

**TOWNSHIP OF LOWER MAKEFIELD**

Financial Statements  
And  
Supplementary Information  
December 31, 2014

# TOWNSHIP OF LOWER MAKEFIELD

## Financial Statement and Supplementary Information December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Supervisors  
**TOWNSHIP OF LOWER MAKEFIELD**  
Yardley, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the **Township of Lower Makefield** as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the **Township of Lower Makefield's** basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Lower Makefield**, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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



LOPEZ, TEODOSIO & LARKIN, LLC  
Langhorne, Pennsylvania

July 13, 2015

## TOWNSHIP OF LOWER MAKEFIELD

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

Year Ended December 31, 2014

Our discussion and analysis of the **Township of Lower Makefield's** financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Position.

#### FINANCIAL HIGHLIGHTS

- Makefield Highlands Golf Course completed its tenth full year of operations since opening on July 1, 2004. Response to the Course continues to be extremely favorable and in 2014 rounds were consistent with the previous year, and the Course fared very well when compared to some competitors. Spirit Golf Management has been contracted to operate the course on behalf of the Township. At the end of 2012, the contract to manage the course was extended for another three-year term expiring at the end of 2015.
- The General Fund year end fund balance has increased steadily since 2009, finishing 2014 with a fund balance of over \$2 million, or 19% of general fund revenues. This is substantially above the "Safe Harbor," which is 5-8% of General Fund revenues. For the year ended December 31, 2014, the General Fund had an increase in its fund balance of approximately \$424,000 despite no tax increases.
- Sewer rates had no increase in 2014. The cash position of the Sewer Fund remains strong, receivables are stable, and the allowance for bad debt is small by comparison (less than 1%). The Sewer Fund began the creation of a capital reserve within its origins in 2010, and has set aside \$500,000 during each of the previous five years to fund capital needs. Another \$500,000 is budgeted for 2015. This has allowed for the financing of sewer capital projects on a pay-as-you-go basis. Over the next 5 years it is anticipated the Township will be required to participate in over \$6 million of capital improvements within the Yardley and Morrisville Sewer systems.
- The Township Pool operations had an excellent 2014, reversing a 5 year downward trend. 156 more families enrolled in 2014 over the previous year. Total 2014 revenues exceeded 2013 by approximately \$90,000.
- The Township enacted a Local Services Tax in 2010 and 2014 was the fifth full year of this revenue source, which charges \$52 per annum to all employees within the Township's geographic boundaries. In 2014, the Township received over \$303,000 from this revenue item and we expect that this is near the maximum the Township of Lower Makefield will receive since the tax is capped by regulations and our employee base is stable. In fiscal 2013, the Township received about \$288,000 from this revenue source. Accordingly, there are approximately 5,500 employees registered in the Township.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## TOWNSHIP OF LOWER MAKEFIELD

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

Year Ended December 31, 2014

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

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

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

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

- The Statement of Net Position focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.
- The Statement of Activities focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- Fund Financial Statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column "Other Governmental Funds." Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Township's Sewer, Pool, and Golf Funds and can be found in more detail beginning with the Statement of Net Position, Proprietary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.
- The notes to the Basic Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Other Required Supplementary Information (RSI) is additional information consisting of budgetary comparisons for the General Fund and Debt Service Fund, trend data on infrastructure condition, and pension plan funding progress.

#### REPORTING THE TOWNSHIP AS A WHOLE

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

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

**TOWNSHIP OF LOWER MAKEFIELD**

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

Year Ended December 31, 2014

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

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

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

The analysis below focuses on the net position (Table 1) and changed in net position (Table 2) of the Township's governmental and business type activities.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,051,044	\$ 5,960,148	\$ 2,895,474	\$ 3,104,828	\$ 7,946,518	\$ 9,064,976
Other Assets	680,138	633,532	1,881,695	1,862,886	2,561,833	2,496,418
Capital Assets	<u>78,418,572</u>	<u>78,092,503</u>	<u>34,501,252</u>	<u>35,141,528</u>	<u>112,919,824</u>	<u>113,234,031</u>
Total Assets	<u>84,149,754</u>	<u>84,686,183</u>	<u>39,278,421</u>	<u>40,109,242</u>	<u>123,428,175</u>	<u>124,795,425</u>
<b>Deferred Outflows of Resources</b>						
Deferred charges	-	-	187,643	202,553	187,643	202,553
Total Deferred Outflows of Resources	-	-	<u>187,643</u>	<u>202,553</u>	<u>187,643</u>	<u>202,553</u>
<b>Liabilities</b>						
Other Liabilities	1,346,464	1,174,964	986,595	799,561	2,333,059	1,974,525
Long-Term Liabilities	<u>11,665,764</u>	<u>12,606,549</u>	<u>24,144,932</u>	<u>24,807,306</u>	<u>35,810,696</u>	<u>37,413,855</u>
Total Liabilities	<u>13,012,228</u>	<u>13,781,513</u>	<u>25,131,527</u>	<u>25,606,867</u>	<u>38,143,755</u>	<u>39,388,380</u>
<b>Deferred Inflows of Resources</b>						
Deferred revenue	-	-	191,215	185,789	191,215	185,789
Total Deferred Inflows of Resources	-	-	<u>191,215</u>	<u>185,789</u>	<u>191,215</u>	<u>185,789</u>
<b>Net Position</b>						
Invested in Capital Assets	68,040,341	66,655,116	10,543,963	10,536,775	78,584,304	77,191,891
Restricted	2,213,530	3,692,679	-	-	2,213,530	3,692,679
Unrestricted	<u>883,655</u>	<u>556,875</u>	<u>3,599,359</u>	<u>3,982,364</u>	<u>4,483,014</u>	<u>4,539,239</u>
Total Net Position	<u>\$71,137,526</u>	<u>\$70,904,670</u>	<u>\$14,143,322</u>	<u>\$14,519,139</u>	<u>\$ 85,280,848</u>	<u>\$ 85,423,809</u>

Cash and cash equivalents represent 6.0% of the **Township of Lower Makefield's** governmental activities assets and deferred outflows of resources in 2014 and 7.0% in 2013. Cash and cash equivalents represent 7.3% of the **Township of Lower Makefield's** business-type activities assets and deferred outflows of resources in 2014 and 7.7% in 2013. Both areas of the Township's cash represented slight increases over the prior year, and the Township's cash position remains healthy.

The largest portion of the Township's governmental activities assets and deferred outflows of resources, 93.2%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment). In 2013, this portion was 92.2%. Because the Township uses these capital assets to provide services to residents, these assets are not available for future spending.

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

**TOWNSHIP OF LOWER MAKEFIELD**

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

Year Ended December 31, 2014

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

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

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Program Revenues</b>						
Charges for services	\$ 1,503,628	\$ 1,406,095	\$ 9,119,039	\$ 9,006,332	\$ 10,622,667	\$ 10,412,427
Operating grants and contributions	3,186,889	3,042,199	-	-	3,186,889	3,042,199
<b>General Revenues</b>						
Property taxes	7,737,378	7,705,583	-	-	7,737,378	7,705,583
Real estate transfer tax	1,384,862	1,154,713	-	-	1,384,862	1,154,713
Local services taxes and per-capita taxes	508,754	496,445	-	-	508,754	496,445
Public utility taxes	-	11,527	-	-	-	11,527
Franchise taxes	757,072	726,244	-	-	757,072	726,244
Investment earnings	20,111	16,576	9,339	8,293	29,450	24,869
Miscellaneous	169,957	199,436	-	-	169,957	199,436
<b>Total revenues</b>	<b>15,268,651</b>	<b>14,758,818</b>	<b>9,128,378</b>	<b>9,014,625</b>	<b>24,397,029</b>	<b>23,773,443</b>
<b>Expenses</b>						
General government	2,154,621	1,896,791	-	-	2,154,621	1,896,791
Public safety	8,453,258	8,368,540	-	-	8,453,258	8,368,540
Highways and streets	3,237,847	2,838,024	-	-	3,237,847	2,838,024
Culture and recreation	979,110	993,441	-	-	979,110	993,441
Community development	306,997	53,658	-	-	306,997	53,658
Bond issuance costs	-	21,462	-	110,315	-	131,777
Interest on long-term debt	234,092	247,641	-	-	234,092	247,641
(Gain) Loss on disposal of capital assets	(26,620)	53,686	(5,000)	-	(31,620)	53,686
Sewer	-	-	5,701,666	5,396,500	5,701,666	5,396,500
Community pool	-	-	761,798	733,939	761,798	733,939
Golf course	-	-	2,742,221	2,728,085	2,742,221	2,728,085
<b>Total expenses</b>	<b>15,339,305</b>	<b>14,473,243</b>	<b>9,200,685</b>	<b>8,968,839</b>	<b>24,539,990</b>	<b>23,442,082</b>
<b>Excess before transfers</b>	<b>(70,654)</b>	<b>285,575</b>	<b>(72,307)</b>	<b>45,786</b>	<b>(142,961)</b>	<b>331,361</b>
<b>Transfers</b>						
Transfers in	757,047	1,993,930	-	1,327,361	757,047	3,321,291
Transfers out	(453,537)	(1,812,039)	(303,510)	(1,509,252)	(757,047)	(3,321,291)
<b>Change in Net Position</b>	<b>232,856</b>	<b>467,466</b>	<b>(375,817)</b>	<b>(136,105)</b>	<b>(142,961)</b>	<b>331,361</b>
<b>Net position - beginning of the year - restated</b>	<b>70,904,670</b>	<b>70,437,204</b>	<b>14,519,139</b>	<b>14,655,244</b>	<b>85,423,809</b>	<b>85,092,448</b>
<b>Net position end - of the year</b>	<b>\$71,137,526</b>	<b>\$70,904,670</b>	<b>\$14,143,322</b>	<b>\$14,519,139</b>	<b>\$ 85,280,848</b>	<b>\$ 85,423,809</b>

**TOWNSHIP OF LOWER MAKEFIELD**

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

Year Ended December 31, 2014

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

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

For the **Township of Lower Makefield's** governmental activities, total revenues exceeded total expenses by \$232,856 in 2014 and by \$467,466 in 2013. In 2014, there was no tax increase in any township funds. Although revenues increased by \$509,833, or 3.5%, expenses increased by \$866,062, or 6.0%.

For the **Township of Lower Makefield's** business-type activities, total expenses exceeded total revenues by \$375,817 in 2014. In contrast, total expenses exceeded total revenues by \$136,105 in 2013.

