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EXHIBIT J1

LOWER MAKEFIELD TOWNSHIP  
ANNUAL FINANCIAL REPORT FOR 2018

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**TOWNSHIP OF LOWER MAKEFIELD**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2018*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

**TOWNSHIP OF LOWER MAKEFIELD**  
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**YEAR ENDED DECEMBER 31, 2018**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Makefield as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township of Lower Makefield's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

### **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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Emphasis of Matter**

For the year ended December 31, 2018, the Township of Lower Makefield adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower Makefield's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.



Oaks, Pennsylvania  
September 4, 2019



**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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The management of Lower Makefield Township is pleased to present this narrative overview and analysis of the financial activities of Lower Makefield Township for the fiscal year ended December 31, 2018. The information is being presented as a comparative analysis of the previous year.

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

**FINANCIAL HIGHLIGHTS**

- During the 2018 budget year the Township addressed all outstanding negative balance accounts including; the Fire Hydrant Fund, The Golf fund, the Special projects fund, the debt service fund, the capital reserve fund, the 911 memorial fund, and the unemployment fund. As such, the Township enters 2019 with a positive balance in all accounts and with clarity on its financial standing as it rebuilds its fund balance.
- Lower Makefield has continued to produce very healthy annual transfer tax totals. The Township receives  $\frac{1}{2}$  of 1% for every property sale that occurs in the Township. Last year the Township generated a transfer tax of \$1,690,456. It looks as if the 2019 transfer tax will exceed our budgeted expectations of \$1,325,000 and come close to our 2018 amount. Lower Makefield continues to be viewed as a premiere location to locate one's family.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2018

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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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

