan fiduciary net position, beginning	<u>10,205,504</u>	<u>11,108,034</u>	<u>9,679,633</u>	<u>9,339,257</u>	<u>9,629,965</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b><u>12,103,894</u></b>	<b><u>10,205,504</u></b>	<b><u>11,108,034</u></b>	<b><u>9,679,633</u></b>	<b><u>9,339,257</u></b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b><u>\$ 4,257,834</u></b>	<b><u>\$ 5,631,908</u></b>	<b><u>\$ 3,801,519</u></b>	<b><u>\$ 4,321,939</u></b>	<b><u>\$ 4,065,945</u></b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b><u>74.0%</u></b>	<b><u>64.4%</u></b>	<b><u>74.5%</u></b>	<b><u>69.1%</u></b>	<b><u>69.7%</u></b>
<b>COVERED PAYROLL</b>	<b><u>\$ 3,594,354</u></b>	<b><u>\$ 3,363,814</u></b>	<b><u>\$ 3,276,201</u></b>	<b><u>\$ 3,164,517</u></b>	<b><u>\$ 3,083,827</u></b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b><u>118.5%</u></b>	<b><u>167.4%</u></b>	<b><u>116.0%</u></b>	<b><u>136.6%</u></b>	<b><u>131.8%</u></b>

**NOTES TO SCHEDULE**

Assumption changes - In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-200 Table projected to 2017 using Scale AA.

Change in benefit terms: none

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 729,757	\$ 682,133	\$ 626,506	\$ 616,577	\$ 669,343
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>729,757</u>	<u>\$ 682,133</u>	<u>626,506</u>	<u>616,577</u>	<u>669,343</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 3,594,354</u>	<u>3,363,814</u>	<u>\$ 3,276,201</u>	<u>\$ 3,164,517</u>	<u>\$ 3,083,327</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>20.3%</u>	<u>20.3%</u>	<u>19.1%</u>	<u>19.5%</u>	<u>21.7%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported. Therefore, the actuarially determined contribution rate for calendar years ended 2019 and 2018 are based upon the January 1, 2017 actuarial valuation and calendar years ended 2017 and 2016 are based upon the January 1, 2015 actuarial valuation and calendar year ended 2015 is based upon the January 1, 2013

Assumption changes - In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-200 Table projected to 2017 using Scale AA.

Change in benefit terms: none

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Asset valuation method	Market value of assets
Inflation	2.25%
Salary increases	5.0%
Investment rate of return	8.0%
Retirement age	Normal retirement age
Mortality	RP2000 Table

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORM**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 130,779	\$ 158,556	\$ 151,006	\$ 189,059	\$ 180,056
Interest	812,727	771,817	738,351	721,329	677,694
Changes of benefit terms	-	-	220,140	-	-
Differences between expected and actual experience	168,807	-	(806,422)	-	-
Changes of assumptions	-	-	321,965	-	-
Benefit payments, including refunds of member contributions	(579,911)	(540,124)	(417,055)	(373,431)	(269,183)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>532,402</b>	<b>390,249</b>	<b>207,985</b>	<b>536,957</b>	<b>588,567</b>
Total pension liability, beginning	10,149,463	9,759,214	9,551,229	9,014,272	8,425,705
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>10,681,865</b>	<b>10,149,463</b>	<b>9,759,214</b>	<b>9,551,229</b>	<b>9,014,272</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
Employer	381,418	390,176	385,095	404,119	368,300
Member	45,274	48,182	53,292	41,322	46,553
Net investment income	1,439,548	(610,498)	1,126,696	333,001	(207,138)
Benefit payments, including refunds of member contributions	(579,911)	(540,124)	(417,055)	(373,431)	(269,183)
Administrative expense	(5,950)	(1,450)	(6,750)	(1,850)	(7,894)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,280,379</b>	<b>(713,714)</b>	<b>1,141,278</b>	<b>403,161</b>	<b>(69,362)</b>
Plan fiduciary net position, beginning	7,333,275	8,046,989	6,905,711	6,502,550	6,571,912
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>8,613,654</b>	<b>7,333,275</b>	<b>8,046,989</b>	<b>6,905,711</b>	<b>6,502,550</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 2,068,211</b>	<b>\$ 2,816,188</b>	<b>\$ 1,712,225</b>	<b>\$ 2,645,518</b>	<b>\$ 2,511,722</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>					
	80.6%	72.3%	82.5%	72.3%	72.1%
<b>COVERED PAYROLL</b>	<b>\$ 1,597,351</b>	<b>\$ 1,696,430</b>	<b>\$ 1,757,346</b>	<b>\$ 1,984,189</b>	<b>\$ 1,965,213</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>129.5%</b>	<b>166.0%</b>	<b>97.4%</b>	<b>133.3%</b>	<b>127.8%</b>