**Governmental Activities**

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities in fiscal 2014 was \$15,268,651 and \$14,758,818 in 2013. Revenues by source are as follows:

<u>Revenue</u>	<u>Amount</u>		<u>% of Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Property taxes	\$ 7,737,378	\$ 7,705,583	50.68%	52.22%
Real estate transfer tax	1,384,862	1,154,713	9.07%	7.82%
Local services taxes and per-capita taxes	508,754	496,445	3.33%	3.36%
Public utility taxes	-	11,527	0.00%	0.08%
Franchise taxes	757,072	726,244	4.96%	4.92%
Investment earnings	20,111	16,576	0.13%	0.11%
Miscellaneous	169,957	199,436	1.11%	1.35%
Charges for Services	1,503,628	1,406,095	9.85%	9.53%
Operating grants and contributions	3,186,889	3,042,199	20.87%	20.61%
	<u>\$ 15,268,651</u>	<u>\$ 14,758,818</u>	<u>100.00%</u>	<u>100.00%</u>

As seen above, revenues slightly increased when comparing 2014 and 2013, by \$509,833 or 3.5%. Real estate transfer taxes continue to increase as the economy improves and saw a \$230,000 increase over previous year. 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 making more than \$12,000 per annum. This revenue source yielded over \$303,000 in 2014 and \$287,000 in 2013.

Investment income, which is comprised of bank interest on the five Township interest bearing accounts, remained at a historic low in 2014 as interest rates decreased from a high of 5.01% during 2007 to a low of less than ¼ of 1% during 2014. The Township did switch banks during fiscal 2012 and as such did realize higher interest revenue on funds. With the fed rates at or near 0%, we expect interest income to remain at or below their current levels for the near future and certainly throughout 2015.

**TOWNSHIP OF LOWER MAKEFIELD**

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

Year Ended December 31, 2014

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

**Governmental Activities (Continued)**

The Township's governmental programs consist of various operating departments, including police, public works, planning and zoning, park and recreation and several administrative departments. Total expenditures for fiscal 2014 were \$14,473,243 and \$14,229,770 in 2013. Expenditures by source were as follows:

<u>Expenses</u>	<u>Amount</u>		<u>% of Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$ 2,154,621	\$ 1,896,791	14.05%	13.12%
Public safety	8,453,258	8,368,540	55.11%	57.82%
Highways and streets	3,237,847	2,838,024	21.11%	19.61%
Culture and recreation	979,110	993,441	6.38%	6.86%
Community development	306,997	53,658	2.00%	0.37%
Bond issuance costs	-	21,462	0.00%	0.15%
Interest on long-term debt	234,092	247,641	1.53%	1.71%
(Gain) Loss on disposal of capital assets	(26,620)	53,686	-0.17%	0.36%
	<u>\$ 15,339,305</u>	<u>\$ 14,473,243</u>	<u>100.01%</u>	<u>100.00%</u>

Total governmental expenditures increased by approximately 6.0% from 2014 to 2013.

Business type activities include the Township's Sewer System, Community Pool and Golf Course. Total revenue from sewer activities for 2014 is \$5,621,131 compared to \$5,505,411 in 2013. Charges for services account for approximately 97.6% of revenue in 2014, compared with 97.7% in 2013. Sewer expenditures totaled \$5,701,666 in 2014 and \$5,396,500 in 2013.

Total revenue from community pool activities is \$773,429 for 2014 and \$665,469 for 2013. Charges for services account for 97.7% of revenue in 2014 and 2013. Expenditures to operate the pool total \$761,798 for 2014 and \$733,939 for 2013.

Total revenue from golf course activities is \$2,745,498 for 2014 and \$2,843,745 for 2013. In 2011 the golf operation netted \$2.5 million in revenues and in 2010 \$2.69 million. Charges for services account for approximately 99.9% of revenue in 2014 and 2013. Expenditures to operate the course total \$2,748,901 in 2014 and \$2,838,400 for 2013.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund had an excess of revenues over expenditures for 2014 and 2013 of \$422,399 and \$4,563, respectively. An operating deficit of \$78,859 had been budgeted for fiscal 2014, thus the General Fund outperformed the budget by over \$501,000. The reasons for the out performance of the budgeted amount are several, most notably on the revenue side. As stated earlier the deed transfer tax increased by 18% over the previous year, and there were increases in permit fees, local service tax receipts, franchise fee receipts, and communication tower rental income.

The Township had no budget adjustments during the 2014 fiscal year. It is the Township's policy that unused appropriations lapse at the close of the fiscal year. The Township does not "carry over" surpluses into the New Year and maintains budgetary control at the fund level.

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

**TOWNSHIP OF LOWER MAKEFIELD**

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

Year Ended December 31, 2014

**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, 2014, total \$112,99,824 and were \$113,234,031 in 2013 (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 2014 include:

Community playground	\$ 339,092
Sewer Capital Contribution – Morrisville	\$ 271,345
Construction in progress – community center	\$ 223,308
LMT sewer pump station construction / improvements	\$ 184,048
Police and Public Works Vehicles	\$ 168,957
Municipal building improvements	\$ 118,612
Golf course – kitchen renovations	\$ 113,431
Construction in progress – baseball fields	\$ 104,932
Public works equipment	\$ 78,177
Golf course improvements	\$ 70,588
Sewer fund equipment	\$ 66,594
Pool furniture and fixtures	\$ 44,229
Sewer infrastructure improvements	\$ 32,648

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2014	2013	2014	2013	2014	2013
Land*	\$ 19,293,701	\$ 19,293,701	\$ 7,765,999	\$ 7,765,999	\$ 27,059,700	\$ 27,059,700
Construction in Progress	1,094,733	766,492	54,278	-	1,149,011	766,492
Infrastructure	49,524,483	49,524,483	-	-	49,524,483	49,524,483
<b>Total Capital Assets</b>						
Not Depreciated	<u>69,912,917</u>	<u>69,584,676</u>	<u>7,820,277</u>	<u>7,765,999</u>	<u>77,733,194</u>	<u>77,350,675</u>
Land Improvements	8,023,789	7,684,697	8,110,814	8,100,864	16,134,603	15,785,561
Plant and Pools	1,308,418	1,308,418	42,735,238	42,202,968	44,043,656	43,511,386
Buildings and Improvements	6,874,148	6,755,536	3,266,744	3,153,313	10,140,892	9,908,849
Furniture and Equipment	3,226,485	3,148,309	1,473,106	1,400,152	4,699,591	4,548,461
Vehicles	5,365,057	5,196,100	-	-	5,365,057	5,196,100
<b>Total Capital Assets</b>						
Depreciated	<u>24,797,897</u>	<u>24,093,060</u>	<u>55,585,902</u>	<u>54,857,297</u>	<u>80,383,799</u>	<u>78,950,357</u>
Accumulated depreciation	<u>(16,292,242)</u>	<u>(15,585,233)</u>	<u>(28,904,927)</u>	<u>(27,481,768)</u>	<u>(45,197,169)</u>	<u>(43,067,001)</u>
<b>Total capital assets</b>	<u>\$ 78,418,572</u>	<u>\$ 78,092,503</u>	<u>\$ 34,501,252</u>	<u>\$ 35,141,528</u>	<u>\$ 112,919,824</u>	<u>\$ 113,234,031</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, 2014

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

**Capital Assets (Continued)**

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

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

In the case of road, curb, sidewalk and bike path infrastructure, the Township has elected to use the modified approach. Please see Page 56 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 December 31, 2014, the Township had \$35,810,696 in outstanding debt, compensated absences, and post-retirement health benefits compared to \$37,413,855 at December 31, 2013. Of the outstanding debt, compensated absences, and post-retirement health benefits at December 31, 2014, \$1,963,593 is due within one year. Table 4 shows a breakdown of debt by type.

During the process of issuing the Series A and Series B of 2014 General Obligation Bonds, the Township went through the normal rating process and Moody's Investor Services upgraded the Township from AA2 rating to AA1 rating. This was based on 2013 audited financial statements and unaudited statements. The Township continues to meet the requirements of the rating agencies through quarterly and annual reporting, and by exercising strong fiduciary stewardship.

Outstanding debt at year end (net of premiums, discounts, and amortization) for the years ended December 31, 2014 and 2013 is as follows:

<u>Government Activities</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds		
Series of 2011	\$ 602,535	\$ 602,535
Series of 2010	4,281,718	4,601,614
Series A of 2010	2,513,712	3,117,870
Series B of 2013	803,616	803,616
General Obligation Notes		
Series of 2004	2,133,000	2,245,000
Notes Payable		
PEMA	43,650	53,811
PNC Bank	-	12,941
	<u>10,378,231</u>	<u>11,437,387</u>

**TOWNSHIP OF LOWER MAKEFIELD**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2014

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

**Debt (Continued)**

<b>Business Type Activities</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds		
Series of 2011	7,326,416	7,430,079
Series of 2010	4,329,918	4,881,240
Series A of 2013	1,993,680	2,001,069
Series B of 2013	1,988,918	1,988,918
General Obligation Notes		
Series A of 2002	3,470,000	3,470,000
Series B of 2002	5,036,000	5,036,000
	<u>24,144,932</u>	<u>24,807,306</u>
Net OPEB obligation	506,157	458,819
Compensated Absences	781,376	710,343
	<u>506,157</u>	<u>710,343</u>
Total Long-Term Liabilities	<u>\$ 35,810,696</u>	<u>\$ 37,413,855</u>

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

**Economic Factors**

The **Township of Lower Makefield** services an area of eighteen square miles and a population of 32,559 (2010 United States Census). The Township is located in the southeastern portion of Bucks County, just across the river from Trenton, New Jersey and twenty-five miles northeast of Philadelphia. Economically, the Township is largely residential in nature, with some agricultural activity. Commercial development can be found on a limited basis, most of which support the residential community. With the recent development of land into office buildings, more employment opportunities can be found within the Township than in prior years.

The **Township of Lower Makefield's** real property assessed value for the year ended December 31, 2014 was 519,306,660, up from 517,357,850 from 2013, an increase of \$1,948,810 or .38%.

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

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

Source: United States Census Bureau (2010 Census)

## TOWNSHIP OF LOWER MAKEFIELD

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

Year Ended December 31, 2014

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

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

The total mileage for 2015 will remain at 15.12 with no increase over the 2015 mileage.

Real estate transfer taxes are budgeted at \$1,100,000, up \$50,000 from 2015's budget number, and down from the high point of \$1,925,000 actually received in 2005. We expect that the housing market and related credit markets will begin to show stability and steady improvement during 2015 however, the trends and factors affecting them have shown no such stability over the last several years.

Total revenues are budgeted at \$122,000 over the 2014 budget. The budgeted increase is primarily from real estate related taxes and non-tax revenues.

Both Police and Public Works are in the second year of 5 year contracts. In 2015 the Public Works employees will be required to contribute 2% towards their pensions and the Police 1%. All non-uniformed, non-union employees contribute 3%.

As was done in the past, the Liquid Fuels fund will help support the public works payroll in 2015.

Golf course revenues have remained stable and are budgeted at 2015 levels.