**REPORTING THE TOWNSHIP AS A WHOLE**

**Statement of Net position and Statement of Activities**

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,063,133	\$ 9,875,074	\$ 881,460	\$ 688,807	\$ 9,944,593	\$ 10,563,881
Other assets	706,386	1,817,530	2,279,242	2,175,174	2,985,628	3,992,704
Capital assets	88,558,729	88,195,767	34,012,991	34,701,863	122,571,720	122,897,630
<b>TOTAL ASSETS</b>	<b>98,328,248</b>	<b>99,888,371</b>	<b>37,173,693</b>	<b>37,565,844</b>	<b>135,501,941</b>	<b>137,454,215</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension outflows	2,562,676	549,914	171,073	39,190	2,733,749	589,104
Deferred charges	-	-	138,737	116,959	138,737	116,959
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,562,676</b>	<b>549,914</b>	<b>309,810</b>	<b>156,149</b>	<b>2,872,486</b>	<b>706,063</b>
<b>LIABILITIES</b>						
Other liabilities	2,876,019	3,400,607	4,268,521	2,798,894	7,144,540	6,199,501
Long-term liabilities	26,942,610	20,830,388	29,408,696	30,379,877	56,351,306	51,210,265
<b>TOTAL LIABILITIES</b>	<b>29,818,629</b>	<b>24,230,995</b>	<b>33,677,217</b>	<b>33,178,771</b>	<b>63,495,846</b>	<b>57,409,766</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred pension inflows	479,270	752,391	58,418	109,019	537,688	861,410
<b>NET POSITION</b>						
Invested in capital assets	80,477,159	74,050,091	5,108,290	4,614,776	85,585,449	78,664,867
Restricted	1,500,286	5,270,913	-	-	1,500,286	5,270,913
Unrestricted	(11,384,420)	(3,866,105)	(1,360,422)	(180,573)	(12,744,842)	(4,046,678)
<b>TOTAL NET POSITION</b>	<b>\$ 70,593,025</b>	<b>\$ 75,454,899</b>	<b>\$ 3,747,868</b>	<b>\$ 4,434,203</b>	<b>\$ 74,340,893</b>	<b>\$ 79,889,102</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,101,072	\$ 1,868,558	\$ 10,234,136	\$ 9,851,080	\$ 12,335,208	\$ 11,719,638
Operating grants and contributions	2,965,473	4,127,088	-	-	2,965,473	4,127,088
General revenues						
Property taxes	10,009,211	9,114,453	-	-	10,009,211	9,114,453
Real estate transfer taxes	1,690,456	1,629,722	-	-	1,690,456	1,629,722
Local service taxes and per-capita						
Taxes	544,154	535,133	5,599	-	549,753	535,133
Public utility taxes	11,606	10,331	-	-	11,606	10,331
Franchise taxes	784,190	808,452	-	-	784,190	808,452
Investment earnings	36,154	49,825	-	6,250	36,154	56,075
Miscellaneous	998,434	235,951	-	-	998,434	235,951
<b>TOTAL REVENUES</b>	<b>19,140,750</b>	<b>18,379,513</b>	<b>10,239,735</b>	<b>9,857,330</b>	<b>29,380,485</b>	<b>28,236,843</b>
<b>EXPENSES</b>						
General government	2,890,950	2,957,426	-	-	2,890,950	2,957,426
Public safety	10,573,050	9,276,369	-	-	10,573,050	9,276,369
Public works						
(highways and streets)	3,206,199	3,453,817	-	-	3,206,199	3,453,817
Culture and recreation	1,292,509	1,371,724	-	-	1,292,509	1,371,724
Community development	-	10,438	-	-	-	10,438
Interest on long-term debt	321,194	372,487	-	-	321,194	372,487
(Gain) loss on disposal of capital assets	153,226	-	(11,700)	-	141,526	-
Sewer	-	-	7,780,677	6,730,735	7,780,677	6,730,735
Community pool	-	-	989,578	999,070	989,578	999,070
Golf course	-	-	2,839,007	2,804,643	2,839,007	2,804,643
<b>TOTAL EXPENSES</b>	<b>18,437,128</b>	<b>17,442,261</b>	<b>11,597,562</b>	<b>10,534,448</b>	<b>30,034,690</b>	<b>27,976,709</b>
<b>EXCESS (DEFICIENCY) BEFORE TRANSFERS</b>	<b>703,622</b>	<b>937,252</b>	<b>(1,357,827)</b>	<b>(677,118)</b>	<b>(654,205)</b>	<b>260,134</b>
<b>TRANSFER</b>						
Transfers in	5,242,274	3,837,187	3,577,005	1,649,441	8,819,279	5,486,628
Transfers out	(5,913,766)	(3,360,378)	(2,905,513)	(2,126,250)	(8,819,279)	(5,486,628)
<b>CHANGE IN NET POSITION</b>	<b>32,130</b>	<b>1,414,061</b>	<b>(686,335)</b>	<b>(1,153,927)</b>	<b>(654,205)</b>	<b>260,134</b>
<b>NET POSITION, BEGINNING</b>	<b>70,560,895</b>	<b>74,040,838</b>	<b>4,434,203</b>	<b>5,588,130</b>	<b>74,995,098</b>	<b>79,628,968</b>
<b>NET POSITION, ENDING</b>	<b>\$ 70,593,025</b>	<b>\$ 75,454,899</b>	<b>\$ 3,747,868</b>	<b>\$ 4,434,203</b>	<b>\$ 74,340,893</b>	<b>\$ 79,889,102</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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For the Township of Lower Makefield's governmental activities, total revenues and transfers in exceeded total expenses and transfers out by \$32,130 in 2018. In 2018, there was a 1.5 mill increase in the Tax. Revenues increased in 2018 by \$761,237, or 4.1%, expenses increased by \$994,867, or 5.7%.

For the Township of Lower Makefield's business-type activities, net position decreased \$686,335 in 2018 as a result of losses in the Sewer Fund (\$1,326,199) and Pool Fund (\$67,036); the increase in Golf Fund net position in 2018 was \$706,900.

**Governmental Activities**

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities in 2018 was \$19,140,750; 2017 was \$18,379,513; and 2016 was \$15,989,341. Revenues by source are as follows:

Revenue	Amount		% of Total	
	2018	2017	2018	2017
Property taxes	\$ 10,009,211	\$ 9,114,453	52.29%	49.59%
Real estate transfer tax	1,690,456	1,629,722	8.83%	8.87%
Local services taxes and and per-capita taxes	544,154	535,133	2.84%	2.91%
Public utility taxes	11,606	10,331	0.06%	0.06%
Franchise taxes	784,190	808,452	4.10%	4.40%
Investment earnings	36,154	49,825	0.19%	0.27%
Miscellaneous	998,434	235,951	5.22%	1.28%
Charges for services	2,101,072	1,868,558	10.98%	10.17%
Operating grants and contributions	2,965,473	4,127,088	15.49%	22.45%
	<u>\$ 19,140,750</u>	<u>\$ 18,379,513</u>	<u>100.00%</u>	<u>100.00%</u>

As seen above, revenues increased when comparing 2018 and 2017, by \$761,237 or 4.1%. Real estate transfer taxes increased \$60,734. In December of 2010, the Township approved the enactment of a Local Services Tax, or LST at the legally allowed maximum of \$52 per annum for all people working within the Township borders earning more than \$12,000 per annum. This revenue source yielded over \$554,154 in 2018 and \$535,133 in 2017.