**NOTES TO SCHEDULE**

Assumption changes - In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

Benefit changes - In 2017, participants who meet the eligibility of Rule of 80 (minimum of age 60) during January 1, 2017 to December 31, 2018 are eligible for a special early retirement window.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF NET NON-UNIFORM**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 381,418	\$ 390,176	\$ 385,095	\$ 404,119	\$ 368,300
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>381,418</u>	<u>390,176</u>	<u>385,095</u>	<u>404,119</u>	<u>368,300</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>1,597,351</u>	\$ <u>1,696,430</u>	\$ <u>1,757,346</u>	\$ <u>1,984,198</u>	\$ <u>1,965,213</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>23.9%</u>	<u>23.0%</u>	<u>21.9%</u>	<u>20.4%</u>	<u>18.7%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported. Therefore, the actuarially determined contribution rate for calendar years ended 2019 and 2018 are based upon the January 1, 2017 actuarial valuation and calendar years ended 2017 and 2016 are based upon the January 1, 2015 actuarial valuation and calendar year ended 2015 is based upon the January 1, 2013 actuarial

Assumption Changes - In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

Benefit Changes - In 2017, participants who meet the eligibility of Rule of 80 (minimum of age 60) during January 1, 2017 to December 31, 2018 are eligible for a special retirement window.

Methods and assumptions used to determine contribution rates:

Asset valuation method	Market Value of Assets
Salary increases	5%
Investment rate of return	8%
Retirement age	Normal retirement age
Mortality	RP2000 table
Termination	T-1 table actuary handbook
Disability	None assumed
Form of annuity	Single life annuity

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF INVESTMENT RETURNS**  
**POLICE AND NON-UNIFORM DEFINED BENEFIT PENSION PLAN**  
**LAST FIVE FISCAL YEARS**

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	<u>Year</u>	<u>Police</u>	<u>Non-Uniform</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	2015	-2.52%	-3.12%
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	2016	5.12%	5.11%
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	2017	14.48%	16.30%
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	2018	-9.30%	-7.64%
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	2019	19.24%	19.85%

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF CHANGES IN THE ADMINISTRATIVE**  
**TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 6,379	\$ 6,075
Interest	7,861	7,740
Benefit payments	<u>(10,797)</u>	<u>(10,517)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	3,443	3,298
 TOTAL OPEB LIABILITY, BEGINNING	 <u>223,615</u>	 <u>220,317</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 227,058</u>	 <u>\$ 223,615</u>
 COVERED ADMINISTRATIVE PAYROLL	 <u>\$ 1,004,206</u>	 <u>\$ 956,387</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED ADMINISTRATIVE PAYROLL	 <u>22.6%</u>	 <u>23.4%</u>

**NOTE TO SCHEDULE**

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF CHANGES IN THE PUBLIC WORKS**  
**TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 41,009	\$ 39,056
Interest	30,435	28,650
Benefit payments	<u>(19,653)</u>	<u>(17,648)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	51,791	50,058
 TOTAL OPEB LIABILITY, BEGINNING	 <u>838,393</u>	 <u>788,335</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 890,184</u>	 <u>\$ 838,393</u>
 COVERED PUBLIC WORKS PAYROLL	 <u>\$ 1,561,031</u>	 <u>\$ 1,486,696</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PUBLIC WORKS PAYROLL	 <u>57.0%</u>	 <u>56.4%</u>

**NOTE TO SCHEDULE**

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.



**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULE OF CHANGES IN THE POLICE**  
**TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 222,666	\$ 212,063
Interest	139,072	131,080
Benefit payments	<u>(113,037)</u>	<u>(137,728)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	248,701	205,415
 TOTAL OPEB LIABILITY, BEGINNING	 <u>3,807,345</u>	 <u>3,601,930</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 4,056,046</u>	 <u>\$ 3,807,345</u>
 COVERED POLICE PAYROLL	 <u>\$ 4,462,044</u>	 <u>\$ 4,249,566</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>90.9%</u>	 <u>89.6%</u>

**NOTE TO SCHEDULE**

This schedule is presented to illustrate the requirement to show information for ten years. However, until a 10-year trend is complete, available information is presented.