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

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Net Position  
December 31, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 5,051,044	\$ 2,895,474	\$ 7,946,518
Accounts receivable, net	647,563	1,795,939	2,443,502
Interfund receivable	12,500	-	12,500
Inventory	-	76,019	76,019
Prepaid expenses	20,075	9,737	29,812
Total Current Assets	<u>5,731,182</u>	<u>4,777,169</u>	<u>10,508,351</u>
Capital Assets			
Net capital assets	<u>78,418,572</u>	<u>34,501,252</u>	<u>112,919,824</u>
Total Assets	<u>84,149,754</u>	<u>39,278,421</u>	<u>123,428,175</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding of bond	<u>-</u>	<u>187,643</u>	<u>187,643</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	422,958	878,921	1,301,879
Accrued expenses	883,709	95,174	978,883
Interfund payables	-	12,500	12,500
Security deposits	39,797	-	39,797
Bonds and notes payable, current portion	1,101,220	862,373	1,963,593
Total Current Liabilities	<u>2,447,684</u>	<u>1,848,968</u>	<u>4,296,652</u>
Long-term liabilities			
Bonds and notes payable, net of current portion	9,277,011	23,282,559	32,559,570
Compensated absences	781,376	-	781,376
Other post-employment benefits	506,157	-	506,157
Total Long-term Liabilities	<u>10,564,544</u>	<u>23,282,559</u>	<u>33,847,103</u>
Total Liabilities	<u>13,012,228</u>	<u>25,131,527</u>	<u>38,143,755</u>
<b>Deferred Inflows of Resources</b>			
Deferred gift card and rental receipts	<u>-</u>	<u>191,215</u>	<u>191,215</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	68,040,341	10,543,963	78,584,304
Restricted for:			
Capital projects	262,399	-	262,399
Debt service	624,097	-	624,097
Special revenue funds	1,327,034	-	1,327,034
Unrestricted	883,655	3,599,359	4,483,014
Total Net Position	<u>\$ 71,137,526</u>	<u>\$ 14,143,322</u>	<u>\$ 85,280,848</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Activities  
 Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government	\$ 2,154,621	\$ 602,028	\$ 262,161	\$ -	\$ (1,290,432)	\$ -
Public safety	8,453,258	237,431	833,985	-	(7,381,842)	-
Public works	3,237,847	483,895	1,340,919	-	(1,413,033)	-
Parks and recreation	979,110	180,274	749,824	-	(49,012)	-
Community development	306,997	-	-	-	(306,997)	-
Interest on long-term debt	234,092	-	-	-	(234,092)	-
<b>Total Governmental Activities</b>	<b>15,365,925</b>	<b>1,503,628</b>	<b>3,186,889</b>	<b>-</b>	<b>(10,675,408)</b>	<b>-</b>
<b>Business Type Activities</b>						
Sewer fund	5,701,666	5,615,039	-	-	-	(86,627)
Community pool fund	761,798	772,372	-	-	-	10,574
Golf course fund	2,742,221	2,731,628	-	-	-	(10,593)
<b>Total Business Type Activities</b>	<b>9,205,685</b>	<b>9,119,039</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(86,646)</b>
<b>Total Primary Government</b>	<b>\$ 24,571,610</b>	<b>\$ 10,622,667</b>	<b>\$ 3,186,889</b>	<b>\$ -</b>	<b>(10,675,408)</b>	<b>(86,646)</b>
<b>General Revenues (Expenses)</b>						
Property taxes, levied for general purpose					7,737,378	-
Transfer taxes					1,384,862	-
Local services and per capita taxes					508,754	-
Franchise taxes					757,072	-
Investment earnings					20,111	9,339
Miscellaneous					169,957	-
Gain on sale of capital assets					26,620	5,000
Transfers in					757,047	-
Transfer out					(453,537)	(303,510)
<b>Total General Revenues</b>					<b>10,908,264</b>	<b>(289,171)</b>
<b>Change in Net Position</b>					<b>232,856</b>	<b>(375,817)</b>
<b>Net Position at Beginning of Year</b>					<b>70,904,670</b>	<b>14,519,139</b>
<b>Net Position at End of Year</b>					<b>\$ 71,137,526</b>	<b>\$ 14,143,322</b>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER MAKEFIELD

Balance Sheet  
Governmental Funds  
December 31, 2014

	General Fund	Capital Reserve Fund	Debt Service Fund	Special Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 2,554,501	\$ 181,325	\$ 622,048	\$ 372,201	\$ 1,320,969	\$ 5,051,044
Accounts receivable, net	484,984	-	12,114	-	150,465	647,563
Interfund receivable	22,500	-	-	-	-	22,500
Prepaid expenses	20,075	-	-	-	-	20,075
<b>Total Assets</b>	<b>\$ 3,082,060</b>	<b>\$ 181,325</b>	<b>\$ 634,162</b>	<b>\$ 372,201</b>	<b>\$ 1,471,434</b>	<b>\$ 5,741,182</b>
<b>Liabilities</b>						
Accounts payable	\$ 203,185	\$ 131,249	\$ -	\$ 13,469	\$ 75,055	\$ 422,958
Accrued expenses	697,520	146,409	-	-	39,780	883,709
Interfund payables	-	-	-	-	10,000	10,000
Security deposits	38,397	-	-	-	1,400	39,797
<b>Total Liabilities</b>	<b>939,102</b>	<b>277,658</b>	<b>-</b>	<b>13,469</b>	<b>126,235</b>	<b>1,356,464</b>
<b>Deferred Inflows of Resources</b>						
Deferred taxes	75,162	-	10,065	-	18,165	103,392
<b>Fund Balances (deficit)</b>						
Nonspendable:						
Prepaid items	20,075	-	-	-	-	20,075
Restricted:						
Capital projects	-	(96,333)	-	358,732	-	262,399
Debt service	-	-	624,097	-	-	624,097
Special revenue funds	-	-	-	-	1,327,034	1,327,034
Unassigned:						
General fund	2,047,721	-	-	-	-	2,047,721
<b>Total Fund Balances (deficit)</b>	<b>2,067,796</b>	<b>(96,333)</b>	<b>624,097</b>	<b>358,732</b>	<b>1,327,034</b>	<b>4,281,326</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,082,060</b>	<b>\$ 181,325</b>	<b>\$ 634,162</b>	<b>\$ 372,201</b>	<b>\$ 1,471,434</b>	<b>\$ 5,741,182</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

**Reconciliation of Total Governmental Fund Balances  
To Net Position of Governmental Activities  
December 31, 2014**

<b>Total Governmental Fund Balances</b>	<b>\$ 4,281,326</b>
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$94,710,813 and the accumulated depreciation is \$16,292,241.	78,418,572
Taxes and grants not collected within 60 days of year-end are not recognized as a receivable in the funds.	103,392
Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:	
Bonds and notes payable, including premiums	(10,378,231)
Post retirement health benefit obligation	(506,157)
Accrued compensated absences - sick time	(781,376)
	<hr/>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 71,137,526</u></b>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER MAKEFIELD

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2014

	General	Capital Reserve	Debt Service	Special Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real estate taxes	\$ 5,539,992	\$ -	\$ 793,673	\$ -	\$ 1,380,961	\$ 7,714,626
Real estate transfer taxes	1,384,862	-	-	-	-	1,384,862
Local services and per capita taxes	508,754	-	-	-	-	508,754
Licenses, permits and fees	1,357,025	-	-	-	-	1,357,025
Fines, forfeits and costs	78,401	-	-	-	-	78,401
Interest earnings	8,881	1,012	2,273	1,446	6,499	20,111
Rental income	327,837	-	-	-	95,092	422,929
Intergovernmental revenues	683,827	615,679	-	54,197	1,121,365	2,475,068
Charges for services	525,808	24,902	-	-	190,274	740,984
Contributions	641	1,300	-	81,239	134,119	217,299
Miscellaneous income	112,727	-	-	-	57,230	169,957
<b>Total Revenues</b>	<b>10,528,755</b>	<b>642,893</b>	<b>795,946</b>	<b>136,882</b>	<b>2,985,540</b>	<b>15,090,016</b>
<b>Expenditures</b>						
General government	1,476,367	257,939	-	51,804	1,650	1,787,760
Public safety	5,487,806	-	-	-	855,040	6,342,846
Public works	1,534,629	-	-	-	1,481,450	3,016,079
Parks and recreation	-	-	-	-	712,408	712,408
Community development	-	-	-	306,997	-	306,997
Capital outlay	-	991,404	-	-	41,676	1,033,080
Insurance	365,147	-	-	-	-	365,147
Employee benefits and taxes	1,804,267	-	-	-	-	1,804,267
Debt service						
Principal	-	-	1,030,102	-	-	1,030,102
Interest	-	-	234,092	-	-	234,092
<b>Total Expenditures</b>	<b>10,668,216</b>	<b>1,249,343</b>	<b>1,264,194</b>	<b>358,801</b>	<b>3,092,224</b>	<b>16,632,778</b>
(Deficiency) of revenues over expenditures	(139,461)	(606,450)	(468,248)	(221,919)	(106,684)	(1,542,762)
<b>Other Financing Sources (Uses)</b>						
Refund prior year expenditure	149,980	-	-	-	5,902	155,882
Sale of capital assets	-	26,620	-	-	-	26,620
Operating transfers in	412,728	30,000	303,471	-	10,848	757,047
Operating transfers out	(848)	-	(38,760)	(30,009)	(383,920)	(453,537)
<b>Total Other Financing Sources (Uses)</b>	<b>561,860</b>	<b>56,620</b>	<b>264,711</b>	<b>(30,009)</b>	<b>(367,170)</b>	<b>486,012</b>
<b>Net change in fund balances</b>	<b>422,399</b>	<b>(549,830)</b>	<b>(203,537)</b>	<b>(251,928)</b>	<b>(473,854)</b>	<b>(1,056,750)</b>
Fund balances, beginning	1,645,397	453,497	827,634	610,660	1,800,888	5,338,076
<b>Fund balances (deficit), ending</b>	<b>\$ 2,067,796</b>	<b>\$ (96,333)</b>	<b>\$ 624,097</b>	<b>\$ 358,732</b>	<b>\$ 1,327,034</b>	<b>\$ 4,281,326</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Reconciliation of Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund  
Balances to the Statement of Activities  
Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (1,056,750)
Capital outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. Adjustments consist of:	
Capital outlays	1,033,080
Depreciation expense	(707,009)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	1,030,102
Governmental Funds report the effect of premiums when debt is issued, but these amounts are deferred and amortized in the Statement of Activities.	29,053
Taxes not collected within 60 days of year-end are not recognized as revenue in the Government Funds, but are recognized as revenue in the Statement of Activities.	22,751
Compensated absences for unused sick time do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds, but are recorded as expenses in the Statement of Activities.	(71,033)
In the Governmental Funds, post retirement health benefits are reported as expenses when due, but in the Statement of Activities the obligation is accrued.	(47,338)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 232,856</u></u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER MAKEFIELD