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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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 2018 were \$18,437,128; 2017 were \$17,442,261; and \$15,528,398 in 2016. Expenditures by source were as follows:

Expenses	Amount		% of Total	
	2018	2017	2018	2017
General government	\$ 2,890,950	\$ 2,957,426	15.68%	16.96%
Public safety	10,573,050	9,276,369	57.35%	53.18%
Highways and streets	3,206,199	3,453,817	17.39%	19.80%
Culture and recreation	1,292,509	1,371,724	7.01%	7.86%
Community development	-	10,438	0.00%	0.06%
Interest on long-term debt	321,194	372,487	1.74%	2.14%
(Gain) on disposal of capital assets	153,226	-	0.83%	0.00%
	<u>\$ 18,437,128</u>	<u>\$ 17,442,261</u>	<u>100.00%</u>	<u>100.00%</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

**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, 2018, total \$122,571,720 and were \$122,897,628 in 2017 (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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

Additions to capital assets, land and improvements during 2018 include:

Building improvements	\$ 148,388
Construction in progress - Snipes Tract	\$ 47,844
Construction in progress - Heacock Fore Main	\$ 273,022
Construction in progress - Other	\$ 174,869
Equipment and vehicles	\$ 972,449
Golf course renovations	\$ 58,906
Golf course - equipment and vehicles	\$ 38,534
Land improvements	\$ 266,517
Pool furniture and fixtures	\$ 46,141
Sewer capital contribution - Morrisville	\$ 287,393
Sewer equipment and capital repairs	\$ 261,169

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Land*	\$ 23,859,951	\$ 23,859,951	\$ 7,765,999	\$ 7,765,999	\$ 31,625,950	\$ 31,625,950
Construction in progress	808,385	781,067	310,059	37,037	1,118,444	814,429
Infrastructure	50,238,957	50,392,183	-	-	50,238,957	50,392,183
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>74,907,293</u>	<u>75,033,201</u>	<u>8,076,058</u>	<u>7,803,036</u>	<u>82,983,351</u>	<u>82,832,562</u>
Land improvements	10,120,919	9,659,007	8,160,524	8,120,764	18,281,443	17,783,445
Plant and pools	1,308,418	1,308,418	47,140,893	46,807,354	48,449,311	48,115,772
Buildings and improvements	10,890,391	10,742,006	3,416,400	3,397,254	14,306,791	14,139,260
Furniture and equipment	3,913,522	3,845,523	2,392,350	2,092,648	6,305,872	5,938,171
Vehicles	6,775,353	6,342,729	-	-	6,775,353	6,342,729
TOTAL CAPITAL ASSETS DEPRECIATED	<u>33,008,603</u>	<u>31,897,683</u>	<u>61,110,167</u>	<u>60,418,020</u>	<u>94,118,770</u>	<u>92,319,377</u>
Accumulated depreciation	<u>(19,357,167)</u>	<u>(18,735,116)</u>	<u>(35,173,234)</u>	<u>(33,519,195)</u>	<u>(54,530,401)</u>	<u>(52,254,311)</u>
TOTAL CAPITAL ASSETS	<u>\$ 88,558,729</u>	<u>\$ 88,195,768</u>	<u>\$ 34,012,991</u>	<u>\$ 34,701,861</u>	<u>\$ 122,571,720</u>	<u>\$ 122,897,628</u>

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

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

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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 the end of 2018, the Township had \$39,315,614 in outstanding principal for all Note Payables and Bonds. Net of premiums, discounts and amortization, the total amount is \$41,725,745. Total Long-Term Liabilities at the end of 2018 were \$56,351,306, which includes OPEB and pension liabilities and compensated absences.