## **SUPPLEMENTARY INFORMATION SECTION**

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**DEBT SERVICE FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
REVENUES			
Real estate taxes	\$ 1,475,663	\$ 1,470,190	\$ (5,473)
Interest earnings	8,200	101,930	93,730
TOTAL REVENUES	<u>1,483,863</u>	<u>1,572,120</u>	<u>88,257</u>
EXPENDITURES			
Debt service			
Principal	1,311,500	1,377,015	(65,515)
Interest	373,282	395,302	(22,020)
Trustee fees	1,750	-	1,750
TOTAL EXPENDITURES	<u>1,686,532</u>	<u>1,772,317</u>	<u>(85,785)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(202,669)</u>	<u>(200,197)</u>	<u>2,472</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	522,871	522,871	-
Operating transfers out	(4,975,000)	(250,339)	(4,724,661)
TOTAL OTHER FINANCING USES	<u>(4,452,129)</u>	<u>272,532</u>	<u>(4,724,661)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (4,654,798)</u>	72,335	<u>\$ 4,727,133</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>4,818,452</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 4,890,787</u>	

See accompanying notes to the budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**CAPITAL RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2019**

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	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	<u>235,119</u>	<u>219,913</u>	<u>15,206</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(235,119)</u>	<u>(219,913)</u>	<u>15,206</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	<u>235,619</u>	<u>194,899</u>	<u>(40,720)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 500</u>	<u>(25,014)</u>	<u>\$ (25,514)</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>-</u>	
FUND BALANCES AT END OF YEAR		<u>\$ (25,014)</u>	