Statement of Net Position (Deficit)  
 Proprietary Funds  
December 31, 2014

	Proprietary Funds			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
<b>Assets</b>				
Current assets				
Cash	\$ 2,004,168	\$ 272,564	\$ 618,742	\$ 2,895,474
Accounts receivable, net	1,791,605	-	4,334	1,795,939
Inventory	-	-	76,019	76,019
Prepaid expenses	-	-	9,737	9,737
Total current assets	<u>3,795,773</u>	<u>272,564</u>	<u>708,832</u>	<u>4,777,169</u>
Capital assets				
Net capital assets	<u>17,839,357</u>	<u>605,972</u>	<u>16,055,923</u>	<u>34,501,252</u>
Total assets	<u>21,635,130</u>	<u>878,536</u>	<u>16,764,755</u>	<u>39,278,421</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding of bond	<u>110,308</u>	<u>-</u>	<u>77,335</u>	<u>187,643</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	827,024	5,530	46,367	878,921
Accrued expense	43,496	7,337	44,341	95,174
Interfund payables	-	-	12,500	12,500
Current portion of long-term debt	<u>303,663</u>	<u>-</u>	<u>558,710</u>	<u>862,373</u>
Total current liabilities	<u>1,174,183</u>	<u>12,867</u>	<u>661,918</u>	<u>1,848,968</u>
Long-term liabilities				
Bonds and notes payable	<u>7,022,753</u>	<u>-</u>	<u>16,259,806</u>	<u>23,282,559</u>
<b>Deferred Inflows of Resources</b>				
Deferred gift card receipts	<u>-</u>	<u>-</u>	<u>191,215</u>	<u>191,215</u>
<b>Net position (deficit)</b>				
Invested in capital assets, net of related debt	10,623,249	605,972	(685,258)	10,543,963
Unrestricted	<u>2,925,253</u>	<u>259,697</u>	<u>414,409</u>	<u>3,599,359</u>
Total net position (deficit)	<u>\$ 13,548,502</u>	<u>\$ 865,669</u>	<u>\$ (270,849)</u>	<u>\$ 14,143,322</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Revenues, Expenses, and Change in Net Position (Deficit)  
 Proprietary Funds  
Year Ended December 31, 2014

	<u>Proprietary Funds</u>			<u>Total Proprietary Funds</u>
	<u>Sewer Fund</u>	<u>Community Pool Fund</u>	<u>Golf Course Fund</u>	
<b>Operating Revenues</b>				
Charges for service	\$ 5,485,084	\$ 757,476	\$ 2,731,628	\$ 8,974,188
Miscellaneous	31,755	14,896	-	46,651
<b>Total Operating Revenues</b>	<u>5,516,839</u>	<u>772,372</u>	<u>2,731,628</u>	<u>9,020,839</u>
<b>Operating Expenses</b>				
Operations	4,455,187	685,366	2,148,567	7,289,120
Depreciation	1,027,750	76,432	318,977	1,423,159
<b>Total Operating Expenses</b>	<u>5,482,937</u>	<u>761,798</u>	<u>2,467,544</u>	<u>8,712,279</u>
<b>Operating Income</b>	<u>33,902</u>	<u>10,574</u>	<u>264,084</u>	<u>308,560</u>
<b>Non-Operating Revenues (Expenses)</b>				
Earnings on investments	6,092	1,057	2,190	9,339
Tapping fees	98,200	-	-	98,200
Interest expense	(214,513)	-	(281,357)	(495,870)
(Accretion) Amortization	(4,216)	-	6,680	2,464
Sale of fixed assets	-	-	5,000	5,000
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(114,437)</u>	<u>1,057</u>	<u>(267,487)</u>	<u>(380,867)</u>
<b>Income (loss) before contributions and fund transfers</b>	<u>(80,535)</u>	<u>11,631</u>	<u>(3,403)</u>	<u>(72,307)</u>
<b>Contributions and fund transfers</b>				
Interfund transfers in	1,054,634	-	-	1,054,634
Interfund transfers out	(1,304,634)	(28,510)	(25,000)	(1,358,144)
<b>Total contributions and fund transfers</b>	<u>(250,000)</u>	<u>(28,510)</u>	<u>(25,000)</u>	<u>(303,510)</u>
<b>Change in Net Position</b>	<u>(330,535)</u>	<u>(16,879)</u>	<u>(28,403)</u>	<u>(375,817)</u>
<b>Total Net Position (Deficit), Beginning</b>	<u>13,879,037</u>	<u>882,548</u>	<u>(242,446)</u>	<u>14,519,139</u>
<b>Total Net Position (Deficit), Ending</b>	<u>\$ 13,548,502</u>	<u>\$ 865,669</u>	<u>\$ (270,849)</u>	<u>\$ 14,143,322</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2014

	Proprietary Funds			Total Proprietary Funds
	Sewer Fund	Community Fund	Golf Course Fund	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 5,518,122	\$ 772,372	\$ 2,741,022	\$ 9,031,516
Cash payments to suppliers	(3,969,391)	(332,990)	(1,108,232)	(5,410,613)
Cash payments to employees	(261,458)	(325,616)	(924,542)	(1,511,616)
Cash payments to other governments	(80,140)	(26,785)	(109,492)	(216,417)
Net cash provided by operating activities	1,207,133	86,981	598,756	1,892,870
<b>Cash Flows from Non-Capital Financing Activities</b>				
Transfers (out)	(250,000)	(28,510)	(12,500)	(291,010)
Tapping fees	98,200	-	-	98,200
Net cash (used) in non-capital financing activities	(151,800)	(28,510)	(12,500)	(192,810)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(554,634)	(44,229)	(184,020)	(782,883)
Principal paid on long-term debt	(100,000)	-	(545,000)	(645,000)
Sale of fixed assets	-	-	5,000	5,000
Interest paid on long-term debt	(214,513)	-	(281,357)	(495,870)
Net cash (used) in capital and related financing activities	(869,147)	(44,229)	(1,005,377)	(1,918,753)
<b>Cash Flows from Investing Activities</b>				
Earnings from investments	6,092	1,057	2,190	9,339
Net increase (decrease) in cash and cash equivalents	192,278	15,299	(416,931)	(209,354)
<b>Cash and Cash Equivalents</b>				
Beginning of year	1,811,890	257,265	1,035,673	3,104,828
End of Year	\$ 2,004,168	\$ 272,564	\$ 618,742	\$ 2,895,474

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER MAKEFIELD

Statement of Cash Flows  
 Proprietary Funds  
Year Ended December 31, 2014

	Proprietary Funds			Total Proprietary Funds
	Sewer Fund	Community Pool Fund	Golf Course Fund	
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>				
Operating income	\$ 33,902	\$ 10,574	\$ 264,084	\$ 308,560
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,027,750	76,432	318,977	1,423,159
(Increase) decrease in				
Accounts receivable	1,283	-	3,968	5,251
Inventory	-	-	(18,508)	(18,508)
Prepaid expenses	-	35	(5,587)	(5,552)
Increase (decrease) in				
Accounts payable	148,128	1,082	36,231	185,441
Accrued expense	(3,930)	(1,142)	(5,835)	(10,907)
Deferred revenue	-	-	5,426	5,426
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 1,207,133</b>	<b>\$ 86,981</b>	<b>\$ 598,756</b>	<b>\$ 1,892,870</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2014

	Pension Trust Funds			Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Agency Fund	Total Fiduciary Funds
	Police Pension	Non-Uniform Pension	Deferred Contribution Pension				
<b>Assets</b>							
Cash and cash equivalents	\$ 271,246	\$ 193,612	\$ -	\$ -	\$ 22,007	\$ 430,413	\$ 917,278
Investments	9,358,635	6,378,241	3,984	250,567	-	-	15,991,427
Accounts receivable	-	-	-	-	-	117,959	117,959
<b>Total assets</b>	<b>9,629,881</b>	<b>6,571,853</b>	<b>3,984</b>	<b>250,567</b>	<b>22,007</b>	<b>548,372</b>	<b>17,026,664</b>
<b>Liabilities</b>							
Accounts payable	-	-	-	-	3,000	144,303	147,303
Due to developers	-	-	-	-	-	404,069	404,069
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>548,372</b>	<b>551,372</b>
<b>Net Position Held in Trust for Pension Benefits and Other purposes</b> (Schedule of funding progress for the plan is on Pages 57 through 59 )	<b>\$ 9,629,881</b>	<b>\$ 6,571,853</b>	<b>\$ 3,984</b>	<b>\$ 250,567</b>	<b>\$ 19,007</b>	<b>\$ -</b>	<b>\$ 16,475,292</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended December 31, 2014

	Pension Trust Funds			Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Total Fiduciary Funds
	Police Pension	Non-Uniform Pension	Deferred Contribution Pension			
<b>Additions</b>						
Contributions						
State aid	\$ 410,504	\$ -	\$ -	\$ -	\$ -	\$ 410,504
Employer	260,886	402,106	-	-	-	662,992
Transfer from Police Pension	-	23,033	3,956	130,959	-	157,948
Investment income	528,961	344,851	28	5,630	96	879,566
<b>Total additions</b>	<b>1,200,351</b>	<b>769,990</b>	<b>3,984</b>	<b>136,589</b>	<b>96</b>	<b>2,111,010</b>
<b>Deductions</b>						
Administrative expenses	37,723	29,904	-	-	-	67,627
Benefits	540,441	265,776	-	265,069	29,743	1,101,029
Transfer to Deferred Retirement Option Plan	130,959	-	-	-	-	130,959
<b>Total deductions</b>	<b>709,123</b>	<b>295,680</b>	<b>-</b>	<b>265,069</b>	<b>29,743</b>	<b>1,299,615</b>
<b>Change In Net Position</b>	<b>491,228</b>	<b>474,310</b>	<b>3,984</b>	<b>(128,480)</b>	<b>(29,647)</b>	<b>811,395</b>
Net position held in trust for pension benefits and other purposes:						
Beginning of year	9,138,653	6,097,543	-	379,047	48,654	15,663,897
End of year	<u>\$ 9,629,881</u>	<u>\$ 6,571,853</u>	<u>\$ 3,984</u>	<u>\$ 250,567</u>	<u>\$ 19,007</u>	<u>\$ 16,475,292</u>

See accompanying notes to the basic financial statements.

## TOWNSHIP OF LOWER MAKEFIELD

### Notes to the Basic Financial Statements December 31, 2014

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Entity

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

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

The financial statements of the Township have been prepared in conformity with United States generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standard Board (FASB) and AICPA Pronouncement statements to its governmental and business type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements.

##### Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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, 2014 annual financial report. The Authority is reported as if it was part of the Township because its sole purpose is to finance and construct the Township's facilities. The Authority issues a separately audited financial statement. Copies of this report may be obtained from the Township's Finance Director.