**Debt**

Outstanding debt at year end (net of premiums, discounts, and amortization) for the years ended December 31, 2018 and 2017 is as follows:

<u>Governmental Activities</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds		
Series A of 2010	\$ -	\$ 536,237
Series B of 2013	803,616	803,616
Series of 2015	3,012,240	3,371,321
Series of 2016	7,140,399	7,413,992
Series of 2018	1,671,709	-
General Obligation Notes		
Series of 2004	-	1,769,000
Notes Payable		
PEMA	801	11,807
Bucks County	192,279	239,702
	<u>12,821,044</u>	<u>14,145,675</u>
<u>Business-Type Activities</u>		
General Obligation Bonds		
Series A of 2013	1,944,157	1,971,517
Series B of 2013	1,988,918	1,988,918
Series of 2015	2,055,586	2,694,114
Series of 2016	14,234,052	14,926,538
Series of 2018	8,681,988	-
General Obligation Notes		
Series A of 2002	-	3,470,000
Series B of 2002	-	5,036,000
	<u>28,904,701</u>	<u>30,087,087</u>
Net OPEB obligation	<u>4,869,353</u>	<u>628,103</u>
Net pension liability	<u>8,448,096</u>	<u>5,513,744</u>
Compensated absences	<u>1,308,112</u>	<u>835,655</u>
	<u>43,530,372</u>	<u>42,069,597</u>
	<u>\$ 56,351,306</u>	<u>\$ 51,210,264</u>



# TOWNSHIP OF LOWER MAKEFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

### Economic Factors

The Township of Lower Makefield services an area of seventeen square miles and a population of 32,559 (2010 United States Census). The Township is located in the southeastern portion of Bucks County, just across the river from Trenton, New Jersey and twenty-five miles northeast of Philadelphia. Economically, the Township is largely residential in nature, with some agricultural activity. Commercial development can be found on a limited basis, most of which support the residential community.

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

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

Source: United States Census Bureau (2010 Census)

### The 2019 Budget and Outlook

The total millage for 2019 will be 20.25, which represents an increase of 1.24 mills from 2018. The millage breakout is as follows: General Fund 12.88 mills, Debt Service 2.79 mills, Fire Protection .90 mills, Fire Hydrants .33 mills, Parks and Recreation 2.67 mills, Ambulance and Rescue .38 mills, and Road Machinery .30 mills. The Township's Debt Service millage is now set to cover the costs of bonds not associated with sewers or the golf course. The .30 road machinery millage allows the Township to begin replacing public works equipment, via short term financing, that will allow the Township to maintain its basic service requirements for our residents.

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

In 2018 the Township entered into a 5-year agreement with the Police Department. The bargaining agreement with the Public Works Department expires at the end of 2019.

In addition, the township increased sewer rental rates 25.0% in 2018 to begin to address the sewer fund deficits.

**TOWNSHIP OF LOWER MAKEFIELD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2018

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During 2018 the Township finalized its 529 sewage plan, which was approved by the Pennsylvania Department of Environmental Protection (DEP). This approval allows projects to move forward in the Township. Prior to the approval of this plan, project approval in the Township was severely limited impacting our ability to expand our community assessed value, which is the sole factor contributing to the financial health of our Township.