*See accompanying notes to the budgetary comparison statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Traffic Impact Fund	Regency Bridge Fund	Tree Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Road Machinery	Patterson Park Fund	Total Other Governmental Funds
<b>ASSETS</b>														
<b>CURRENT ASSETS</b>														
Cash and cash equivalents	\$ 71,821	\$ 23,925	\$ 30,254	\$ 13,155	\$ 443,496	\$ 109,472	\$ 141,634	\$ 463,154	\$ 104,260	\$ 196,450	\$ 6,895	\$ 106,722	\$ 106,035	\$ 1,817,273
Accounts receivable	754	-	6,870	2,222	61,762	-	-	-	4,410	-	2,330	1,745	495	80,588
Prepaid expenses	-	-	60,630	-	-	-	-	-	-	-	-	-	-	60,630
<b>TOTAL ASSETS</b>	<b>\$ 72,575</b>	<b>\$ 23,925</b>	<b>\$ 97,754</b>	<b>\$ 15,377</b>	<b>\$ 505,258</b>	<b>\$ 109,472</b>	<b>\$ 141,634</b>	<b>\$ 463,154</b>	<b>\$ 108,670</b>	<b>\$ 196,450</b>	<b>\$ 9,225</b>	<b>\$ 108,467</b>	<b>\$ 106,530</b>	<b>\$ 1,958,491</b>
<b>LIABILITIES</b>														
Accounts payable	\$ 3,093	\$ 4,358	\$ 1,200	\$ 11,861	\$ 33,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,150	\$ 56,613
Accrued expenses	-	-	349	-	9,846	-	-	-	-	-	-	-	-	10,195
Unearned revenue	-	-	-	-	375	-	-	-	-	-	-	-	-	375
Security deposits	-	-	-	-	1,400	-	-	-	-	-	-	-	4,600	6,000
<b>TOTAL LIABILITIES</b>	<b>3,093</b>	<b>4,358</b>	<b>1,549</b>	<b>11,861</b>	<b>45,572</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,750</b>	<b>73,183</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Unavailable revenue, property taxes	-	-	4,807	1,744	13,889	-	-	-	-	-	1,777	1,310	-	23,527
<b>FUND BALANCES</b>														
Restricted for														
Special revenue funds	69,482	19,567	91,398	1,772	445,797	109,472	141,634	463,154	108,670	196,450	7,448	107,157	99,780	1,861,781
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 72,575</b>	<b>\$ 23,925</b>	<b>\$ 97,754</b>	<b>\$ 15,377</b>	<b>\$ 505,258</b>	<b>\$ 109,472</b>	<b>\$ 141,634</b>	<b>\$ 463,154</b>	<b>\$ 108,670</b>	<b>\$ 196,450</b>	<b>\$ 9,225</b>	<b>\$ 108,467</b>	<b>\$ 106,530</b>	<b>\$ 1,958,491</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Traffic Impact Fund	Regency Bridge Fund	Tree Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Road Machinery	Patterson Park Fund	Total Other Governmental Funds
<b>REVENUES</b>														
Real estate taxes	\$ -	\$ -	\$ 474,894	\$ 164,952	\$ 1,407,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,951	\$ 157,623	\$ -	\$ 2,405,066
Interest earnings	223	34	763	174	2,067	183	431	1,282	315	4,609	260	348	300	10,989
Rental income	-	-	-	-	87,188	-	-	-	-	-	-	-	66,695	153,883
Intergovernmental revenues	-	-	289,474	-	-	-	-	-	-	1,118,339	-	-	-	1,407,813
Charges for services	69,655	-	37,175	-	245,208	-	-	-	-	-	-	-	-	352,038
Contributions	-	40,262	-	-	-	72,108	-	-	-	-	-	-	-	112,370
Miscellaneous income	-	-	-	-	27,578	-	-	61,050	10,055	-	-	-	-	98,683
<b>TOTAL REVENUES</b>	<b>69,878</b>	<b>40,296</b>	<b>802,306</b>	<b>165,126</b>	<b>1,769,687</b>	<b>72,291</b>	<b>431</b>	<b>62,332</b>	<b>10,370</b>	<b>1,122,948</b>	<b>200,211</b>	<b>157,971</b>	<b>66,995</b>	<b>4,540,842</b>
<b>EXPENDITURES</b>														
Public safety	-	-	691,619	-	-	-	-	-	-	-	207,500	-	-	899,119
Public works	41,739	-	-	150,257	-	-	7,195	-	-	1,246,357	-	-	38,235	1,483,783
Parks and recreation	-	32,550	-	-	1,103,487	-	-	-	-	-	-	-	-	1,136,037
Capital outlays	-	-	-	-	110,690	-	-	-	4,969	-	-	605,805	-	721,464
<b>TOTAL EXPENDITURES</b>	<b>41,739</b>	<b>32,550</b>	<b>691,619</b>	<b>150,257</b>	<b>1,214,177</b>	<b>-</b>	<b>7,195</b>	<b>-</b>	<b>4,969</b>	<b>1,246,357</b>	<b>207,500</b>	<b>605,805</b>	<b>38,235</b>	<b>4,240,403</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>28,139</b>	<b>7,746</b>	<b>110,687</b>	<b>14,869</b>	<b>555,510</b>	<b>72,291</b>	<b>(6,764)</b>	<b>62,332</b>	<b>5,401</b>	<b>(123,409)</b>	<b>(7,289)</b>	<b>(447,834)</b>	<b>28,760</b>	<b>300,439</b>
<b>OTHER FINANCING SOURCES (USES)</b>														
Refund of prior year expenditures	-	-	707	-	5,425	-	-	-	-	-	-	-	-	6,132
Proceeds from capital leases	-	-	-	-	75,736	-	-	-	-	-	-	449,351	-	525,087
Transfers in	-	7,800	-	-	376,000	-	-	-	-	-	-	27,500	-	411,300
Transfers out	-	-	(49,114)	(15,000)	(596,267)	-	-	-	-	-	-	-	-	(660,381)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>7,800</b>	<b>(48,407)</b>	<b>(15,000)</b>	<b>(139,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476,851</b>	<b>-</b>	<b>282,138</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>28,139</b>	<b>15,546</b>	<b>62,280</b>	<b>(131)</b>	<b>416,404</b>	<b>72,291</b>	<b>(6,764)</b>	<b>62,332</b>	<b>5,401</b>	<b>(123,409)</b>	<b>(7,289)</b>	<b>29,017</b>	<b>28,760</b>	<b>582,577</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>41,343</b>	<b>4,021</b>	<b>29,118</b>	<b>1,903</b>	<b>29,393</b>	<b>37,181</b>	<b>148,398</b>	<b>400,822</b>	<b>103,269</b>	<b>319,859</b>	<b>14,737</b>	<b>78,140</b>	<b>71,020</b>	<b>1,279,204</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 69,482</b>	<b>\$ 19,567</b>	<b>\$ 91,398</b>	<b>\$ 1,772</b>	<b>\$ 445,797</b>	<b>\$ 109,472</b>	<b>\$ 141,634</b>	<b>\$ 463,154</b>	<b>\$ 108,670</b>	<b>\$ 196,450</b>	<b>\$ 7,448</b>	<b>\$ 107,157</b>	<b>\$ 99,780</b>	<b>\$ 1,861,781</b>