Management has elected not to include the following potential component units in the December 31, 2014 annual financial report:

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

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### **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.

The Township has adopted all applicable Governmental Accounting Standards Board (GASB) Statements through 67, and 69 and 70. The Township has not determined the effect of GASB Statement 68, 71, and 72 on the financial statements since these statements are pending. The criteria used in determining the scope of the reporting entity for financial reporting purposes are consistent with the guidance contained in GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units.*"

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues for each segment of the business type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Administrative overhead charges of the general government are included in the direct expenses. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

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

#### ***Fund Financial Statements***

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

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

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.

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.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

The Township has the following funds:

**Governmental Funds**

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

The Township reports the following major Governmental Funds:

***General Fund***

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

***Capital Reserve Fund (Capital Project Fund)***

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

***Debt Service Fund***

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

***Special Project Fund***

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

***Other Special Revenue Funds***

The other special revenue funds of the Township are considered 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 Fund, Parks and Recreation, Street Lights, Parks and Recreation Fee-in-Lieu, Library, and Traffic Impact.

The following Other Special Revenue Funds had fund deficits as of December 31, 2014:

Street Light Fund	(\$35,118)
Hydrant Fund	(\$40,937)
9-11 Memorial Fund	(\$ 9,263)

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### **Proprietary Funds**

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

The Township reports the following major Proprietary Funds:

#### ***Sewer Fund***

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

#### ***Community Pool Fund***

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

#### ***Golf Course Fund***

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

#### **Fiduciary Funds**

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

The Township reports the following Fiduciary Funds:

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

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

#### ***Deferred Retirement Option Plan Fund***

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

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

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

#### ***Agency Fund***

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### **Use of Estimates**

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

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

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

#### **Investments**

Investments are stated at fair value. State statutes authorize the Township to invest in obligations of the United States Treasury, short-term obligations of the United States Government or its agencies or instrumentalities, 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, 2014, the only the Township's fiduciary funds held investments.

Interest earnings attributable to the Township's concentration accounts is allocated to the Township's various funds based on the ratio of each participating fund's average balance to the total pooled average balance.

#### **Accounts Receivable**

Real estate tax receivables are recognized when levied to the extent that they are available as current assets. Real estate taxes are levied March 1. An elected tax collector bills and collects all real estate taxes and remits them to the Township. Taxes unpaid in the current year are 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 street light and solid waste collection assessments and are recognized when billed.

See Note O – Acquisition to loan receivable.

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

#### **Short-Term Interfund Receivables/Payables**

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

TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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, 2014, consist of the following:

Pro Shop	\$65,618
Food and Beverage	<u>10,401</u>
	<u>\$76,019</u>

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

**Deferred Charges**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, infrastructures (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems) and construction in progress, are reported in the applicable governmental or business type activities columns in the government wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest and real estate taxes incurred during the construction phase of capital assets of business type activities are included as part of the capitalized value of the assets constructed and associated land.

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

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

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

**Deferred Outflows/Inflows of Resources**

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### Deferred Outflows/Inflows of Resources (Continued)

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

#### Compensated Absences and Post-Employment Benefits

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

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

#### Long-Term Obligations

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

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

#### Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government wide and proprietary fund financial statements. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in 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, grantors or laws or regulations of other governments. All other net position amounts are considered unrestricted. The Township applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### Fund Equity

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

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

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

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

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

**Unassigned** – Residual net resources.

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

#### 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 \$52 annual charge. Real estate transfer taxes received by the Township are .5% on the transfer of title of real property in the Township.

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

#### Subsequent Events

Subsequent events after the statement of net position date through the date the financial statements were available to be issued, July 13, 2015, have been evaluated in the preparation of the financial statements. See Note R – Subsequent Event.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

**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, 2014, the Township's total cash and cash equivalents held in deposit accounts was \$9,025,234. The Township's bank balance was \$8,226,258 of which \$7,794,579 was uninsured and was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Township's name. \$7,794,579

**Investments**

As of December 31, 2014, the Township had the following investments and maturities in its Pension Trust and Deferred Retirement Option Plan Funds:

Fair Value					
Investment Type	Police Pension Fund	Non-Uniform Pension Fund	Deferred Retirement Option Plan	Deferred Contribution Pension Fund	Total
Fixed Income Mutual Funds	\$ 3,576,400	\$ 2,437,607	\$ -	\$ -	\$ 6,014,007
Equity Mutual Funds	4,300,405	2,930,031	-	-	7,230,436
Common Stock	1,481,830	1,010,603	-	-	2,492,433
Investment Contract	-	-	250,567	3,984	254,551
Total	\$ 9,358,635	\$ 6,378,241	\$ 250,567	\$ 3,984	\$ 15,991,427
Investment Maturities					
Investment Type	Less than One Year	One to Five Years	Five to Ten Years	Total	
Fixed Income Mutual Funds	\$ 6,014,007	\$ -	\$ -	\$ 6,014,007	
Equity Mutual Funds	7,230,436	-	-	7,230,436	
Common Stock	2,492,433	-	-	2,492,433	
Investment Contract	254,551	-	-	254,551	
Total	\$ 15,991,427	\$ -	\$ -	\$ 15,991,427	

***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, 2014

**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. The Township's investments in corporate bonds have ratings ranging from A1 to AA3 by Moody's.

**Concentration of Credit Risk**

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

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	<b>Governmental Type Funds</b>			
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Real estate taxes	\$ 91,434	\$ 12,114	\$ 21,769	\$ 125,317
Loan receivable	-	-	125,000	125,000
Other fees and assessments	393,550	-	3,696	397,246
<b>Total</b>	<b>\$ 484,984</b>	<b>\$ 12,114</b>	<b>\$ 150,465</b>	<b>\$ 647,563</b>

	<b>Proprietary Funds</b>	
	<b>Enterprise Funds</b>	<b>Fiduciary Funds</b>
Golf course	\$ 4,334	\$ -
Sewer billings	1,791,805	-
Due from developers	-	117,959
<b>Total</b>	<b>\$ 1,795,939</b>	<b>\$ 117,959</b>

Accounts receivable for the sewer billings is reported net of allowance for doubtful accounts of \$25,000. No bad debt expense was recorded for the year ended December 31, 2014.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

**NOTE D - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 19,293,701	\$ -	\$ -	\$ 19,293,701
Infrastructure	49,524,483	-	-	49,524,483
Construction in progress	766,492	328,241	-	1,094,733
<b>Total capital assets not being depreciated</b>	<b>69,584,676</b>	<b>328,241</b>	<b>-</b>	<b>69,912,917</b>
<b>Capital assets being depreciated</b>				
Infrastructure	1,308,418	-	-	1,308,418
Land Improvements	7,684,697	339,092	-	8,023,789
Buildings and improvements	6,755,536	118,612	-	6,874,148
Vehicles	5,196,100	168,957	-	5,365,057
Furniture and equipment	3,148,309	78,176	-	3,226,485
	24,093,060	704,837	-	24,797,897
Accumulated depreciation	(15,585,233)	(707,009)	-	(16,292,242)
<b>Total capital assets, net</b>	<b>8,507,827</b>	<b>(2,172)</b>	<b>-</b>	<b>8,505,655</b>
<b>Total governmental activities capital assets, net</b>	<b>78,092,503</b>	<b>326,069</b>	<b>-</b>	<b>78,418,572</b>
<b>Business Activities</b>				
<b>Capital assets not being depreciated</b>				
Land	7,765,999	-	-	7,765,999
Construction in progress	-	54,278	-	54,278
<b>Total capital assets not being depreciated</b>	<b>7,765,999</b>	<b>54,278</b>	<b>-</b>	<b>7,820,277</b>
<b>Capital assets being depreciated</b>				
Land improvements	8,100,864	9,950	-	8,110,814
Sewer infrastructure and pools	42,202,968	532,270	-	42,735,238
Buildings and improvements	3,153,313	113,431	-	3,266,744
Furniture and equipment	1,400,152	72,954	-	1,473,106
<b>Total capital assets being depreciated</b>	<b>54,857,297</b>	<b>728,805</b>	<b>-</b>	<b>55,585,902</b>
Accumulated depreciation	(27,481,768)	(1,423,159)	-	(28,904,927)
<b>Total capital assets, net</b>	<b>27,375,529</b>	<b>(694,554)</b>	<b>-</b>	<b>26,680,975</b>
<b>Total business activity capital assets, net</b>	<b>35,141,528</b>	<b>(640,276)</b>	<b>-</b>	<b>34,501,252</b>
<b>Total capital assets, net</b>	<b>\$ 113,234,031</b>	<b>\$ (314,207)</b>	<b>\$ -</b>	<b>\$ 112,919,824</b>

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

<u>Governmental</u>		<u>Business</u>	
General Government	\$ 30,767	Sewer Fund	\$1,027,750
Public Safety	202,449	Golf Course Fund	318,977
Public Works	207,093	Pool Fund	76,432
Parks and Recreation	<u>266,700</u>		
<b>Total</b>	<b>\$ <u>707,009</u></b>	<b>Total</b>	<b>\$ <u>1,423,159</u></b>

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity of the Township for the year ended December 31, 2014:

	Principal Outstanding January 1, 2014	Additions	Deletions / Maturities	Principal Outstanding December 31, 2014	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
Series of 2011	\$ 602,535	\$ -	\$ -	\$ 602,535	\$ -
Series of 2010	4,560,000	-	(315,000)	4,245,000	325,000
Series A of 2010	2,985,000	-	(580,000)	2,405,000	820,000
Series B of 2013	803,616	-	-	803,616	-
General Obligation Notes:					
Series of 2004	2,245,000	-	(112,000)	2,133,000	117,000
Notes Payable:					
Commonwealth of PA:					
PEMA	53,811	-	(10,161)	43,650	10,166
PNC Bank	12,941	-	(12,941)	-	-
Deferred amounts:					
Bond premiums	174,484	-	(29,054)	145,430	29,054
<b>Total</b>	<b>11,437,387</b>	<b>-</b>	<b>(1,059,156)</b>	<b>10,378,231</b>	<b>1,101,220</b>
Net OPEB obligation	458,819	47,338	-	506,157	-
Accrued Sick Time	710,343	71,033	-	781,376	-
<b>Total Government Activities</b>	<b>12,606,549</b>	<b>118,371</b>	<b>(1,059,156)</b>	<b>11,665,764</b>	<b>1,101,220</b>
<b>Business Activities</b>					
General Obligation Bonds:					
Series of 2011	7,382,465	-	(100,000)	7,282,465	300,000
Series of 2010	4,785,000	-	(540,000)	4,245,000	540,000
Series A of 2013	1,975,000	-	(5,000)	1,970,000	5,000
Series B of 2013	1,988,918	-	-	1,988,918	-
General Obligation Notes:					
Series A of 2002	3,470,000	-	-	3,470,000	-
Series B of 2002	5,036,000	-	-	5,036,000	-
Deferred amounts					
Bond premiums	169,923	-	(17,374)	152,549	17,373
<b>Total business type activities</b>	<b>24,807,306</b>	<b>-</b>	<b>(662,374)</b>	<b>24,144,932</b>	<b>862,373</b>
<b>Total long-term liabilities</b>	<b>\$37,413,855</b>	<b>\$ 118,371</b>	<b>\$ (1,721,530)</b>	<b>\$35,810,696</b>	<b>\$1,963,593</b>

Funds to repay outstanding bonds and notes will be provided from future taxes, other general revenues and charges for services. Total interest expense paid during the year ended December 31, 2014 was \$729,962. Interest costs incurred and charged to expenditures for the year ended December 31, 2014 were \$234,092 in the Debt Service Fund, \$214,513 in the Sewer Fund and \$281,357 in the Golf Course Fund.