**Litigation**

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

**REQUESTS FOR INFORMATION**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 9,063,133	\$ 881,460	\$ 9,944,593
Receivables, net	694,568	2,143,154	2,837,722
Inventory	-	108,324	108,324
Prepaid expenses	11,818	27,764	39,582
<b>TOTAL CURRENT ASSETS</b>	<b>9,769,519</b>	<b>3,160,702</b>	<b>12,930,221</b>
<b>CAPITAL ASSETS, net</b>	<b>88,558,729</b>	<b>34,012,991</b>	<b>122,571,720</b>
<b>TOTAL ASSETS</b>	<b>98,328,248</b>	<b>37,173,693</b>	<b>135,501,941</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflow	2,562,676	171,073	2,733,749
Deferred charges on refunding of bond	-	138,737	138,737
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,562,676</b>	<b>309,810</b>	<b>2,872,486</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	606,419	2,503,882	3,110,301
Accrued expenses	273,351	1,332,507	1,605,858
Unearned revenue	1,969,448	432,132	2,401,580
Interfund payables	-	-	-
Security deposits	26,801	-	26,801
Bonds and notes payable, current portion	1,343,815	1,353,500	2,697,315
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,219,834</b>	<b>5,622,021</b>	<b>9,841,855</b>
<b>LONG-TERM LIABILITIES</b>			
Bonds and notes payable, net of current portion	11,477,229	27,551,201	39,028,430
Other post-employment benefits	4,869,353	-	4,869,353
Compensated absences	1,285,684	22,428	1,308,112
Net pension liability	7,966,529	481,567	8,448,096
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>25,598,795</b>	<b>28,055,196</b>	<b>53,653,991</b>
<b>TOTAL LIABILITIES</b>	<b>29,818,629</b>	<b>33,677,217</b>	<b>63,495,846</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflow	479,270	58,418	537,688
<b>NET POSITION</b>			
Net investment in capital assets	80,477,159	5,108,290	85,585,449
Restricted			
Debt service	78,978	-	78,978
Special revenue funds	142,104	-	142,104
Other governmental funds	1,279,204	-	1,279,204
Unrestricted	(11,384,420)	(1,360,422)	(12,744,842)
<b>TOTAL NET POSITION</b>	<b>\$ 70,593,025</b>	<b>\$ 3,747,868</b>	<b>\$ 74,340,893</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals
<b>PRIMARY GOVERNMENT</b>							
Governmental activities							
General government	\$ 2,890,950	\$ 853,063	\$ 52,073	\$ -	\$ (1,985,814)	\$ -	\$ (1,985,814)
Public safety	10,573,050	229,041	734,536	-	(9,609,473)	-	(9,609,473)
Public works	3,206,199	843,584	1,171,133	-	(1,191,482)	-	(1,191,482)
Parks and recreation	1,292,509	175,384	1,007,731	-	(109,394)	-	(109,394)
Interest on long-term debt	321,194	-	-	-	(321,194)	-	(321,194)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>18,283,902</b>	<b>2,101,072</b>	<b>2,965,473</b>	<b>-</b>	<b>(13,217,357)</b>	<b>-</b>	<b>(13,217,357)</b>
Business-type activities							
Sewer fund	7,780,677	6,691,507	-	-	-	(1,089,170)	(1,089,170)
Community pool fund	989,578	949,859	-	-	-	(39,719)	(39,719)
Golf course fund	2,839,007	2,592,770	-	-	-	(246,237)	(246,237)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>11,609,262</b>	<b>10,234,136</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,375,126)</b>	<b>(1,375,126)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 29,893,164</b>	<b>\$ 12,335,208</b>	<b>\$ 2,965,473</b>	<b>\$ -</b>	<b>(13,217,357)</b>	<b>(1,375,126)</b>	<b>(14,592,483)</b>
<b>GENERAL REVENUES</b>							
Property taxes levied for general purposes					10,009,211	-	10,009,211
Transfer taxes					1,690,456	-	1,690,456
Local services and per capita taxes					544,154	-	544,154
PURTA Utility Tax					11,606	-	11,606
Franchise taxes					784,190	-	784,190
Investment earnings					36,154	5,599	41,753
Rent, reimbursement and miscellaneous					998,434	-	998,434
<b>GAIN (LOSS) ON SALE OF CAPITAL ASSETS</b>					<b>(153,226)</b>	<b>11,700</b>	<b>(141,526)</b>
<b>TRANSFERS</b>					<b>(671,492)</b>	<b>671,492</b>	<b>-</b>
<b>TOTAL GENERAL REVENUES</b>					<b>13,249,487</b>	<b>688,791</b>	<b>13,938,278</b>
<b>CHANGE IN NET POSITION</b>					<b>32,130</b>	<b>(686,335)</b>	<b>(654,205)</b>
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>					<b>70,560,895</b>	<b>4,434,203</b>	<b>74,995,098</b>
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 70,593,025</b>	<b>\$ 3,747,868</b>	<b>\$ 74,340,893</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	General Fund	Capital Reserve Fund	Debt Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 2,576,408	\$ 13,868	\$ 4,815,657
Accounts receivable, net	583,250	-	17,074
Prepaid expenses	11,818	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 3,171,476</u>	<u>\$ 13,868</u>	<u>\$ 4,832,731</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 351,816	\$ 12,076	\$ -
Accrued expenses	218,646	1,792	-
Unearned revenues	1,964,111	-	-
Security deposits	20,801	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>2,555,374</u>	<u>13,868</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	76,620	-	14,279
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	11,818	-	-
Restricted for			
Capital projects	-	-	4,739,474
Debt service	-	-	78,978
Special revenue funds	-	-	-
Unassigned			
General fund	527,664	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>539,482</u>	<u>-</u>	<u>4,818,452</u>
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,171,476</u>	<u>\$ 13,868</u>	<u>\$ 4,832,731</u>