In May 2015, the Township refunded the General Obligation Bonds Series of 2010 in the amount of \$8,490,000 by issue General Obligation Bonds Series of 2015. See Note R – Subsequent Event.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

Bonds and notes payable at December 31, 2014, consisted of:

**General Obligation Note, Series of 2004**

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

\$ 2,133,000

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

Issued in 2010 for the purpose of currently refunding the Township's General Obligation Bonds, Series of 2003, of \$5,590,000 principal was payable annually beginning December 2010, interest was payable semi-annually beginning December 2010 at rates ranging from 1% to 4%, with maturity scheduled for December 2018.

2,405,000

**General Obligation Note, Series of 2010**

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

8,490,000

**Commonwealth of Pennsylvania Emergency Management Agency**

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

43,650

**General Obligation Note, Series A of 2002**

Payable to DVRFA for the purpose of construction of a municipal golf course; principal will be payable annually beginning June 2022, interest was payable monthly beginning June 2003, at a variable rate not to exceed 3.5% with maturity scheduled for June 2028.

3,470,000

**General Obligation Note, Series B of 2002**

Payable to DVRFA for the purpose of construction of a municipal golf course; principal will be payable annually beginning June 2022, interest was payable monthly beginning June 2003, at a variable rate not to exceed 3.5% with maturity scheduled for June 2028.

5,036,000

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

**General Obligation Bonds, Series of 2011**

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

7,885,000

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

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

1,970,000

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

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

2,792,534

\$34,225,184

**Debt Service Requirements**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 1,647,166	\$ 728,409	\$ 2,375,575
2016	2,026,629	679,377	2,706,006
2017	2,082,113	683,264	2,765,377
2018	1,997,619	623,903	2,621,522
2019	2,121,123	552,651	2,673,774
2020 - 2024	10,269,000	1,806,098	12,075,098
2025 - 2029	8,875,795	2,347,802	11,223,597
2030 - 2032	4,695,740	2,041,488	6,737,228
	<u>\$ 33,715,185 *</u>	<u>\$ 9,462,992</u>	<u>\$ 43,178,177</u>

\* Reflective of the advanced refunding of General Obligation Bonds Series of 2010 as described in Note R- Subsequent Event.

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

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

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

Interfund transfers are summarized as follows for the year-ended December 31, 2014:

	<b>Operating Transfers In</b>	<b>Operating Transfers Out</b>
General Fund	\$ 412,728	\$ 848
Debt Service Fund	303,471	38,760
Special Project Fund	-	30,009
Other Governmental Funds	40,848	383,920
Enterprise Funds		
Sewer Fund	-	250,000
Community Pool Fund	-	28,510
Golf Course Fund	-	25,000
Total	<b>\$ 757,047</b>	<b>\$ 757,047</b>

Significant interfund transfers include the following: (1) \$250,000 transfer from the sewer fund to the general fund to support current year activities, and (2) \$173,757 transfer from the parks and recreation fund to the debt service fund to fund current year principal and interest payments.

**NOTE G - DEFINED BENEFIT PENSION PLANS**

**Description of Plans**

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

At January 1, 2013 (the most recent valuation date), the Township's pension plan membership consisted of:

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

**Police Pension Plan**

The Township sponsors a Public Employee Retirement System (PERS) to provide retirement and disability benefits as well as the return of members' contributions in the event of death. For the year ended December 31, 2014, the plan's assets were managed by Glenmede Trust Company. All benefits vest after twelve years of credited service. Employees who retire at or after age fifty five with twenty-five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average salary. Final average salary is the employee's average base salary over the last three years of credited service. Covered employees are not currently required to contribute to the pension plan. If an employee leaves covered employment or dies before the age sixty-five, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

### 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, 2014, the plan's assets were managed by Glenmede Trust Company. All benefits vest after five years of credited service. Employees who retire at or after age sixty-five with five years of credited service are entitled to an annual retirement benefit paid monthly for life in an amount equal to 2.00% of average annual compensation multiplied by credited service up to thirty years. Final average salary is the employee's average salary, including overtime, over the three years of credited service. Employees with five years of credited service may retire at or after age fifty-five and receive a reduced retirement benefit.

Covered employees are not currently required by statute to contribute to the pension plan, except for non-union employees who are required to contribute 3% to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the amounts necessary to fund the plans. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

#### **Summary of Significant Accounting Policies**

##### ***Basis of Accounting***

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

##### ***Method Used to Value Investments***

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

##### ***Financial Reporting***

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

##### ***Contributions***

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

##### ***Plan Expenses***

Plan expenses are paid from plan assets.

##### ***Concentrations***

At December 31, 2014, there were no investments of the Police Pension Plan in any one organization that represented 5% or more of net assets available for benefits. Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

At December 31, 2014, there were no investments of the Non-Police Pension Plan in any one organization that represented 5% or more of net assets available for benefits. Investments in mutual funds do not require disclosure of concentration per GASB Statement No. 25.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

***Funded Status***

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

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

Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
2013	5,348,628	6,941,576	1,592,948	77.1%	1,981,301	80.4%

Additional information as of the latest actuarial valuation follows.

**Police Pension Plan**

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

**Non-Uniform Pension Plan**

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

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

**Annual Pension Cost and Net Pension Liability**

	<u>Police</u>	<u>Non-Uniformed</u>
Annual required contribution	\$ 671,390	\$ 402,106
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	<u>671,390</u>	<u>402,106</u>
Contributions made	<u>(671,390)</u>	<u>(402,106)</u>
Increase (decrease) in net pension obligation	-	-
Net pension obligation (asset) at beginning of year	-	-
Net pension obligation (asset) at end of year	<u>\$ -</u>	<u>\$ -</u>

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
<u>Police</u>			
2012		\$ 511,918	100%
2013		\$ 584,583	100%
2014		\$ 671,390	100%
<u>Non-Uniform</u>			
2012		\$ 354,504	100%
2013		\$ 347,111	100%
2014		\$ 402,106	100%

**NOTE H - POST RETIREMENT HEALTH BENEFITS**

**Plan Description**

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

Current benefit provisions are as follows:

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

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

**Funding Policy**

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

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contributions	\$ 164,481
Interest on net OPEB obligation	1,530
Adjustment to annual required contribution	<u>(2,559)</u>
Annual OPEB cost (expense)	163,452
Contributions	<u>116,114</u>
Increase in net OPEB obligation	47,338
Net OPEB obligation, beginning of year	<u>458,819</u>
Net OPEB obligation, end of year	<u><u>\$ 506,157</u></u>

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

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

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

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2014 and the preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2012	\$ 163,452	53%	\$ 384,405
2013	\$ 163,452	53%	\$ 458,819
2014	\$ 163,452	71%	\$ 506,157

**Funding Status and Funding Progress**

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### Funding Status and Funding Progress (Continued)

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

#### Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

#### Plan for Funding

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

### NOTE I - DEFERRED COMPENSATION PLAN

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

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

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

### NOTE J - DEFERRED RETIREMENT OPTION PLAN

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

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

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.

## TOWNSHIP OF LOWER MAKEFIELD

Notes to the Basic Financial Statements  
December 31, 2014

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

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

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

### NOTE K - TRANSACTIONS WITH DEVELOPERS

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

The Township also receives developer deposits applicable to plan review and development billing activities. In such instances, the Township is required to hold such deposits in escrow and refund amounts not ultimately required to fund anticipated administrative costs. Potentially refundable deposits are accounted for in Agency Funds, which reflect a liability to various developers of \$404,069 as of December 31, 2014.

### NOTE L - 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, 2014, capital contributions in the form of system improvements and expansion were \$488,040. The cumulative contributions to these authorities are \$9,156,6213 as of December 31, 2014.

#### **Equipment Leases**

In May 2012, the Township entered into a new lease purchase agreement for golf carts to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$6,694, including interest, beginning June 2012 through May 2016. At the end of the lease term, the Township has the option to purchase the golf carts for the total of all rents still outstanding, including accrued interest, and the termination value of \$112,250. In February 2013 the Township also entered into a new lease purchase agreement for maintenance equipment to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$5,901. At the end of the lease term, the Township has the option to purchase the golf carts for a bargain purchase option of \$1.

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

**Equipment Leases (Continued)**

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	
2015	\$151,139
2016	104,281
2017	70,811
2018	<u>11,802</u>
	<u>\$338,033</u>

**Management Agreement**

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

The future minimum management fee payments are as follows:

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

**Self-Insured Unemployment Compensation**

The Township self-insured for unemployment compensation coverage. A reserve of \$19,007 is established at December 31, 2014. During 2014, there were several claims totaling \$29,743.

**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 (DVIT)) operated as a common risk management and insurance program for municipalities. The Trust retains the first \$250,000 of each general liability, police professional liability and automobile liability loss. DVIT assumes the first \$100,000 of each first party property loss public official liability claim. Reinsurance coverage is through commercial companies. The Trust also serves a group purchaser of boiler and machinery and crime and public official policies for its members.

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

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

**NOTE M - RISK MANAGEMENT (Continued)**

The Township continues to carry commercial insurance for all other risk of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

**NOTE N - MUNICIPAL SEWER AUTHORITY**

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

**NOTE O - ACQUISITION**

On August 31, 2001, the Yardley Makefield Emergency Unit agreed to transfer title and interest in the Emergency Rescue Squad Building to the Township. This was due to the financial problems of the Emergency Unit. The Township capitalized \$1,151,410 (equity in the building). This included assuming \$700,475 of outstanding obligations, payment to the Emergency Unit of \$100,000, a credit of \$56,000 in funds provided to the Emergency Unit in 2000 and a balance due by the Township to the Emergency Unit in the amount of \$294,935. The balance due was reduced \$25,000 per year and recognized as rental income. During the year ended December 31, 2013, the balance of the rental income was fully recognized and there is no rent income as of December 31, 2014.

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

**NOTE P - DERIVATIVE FINANCIAL INSTRUMENTS**

The Township entered into its General Obligation Notes, Series of 2002A, 2002B, and 2004, with the DVRFA. In order to provide funds for the notes, the DVRFA issued Local Government Revenue Bonds, Series of 1997, 1998, and 2002 (DVRFA Bonds). The DVRFA has entered into an interest rate swap agreement related to the DVRFA Bonds to provide variable rates on these loans, to reduce the costs of participants in the loan program and to enhance the ability of participants to manage their interest rate risks. If the Township defaults on all or a portion of the general obligation notes with DVRFA, it may owe costs, if any, associated with the liquidation or termination of the respective variable rate swaps used by the DVRFA to provide the variable rates to the Township.

The following is a summary of the Township's general obligation notes with DVRFA and the estimated fair market value of the swap agreements at December 31, 2014:

<u>General Obligation Notes</u>	<u>Original Issue Amount</u>	<u>Outstanding at December 31, 2014</u>	<u>Market Value of Related Interest Rate Swap Agreements</u>
Series of 2002A	\$ 10,300,000	\$ 3,470,000	\$ 471,310
Series of 2002B	5,661,000	5,036,000	683,488
Series 2004	3,000,000	2,133,000	288,114
	<u>\$ 18,961,000</u>	<u>\$ 10,639,000</u>	<u>\$ 1,442,912</u>

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to the Basic Financial Statements  
December 31, 2014

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

With the execution of the variable rate swap agreement and in accordance with GASB 53, "Accounting and Reporting for Derivative Instruments", the Township accounts for the interest rate under both the consistent critical terms and quantitative methods standards of GASB 53. However, because the Township is not entitled to termination benefits per the swap agreements, the value of the swaps at December 31, 2014 are not reflected in the Statement of Net Position of the Township.

**NOTE Q - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The costs of the cash and cash equivalents are reasonable estimates of the fair value because the cash equivalents have maturities of, or can be liquidated at par in ninety days or less. The fair values of the derivative financial instruments have been estimated based upon the termination payment the DVRFA would receive (pay) if the associated swap agreements were terminated on December 31, 2014. See Note P – Derivative Financial Instruments.

A comparison of carrying value and fair value as of December 31, 2014 is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Assets</b>		
Cash and cash equivalents (See Note B)	\$ 8,398,938	\$ 8,398,938
Investments (See Note B)	\$ 16,456,285	\$ 16,456,285
<b>Liabilities</b>		
Bonds payable (See Note F)	\$ 15,052,534	\$ 15,052,534
Notes payable (See Note F)	\$ 19,172,650	\$ 19,172,650
<b>Derivative Financial Instruments</b>		
See Note P.	\$ 1,442,912	\$ 1,442,912

**NOTE R - SUBSEQUENT EVENT**

In May 2015, the Township issued \$7,980,000 of General Obligation Bonds, Series of 2015, for the purpose of refunding the General Obligation Bonds, Series of 2010 and paying the cost of issuing the bonds. Principal payments will be paid annually beginning on December 15, 2015 and maturing on December 15, 2021. Interest is paid semi-annually beginning on December 15, 2015. Interest accrues at 0.25% through December 15, 2015, increasing to 3.0% through December 15, 2016, and finally increasing to 4.0% through maturity. Debt service requirements in Note E – Long-Term Liabilities are reflective of the advanced refunding of the General Obligation Bonds, Series of 2010 and the issuance of the General Obligation Bonds, Series of 2015.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
General Fund  
Year Ended December 31, 2014

	<b>Budgeted Amount Final</b>	<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Taxes	\$ 7,015,000	\$ 7,433,608	\$ 418,608
Licenses, permits and fees	1,151,350	1,357,025	205,675
Fines, forfeits and costs	117,000	78,401	(38,599)
Interest earnings and rental income	290,360	336,718	46,358
Intergovernmental revenues	581,544	683,827	102,283
Charges for services	556,000	525,808	(30,192)
Contributions	3,600	641	(2,959)
Miscellaneous	60,075	112,727	52,652
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>9,774,929</u>	<u>10,528,755</u>	<u>753,826</u>
<b>Expenditures</b>			
General government	1,301,406	1,476,367	(174,961)
Public safety	5,543,315	5,487,806	55,509
Public works	1,359,795	1,534,629	(174,834)
Capital outlay	-	-	-
Insurance	350,000	365,147	(15,147)
Employee benefits	1,816,000	1,804,267	11,733
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>10,370,516</u>	<u>10,668,216</u>	<u>(297,700)</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(595,587)</u>	<u>(139,461)</u>	<u>456,126</u>
<b>Other Financing Sources (Uses)</b>			
Refund prior year expenditure	104,000	149,980	45,980
Transfers in	412,728	412,728	-
Transfers out	-	(848)	(848)
	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources	<u>516,728</u>	<u>561,860</u>	<u>45,132</u>
Net (decrease) increase in fund balance	<u>(78,859)</u>	<u>422,399</u>	<u>\$ 501,258</u>
Fund Balance, Beginning	<u>1,769,294</u>	<u>1,645,397</u>	
Fund Balance, Ending	<u>\$ 1,690,435</u>	<u>\$ 2,067,796</u>	

See notes to budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
Debt Service Fund  
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Real estate taxes	\$ 804,500	\$ 793,673	\$ (10,827)
Interest earnings	2,000	2,273	273
	<hr/>	<hr/>	<hr/>
Total revenues	806,500	795,946	(10,554)
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Debt service			
Principal	1,029,668	1,030,102	(434)
Interest	232,208	234,092	(1,884)
	<hr/>	<hr/>	<hr/>
Total expenditures	1,261,876	1,264,194	(2,318)
	<hr/>	<hr/>	<hr/>
<b>(Deficiency) of Revenues Over Expenditures</b>	<b>(455,376)</b>	<b>(468,248)</b>	<b>(12,872)</b>
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (uses)</b>			
Operating transfers in	303,471	303,471	-
Operating transfers out	(38,760)	(38,760)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources	264,711	264,711	-
	<hr/>	<hr/>	<hr/>
Net (decrease) in fund balance	(190,665)	(203,537)	<u>\$ (12,872)</u>
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning	817,744	827,634	
	<hr/>	<hr/>	
Fund Balance, Ending	<u>\$ 627,079</u>	<u>\$ 624,097</u>	

See notes to budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
 Capital Reserve Fund  
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Interest earnings	\$ 600	\$ 1,012	\$ 412
Rental income	25,000	-	(25,000)
Intergovernmental revenues	563,000	615,679	52,679
Contributions	-	1,300	1,300
	<hr/>	<hr/>	<hr/>
Total revenues	588,600	617,991	29,391
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
General government	249,142	257,939	(8,797)
Capital outlay	675,000	991,404	(316,404)
	<hr/>	<hr/>	<hr/>
Total expenditures	924,142	1,249,343	(325,201)
	<hr/>	<hr/>	<hr/>
<b>(Deficiency) of Revenues Over Expenditures</b>	(335,542)	(631,352)	(295,810)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources</b>			
Operating transfers in	30,000	30,000	-
	<hr/>	<hr/>	<hr/>
Total other financing sources	30,000	30,000	-
	<hr/>	<hr/>	<hr/>
Net (decrease) in fund balance	(305,542)	(601,352)	<u>\$ (295,810)</u>
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning	543,450	453,497	
	<hr/>	<hr/>	
Fund Balance (deficit), Ending	<u>\$ 237,908</u>	<u>\$ (147,855)</u>	

See notes to budgetary comparison statements.

**TOWNSHIP OF LOWER MAKEFIELD**

Budgetary Comparison Statement  
 Special Project Fund  
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest earnings	\$ -	\$ 1,446	\$ 1,446
Intergovernmental revenues	400,000	54,197	(345,803)
Contributions	10,000	81,239	71,239
Total revenues	<u>410,000</u>	<u>136,882</u>	<u>(273,118)</u>
<b>Expenditures</b>			
Community development	-	306,997	(306,997)
Capital outlay	<u>410,000</u>	<u>-</u>	<u>410,000</u>
Total expenditures	<u>410,000</u>	<u>306,997</u>	<u>103,003</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>(170,115)</u>	<u>(170,115)</u>
<b>Other Financing Sources (uses)</b>			
Operating transfers out	<u>(30,009)</u>	<u>(30,009)</u>	<u>-</u>
Total other financing (uses)	<u>(30,009)</u>	<u>(30,009)</u>	<u>-</u>
Net (decrease) in fund balance	(30,009)	(200,124)	<u>\$ (170,115)</u>
Fund Balance, Beginning	<u>441,762</u>	<u>610,660</u>	
Fund Balance, Ending	<u>\$ 411,753</u>	<u>\$ 410,536</u>	

See notes to budgetary comparison statements.

## TOWNSHIP OF LOWER MAKEFIELD

### Notes to the Budgetary Comparison Statements Year Ended December 31, 2014

#### 1. Budgetary Information

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

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

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

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

The Township prepares budgets for Governmental Funds on a basis of accounting, which is consistent with United States general accepted accounting principles.

#### 2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following General Fund object levels (the legal level of the budgetary control):

General government	\$174,961
Public works	\$174,834
Capital outlay	\$ 15,147

These over expenditures were funded by available fund balance in the General Fund.

For the year ended December 31, 2014, expenditures exceeded appropriations in the capital reserve and debt service funds by \$325,201 and \$2,318, respectively. These expenditures were funded by available balances in the capital reserve fund.

## TOWNSHIP OF LOWER MAKEFIELD

### Trend Data on Infrastructure Condition Year Ended December 31, 2014

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>
2014	67

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>
2014	\$790,000	\$889,433

The next inspection of Township roadways is scheduled to be completed in early 2017.