*See accompanying notes to the basic financial statements.*

Special Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 319,712	\$ 1,337,488	\$ 9,063,133
-	94,244	694,568
-	-	11,818
\$ 319,712	\$ 1,431,732	\$ 9,769,519
\$ 140,272	\$ 102,255	\$ 606,419
37,336	15,577	273,351
-	5,337	1,969,448
-	6,000	26,801
177,608	129,169	2,876,019
-	23,359	114,258
-	-	11,818
-	-	4,739,474
-	-	78,978
142,104	1,279,204	1,421,308
-	-	527,664
142,104	1,279,204	6,779,242
\$ 319,712	\$ 1,431,732	\$ 9,769,519

**TOWNSHIP OF LOWER MAKEFIELD**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2018**

---

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 6,779,242
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$107,915,896 and the accumulated depreciation is \$19,357,167.	88,558,729
Some of the Township' revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.	114,258
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.	2,083,406
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds and notes payable, including premiums	(12,821,044)
Other post-employment benefits	(4,869,353)
Net pension liability	(7,966,529)
Compensated absences	<u>(1,285,684)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 70,593,025</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General Fund	Capital Reserve Fund	Debt Service Fund
<b>REVENUES</b>			
Real estate taxes	\$ 6,615,566	\$ -	\$ 1,231,313
Real estate transfer taxes	1,690,456	-	-
Local services and per capita taxes	544,154	-	-
Licenses, permits and fees	1,694,278	-	-
Fines, forfeits and costs	73,798	-	-
Interest earnings	9,495	-	21,612
Rental income	397,082	-	-
Intergovernmental revenues	676,244	-	-
Charges for services	728,847	-	-
Contributions	21,250	-	-
Miscellaneous	310,624	-	-
TOTAL REVENUES	<u>12,761,794</u>	<u>-</u>	<u>1,252,925</u>
<b>EXPENDITURES</b>			
General government	2,038,253	-	-
Public safety	6,520,493	-	-
Public works	1,529,573	-	-
Parks and recreation	-	-	-
Capital outlay	-	803,410	-
Insurance	436,168	-	-
Employee benefits and taxes	2,146,501	-	-
Debt service			
Principal	-	-	1,245,429
Interest	-	-	400,397
Bond issuance costs	-	-	22,217
TOTAL EXPENDITURES	<u>12,670,988</u>	<u>803,410</u>	<u>1,668,043</u>
EXCESS (DEFICIENCY) OF REVENUES OF REVENUES OVER EXPENDITURES	<u>90,806</u>	<u>(803,410)</u>	<u>(415,118)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund prior year expenditure	96,205	-	-
Proceeds from refunding bond issuance	-	-	1,605,000
Bond premium	-	-	196,536
Payment to bond refunding agent	-	-	(1,779,319)
Transfers in	502,731	2,599,516	743,874
Transfers out	(3,524,695)	(50,119)	(1,390,995)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,925,759)</u>	<u>2,549,397</u>	<u>(624,904)</u>
NET CHANGE IN FUND BALANCES	(2,834,953)	1,745,987	(1,040,022)
FUND BALANCES AT BEGINNING OF YEAR, restated	<u>3,374,435</u>	<u>(1,745,987)</u>	<u>5,858,474</u>
FUND BALANCES AT END OF YEAR	<u>\$ 539,482</u>	<u>\$ -</u>	<u>\$ 4,818,452</u>

See accompanying notes to the basic financial statements.



Special Project Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,118,359	\$ 9,965,238
-	-	1,690,456
-	-	544,154
-	-	1,694,278
-	-	73,798
72	4,975	36,154
-	128,362	525,444
269,605	1,356,853	2,302,702
-	269,613	998,460
680,895	48,679	750,824
-	103,166	413,790
<u>950,572</u>	<u>4,030,007</u>	<u>18,995,298</u>
-	-	2,038,253
-	845,197	7,365,690
-	1,108,119	2,637,692
-	1,219,647	1,219,647
418,045	691,149	1,912,604
-	-	436,168
-	-	2,146,501
-	-	1,245,429
-	-	400,397
-	-	22,217
<u>418,045</u>	<u>3,864,112</u>	<u>19,424,598</u>
<u>532,527</u>	<u>165,895</u>	<u>(429,300)</u>
-	5,274	101,479
-	-	1,605,000
-	-	196,536
-	-	(1,779,319)
455,000	941,153	5,242,274
(414,614)	(533,343)	(5,913,766)
<u>40,386</u>	<u>413,084</u>	<u>(547,796)</u>
572,913	578,979	(977,096)
<u>(430,809)</u>	<u>700,225</u>	<u>7,756,338</u>
<u>\$ 142,104</u>	<u>\$ 1,279,204</u>	<u>\$ 6,779,242</u>