**TOWNSHIP OF LOWER MAKEFIELD**

Pension Plans Plan Funding Progress  
Year Ended December 31, 2014

**SCHEDULE OF FUNDING PROGRESS**

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

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 2001 is as follows:

**Uniform Pension Plan**

Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
2001	5,551,269	5,830,396	279,127	95.2%	1,532,797	18.2%
2003	5,432,735	6,658,810	1,226,075	81.6%	1,730,301	70.9%
2005	6,517,334	7,594,862	1,077,528	85.8%	2,225,538	48.4%
2007	7,679,178	8,440,447	761,269	91.0%	2,246,198	33.9%
2009	7,795,871	10,022,136	2,226,265	77.8%	2,301,929	96.7%
2011	8,184,092	11,223,302	3,039,210	72.9%	3,028,049	100.4%
2013	8,384,277	12,147,005	3,762,728	69.0%	2,955,813	127.3%

**Non-Uniform Pension Plan**

Actuarial Valuation Date January 1,	Actuarial Value of Assets a	Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Annual Covered Payroll c	Percentage of Annual Covered Payroll (b-a) / c
2001	2,191,322	2,315,191	123,869	94.6%	1,431,783	8.7%
2003	2,302,164	2,878,254	576,090	80.0%	1,629,357	35.4%
2005	2,977,214	3,986,028	1,008,814	74.7%	1,740,803	58.0%
2007	3,907,249	4,426,551	519,302	88.3%	1,592,265	32.6%
2009	4,359,510	5,068,804	709,294	86.0%	1,987,208	35.7%
2011	4,865,807	6,153,975	1,288,168	79.1%	2,131,981	60.4%
2013	5,348,628	6,941,576	1,592,948	77.1%	1,981,301	80.4%

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

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

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

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

Pension Plan Funding Progress  
Year Ended December 31, 2014

**SCHEDULE OF FUNDING PROGRESS (Continued)**

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

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

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

Schedules of Contributions from the Employer and Other Contributing Entities:

**Police Pension Plan**

<b>Year Ended December 31,</b>	<b>Annual Required Contribution*</b>	<b>State Aid</b>	<b>Employer</b>	<b>Total</b>	<b>Percentage Contributed</b>
2005	\$ 348,424	\$ 286,824	\$ 61,600	\$ 348,424	100.00%
2006	\$ 316,627	\$ 305,764	\$ 10,863	\$ 316,627	100.00%
2007	\$ 353,655	\$ 330,258	\$ 23,397	\$ 353,655	100.00%
2008	\$ 343,677	\$ 328,192	\$ 15,485	\$ 343,677	100.00%
2009	\$ 325,502	\$ 312,801	\$ 12,701	\$ 325,502	100.00%
2010	\$ 565,286	\$ 352,598	\$ 212,688	\$ 565,286	100.00%
2011	\$ 456,011	\$ 342,936	\$ 113,075	\$ 456,011	100.00%
2012	\$ 571,918	\$ 396,948	\$ 174,970	\$ 571,918	100.00%
2013	\$ 584,583	\$ 419,511	\$ 165,072	\$ 584,583	100.00%
2014	\$ 671,390	\$ 410,504	\$ 260,886	\$ 671,390	100.00%

**Non-Uniformed Pension Plan**

<b>Year Ended December 31,</b>	<b>Annual Required Contribution*</b>	<b>State Aid</b>	<b>Employer</b>	<b>Total</b>	<b>Percentage Contributed</b>
2005	\$ 203,574	\$ -	\$ 203,574	\$ 203,574	100.00%
2006	\$ 280,732	\$ -	\$ 280,732	\$ 280,732	100.00%
2007	\$ 268,812	\$ -	\$ 268,812	\$ 268,812	100.00%
2008	\$ 241,835	\$ -	\$ 241,835	\$ 241,835	100.00%
2009	\$ 220,264	\$ -	\$ 220,264	\$ 220,264	100.00%
2010	\$ 301,072	\$ -	\$ 301,072	\$ 301,072	100.00%
2011	\$ 261,479	\$ -	\$ 261,479	\$ 261,479	100.00%
2012	\$ 354,504	\$ -	\$ 354,504	\$ 354,504	100.00%
2013	\$ 347,111	\$ -	\$ 347,111	\$ 347,111	100.00%
2014	\$ 402,106	\$ -	\$ 402,106	\$ 402,106	100.00%

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

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

Post Retirement Health Benefits Funding Progress  
Year Ended December 31, 2014

**SCHEDULE OF FUNDING PROGRESS**

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

The actuarial information is required every three years.

<b>Actuarial Valuation Date January 1,</b>	<b>Actuarial Value of Assets a</b>	<b>Accrued Liability (AAL) Entry Age b</b>	<b>Unfunded AAL (UAAL) b - a</b>	<b>Funded Ratio a/b</b>
2012	-	1,848,732	1,848,732	0.0%

Source: The Post Retirement Health Benefits Actuarial Valuation Report.

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

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

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

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

Schedules of Contributions from the Employer and Other Contributing Entities:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Total Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 164,481	\$ 87,600	53%	\$ 384,405
2013	\$ 163,452	\$ 89,038	54%	\$ 458,817
2014	\$ 163,452	\$ 116,114	71%	\$ 506,157

See notes to Pension and OPEB Plans

**TOWNSHIP OF LOWER MAKEFIELD**

Notes to Pension and OPEB Plans  
December 31, 2014

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

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

Information for the Other Post Employment Benefits is as follows:

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

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

## **SUPPLEMENTARY INFORMATION**

TOWNSHIP OF LOWER MAKEFIELD

Combining Balance Sheet  
Other Governmental Funds  
December 31, 2014

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Traffic Impact Fund	Regency Bridge Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Patterson Park Fund	Total Other Governmental Funds
<b>Assets</b>													
Cash and cash equivalents	\$ (30,081)	\$ 1,178	\$ 135,223	\$ (29,057)	\$ 257,366	\$ 132,999	\$ 89,219	\$ 452,958	\$ 170,649	\$ 105,121	\$ 11,700	\$ 23,694	\$ 1,320,969
Accounts receivable	547	-	7,033	2,229	13,429	-	-	-	-	-	126,955	272	150,465
<b>Total Assets</b>	<b>\$ (29,534)</b>	<b>\$ 1,178</b>	<b>\$ 142,256</b>	<b>\$ (26,828)</b>	<b>\$ 270,795</b>	<b>\$ 132,999</b>	<b>\$ 89,219</b>	<b>\$ 452,958</b>	<b>\$ 170,649</b>	<b>\$ 105,121</b>	<b>\$ 138,655</b>	<b>\$ 23,966</b>	<b>\$ 1,471,434</b>
<b>Liabilities</b>													
Accounts payable	\$ 5,058	\$ 441	\$ 1,200	\$ 12,251	\$ 26,314	\$ 2,000	\$ -	\$ -	\$ -	\$ 24,033	\$ -	\$ 3,758	\$ 75,055
Accrued expenses	-	-	936	-	38,844	-	-	-	-	-	-	-	39,780
Interfund payables	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000
Security deposits	-	-	-	-	1,400	-	-	-	-	-	-	-	1,400
<b>Total Liabilities</b>	<b>5,058</b>	<b>10,441</b>	<b>2,136</b>	<b>12,251</b>	<b>66,558</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,033</b>	<b>-</b>	<b>3,758</b>	<b>126,235</b>
<b>Deferred Inflows of Resources</b>													
Deferred taxes and rental receipts	526	-	5,844	1,858	8,313	-	-	-	-	-	1,624	-	18,165
<b>Fund Balances</b>													
Restricted:													
Special revenue funds	(35,118)	(9,263)	134,276	(40,937)	195,924	130,999	89,219	452,958	170,649	81,088	137,031	20,208	1,327,034
<b>Total Fund Balances</b>	<b>(35,118)</b>	<b>(9,263)</b>	<b>134,276</b>	<b>(40,937)</b>	<b>195,924</b>	<b>130,999</b>	<b>89,219</b>	<b>452,958</b>	<b>170,649</b>	<b>81,088</b>	<b>137,031</b>	<b>20,208</b>	<b>1,327,034</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ (29,534)</b>	<b>\$ 1,178</b>	<b>\$ 142,256</b>	<b>\$ (26,828)</b>	<b>\$ 270,795</b>	<b>\$ 132,999</b>	<b>\$ 89,219</b>	<b>\$ 452,958</b>	<b>\$ 170,649</b>	<b>\$ 105,121</b>	<b>\$ 138,655</b>	<b>\$ 23,966</b>	<b>\$ 1,471,434</b>

TOWNSHIP OF LOWER MAKEFIELD

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
Year Ended December 31, 2014

	Street Light Fund	9-11 Memorial Fund	Fire Protection Fund	Hydrant Fund	Park and Recreation Fund	Park and Recreation FIL Fund	Library Fund	Traffic Impact Fund	Regency Bridge Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Patterson Park Fund	Total Other Governmental Funds
<b>Revenues</b>													
Real estate taxes	\$ -	\$ -	\$ 459,645	\$ 139,650	\$ 653,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,799	\$ -	\$ 1,380,961
Interest earnings	(40)	56	783	25	1,008	200	223	1,130	354	2,560	138	61	6,499
Rental income	-	-	-	-	49,640	-	-	-	-	-	-	45,452	95,092
Intergovernmental revenues	-	-	345,422	-	-	-	-	-	-	775,943	-	-	1,121,365
Charges for services	33,390	-	26,250	-	130,634	-	-	-	-	-	-	-	190,274
Contributions	-	662	-	-	-	128,717	-	4,740	-	-	-	-	134,119
Miscellaneous income	-	-	-	-	3,325	-	-	-	49,500	-	-	4,405	57,230
<b>Total Revenues</b>	33,350	718	832,100	139,675	838,475	128,917	223	5,870	49,854	778,503	127,937	49,918	2,985,540
<b>Expenditures</b>													
General government	-	-	-	-	-	-	-	1,650	-	-	-	-	1,650
Public safety	-	-	729,540	-	-	-	-	-	-	-	125,500	-	855,040
Public works	46,900	37,125	-	152,013	644,015	31,268	-	-	-	1,252,827	-	29,710	1,481,450
Parks and recreation	-	-	-	-	644,015	41,676	-	-	-	-	-	-	712,408
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	41,676
<b>Total Expenditures</b>	46,900	37,125	729,540	152,013	644,015	72,944	-	1,650	-	1,252,827	125,500	29,710	3,092,224
<b>Excess of Revenues Over (Under) Expenditures</b>	(13,550)	(36,407)	102,560	(12,338)	194,460	55,973	223	4,220	49,854	(474,324)	2,437	20,208	(106,684)
<b>Other Financing Sources (Uses)</b>													
Refund of prior year expenditure	-	-	474	-	5,428	-	-	-	-	-	-	-	5,902
Operating transfers in	-	-	-	-	10,000	-	-	-	-	848	-	-	10,848
Operating transfers out	(1,245)	-	(128,665)	(5,014)	(234,673)	(10,000)	-	-	-	-	(4,323)	-	(383,920)
<b>Total Other Financing Sources (Uses)</b>	(1,245)	-	(128,191)	(5,014)	(219,245)	(10,000)	-	-	-	848	(4,323)	-	(367,170)
<b>Net Increase (Decrease) In Fund Balances</b>	(14,795)	(36,407)	(25,631)	(17,352)	(24,785)	45,973	223	4,220	49,854	(473,476)	(1,886)	20,208	(473,854)
<b>Fund Balances, Beginning (deficit)</b>	(20,323)	27,144	159,907	(23,585)	220,709	85,026	88,996	448,738	120,795	554,564	138,917	-	1,800,888
<b>Fund Balances, Ending (deficit)</b>	\$ (35,118)	\$ (9,263)	\$ 134,276	\$ (40,937)	\$ 195,924	\$ 130,999	\$ 89,219	\$ 452,958	\$ 170,649	\$ 81,088	\$ 137,031	\$ 20,208	\$ 1,327,034