## TOWNSHIP OF LOWER MAKEFIELD

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(977,096)
<p>Capital outlays are reported in the Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Adjustments consist of:</p>		
Capital outlays		1,610,067
Depreciation expense		(1,093,879)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.</p>		
		(153,226)
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayments reduce long-term liabilities in the statement of net position.</p>		
		1,245,429
<p>Borrowing of debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net position.</p>		
		(32,536)
<p>Governmental funds report the effect of premiums when debt is issued, but these amounts are deferred and amortized in the statement of activities.</p>		
		111,739
<p>Taxes not collected within 60 days of year end are not recognized as revenue in the Governmental Funds, but are recognized as revenue in the statement of activities.</p>		
		43,973
<p>Compensated absences for unused sick time do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds, but are reported as expenses in the statement of activities.</p>		
		(3,878)
<p>Net pension liability and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.</p>		
		(459,692)
<p>Other post-employment benefits and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.</p>		
		<u>(258,771)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>32,130</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	Sewer Fund	Community Pool Fund	Golf Course Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 487,774	\$ 393,686	\$ 881,460
Accounts receivable, net	2,139,050	-	4,104	2,143,154
Inventory	-	-	108,324	108,324
Prepaid expenses	-	-	27,764	27,764
<b>TOTAL CURRENT ASSETS</b>	<b>2,139,050</b>	<b>487,774</b>	<b>533,878</b>	<b>3,160,702</b>
<b>CAPITAL ASSETS, net</b>	<b>18,477,021</b>	<b>426,573</b>	<b>15,109,397</b>	<b>34,012,991</b>
<b>TOTAL ASSETS</b>	<b>20,616,071</b>	<b>914,347</b>	<b>15,643,275</b>	<b>37,173,693</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflow	171,073	-	-	171,073
Deferred charges on refunding of bond	74,874	-	63,863	138,737
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>245,947</b>	<b>-</b>	<b>63,863</b>	<b>309,810</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,471,553	5,397	26,932	2,503,882
Accrued expenses	1,311,732	3,830	16,945	1,332,507
Unearned revenue	159,084	130	272,918	432,132
Current portion of long-term debt	728,500	-	625,000	1,353,500
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,670,869</b>	<b>9,357</b>	<b>941,795</b>	<b>5,622,021</b>
<b>LONG-TERM LIABILITIES</b>				
Net pension liability	481,567	-	-	481,567
Compensated absences	16,856	5,572	-	22,428
Bonds and notes payable	13,505,552	-	14,045,649	27,551,201
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>14,003,975</b>	<b>5,572</b>	<b>14,045,649</b>	<b>28,055,196</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflow	58,418	-	-	58,418
<b>NET POSITION</b>				
Net investment in capital assets	4,242,969	426,573	438,748	5,108,290
Unrestricted	(2,114,213)	472,845	280,946	(1,360,422)
<b>TOTAL NET POSITION</b>	<b>\$ 2,128,756</b>	<b>\$ 899,418</b>	<b>\$ 719,694</b>	<b>\$ 3,747,868</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Sewer Fund	Community Pool Fund	Golf Course Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,560,789	\$ 940,051	\$ 2,592,770	\$ 10,093,610
Miscellaneous	18,770	9,808	-	28,578
<b>TOTAL OPERATING REVENUES</b>	<b>6,579,559</b>	<b>949,859</b>	<b>2,592,770</b>	<b>10,122,188</b>
<b>OPERATING EXPENSES</b>				
Operations	6,103,954	896,238	2,138,578	9,138,770
Depreciation	1,262,705	93,340	297,992	1,654,037
<b>TOTAL OPERATING EXPENSES</b>	<b>7,366,659</b>	<b>989,578</b>	<b>2,436,570</b>	<b>10,792,807</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(787,100)</b>	<b>(39,719)</b>	<b>156,200</b>	<b>(670,619)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Earnings on investments	3,267	1,195	1,137	5,599
Tapping fees	111,948	-	-	111,948
Gain on sale of fixed assets	9,700	-	2,000	11,700
Interest expense	(449,144)	-	(354,795)	(803,939)
Bond issuance costs	-	-	(110,119)	(110,119)
Amortization	35,126	-	62,477	97,603
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(289,103)</b>	<b>1,195</b>	<b>(399,300)</b>	<b>(687,208)</b>
<b>LOSS BEFORE INTERFUND TRANSFERS</b>	<b>(1,076,203)</b>	<b>(38,524)</b>	<b>(243,100)</b>	<b>(1,357,827)</b>
<b>INTERFUND TRANSFERS</b>				
Transfers in	2,427,005	200,000	950,000	3,577,005
Transfers out	(2,677,001)	(228,512)	-	(2,905,513)
<b>TOTAL INTERFUND TRANSFERS</b>	<b>(249,996)</b>	<b>(28,512)</b>	<b>950,000</b>	<b>671,492</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,326,199)</b>	<b>(67,036)</b>	<b>706,900</b>	<b>(686,335)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>3,454,955</b>	<b>966,454</b>	<b>12,794</b>	<b>4,434,203</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 2,128,756</b>	<b>\$ 899,418</b>	<b>\$ 719,694</b>	<b>\$ 3,747,868</b>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Sewer Enterprise Fund	Community Pool Fund	Golf Course Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,501,554	\$ 949,989	\$ 2,611,889	\$ 10,063,432
Cash payments to suppliers	(4,132,892)	(453,729)	(1,032,703)	(5,619,324)
Cash payments to employees	(299,425)	(403,374)	(1,010,545)	(1,713,344)
Cash payments to other governments	(25,429)	(34,374)	(103,845)	(163,648)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,043,808</u>	<u>58,512</u>	<u>464,796</u>	<u>2,567,116</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tapping fees	111,948	-	-	111,948
Interfund transfers	(249,996)	(28,512)	760,582	482,074
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(138,048)</u>	<u>(28,512)</u>	<u>760,582</u>	<u>594,022</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(821,583)	(46,141)	(97,441)	(965,165)
Principal paid on long-term debt	(648,000)	-	(610,000)	(1,258,000)
Gain on sale of fixed assets	9,700	-	2,000	11,700
Interest paid on long-term debt	(449,144)	-	(313,475)	(762,619)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,909,027)</u>	<u>(46,141)</u>	<u>(1,018,916)</u>	<u>(2,974,084)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings from investments	3,267	1,195	1,137	5,599
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(14,946)	207,599	192,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	502,720	186,087	688,807
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 487,774</u>	<u>\$ 393,686</u>	<u>\$ 881,460</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (787,100)	\$ (39,719)	\$ 156,200	\$ (670,619)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	1,262,705	93,340	297,992	1,654,037
Pension expense	6,293	-	-	6,293
(Increase) decrease in				
Accounts receivable	(81,933)	-	(194)	(82,127)
Prepaid expenses	-	-	(9,648)	(9,648)
Inventory	-	-	(12,293)	(12,293)
Increase (decrease) in				
Accounts payable	969,991	1,861	14,518	986,370
Unearned revenue	3,928	130	19,313	23,371
Compensated absences	(742)	1,439	-	697
Accrued expenses	670,666	1,461	(1,092)	671,035
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,043,808</u>	<u>\$ 58,512</u>	<u>\$ 464,796</u>	<u>\$ 2,567,116</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2018**

	Pension Trust Funds		
	Police Pension	Non-Uniform Pension	Deferred Contribution Plan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 578,185	\$ 482,797	\$ -
Investments	9,627,319	6,850,478	293,135
Accounts receivable	-	-	-
TOTAL ASSETS	<u>10,205,504</u>	<u>7,333,275</u>	<u>293,135</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Due to developers	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net position held in trust for pension benefits and other purposes	<u>\$ 10,205,504</u>	<u>\$ 7,333,275</u>	<u>\$ 293,135</u>

*See accompanying notes to the basic financial statements.*

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Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Agency Fund	Total Fiduciary Funds
\$ -	\$ 1,049	\$ 692,316	\$ 1,754,347
604,158	-	-	17,375,090
-	-	67,257	67,257
<u>604,158</u>	<u>1,049</u>	<u>759,573</u>	<u>19,196,694</u>
-	-	136,382	136,382
-	-	623,191	623,191
-	-	<u>759,573</u>	<u>759,573</u>
<u>\$ 604,158</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 18,437,121</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Pension Trust Funds		
	Police Pension	Non-Uniform Pension	Deferred Contribution Pension
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 701,760	\$ 390,469	\$ 72,427
Member	49,866	48,182	184,456
Transfer from police pension	-	-	-
Investment income (loss)	(747,907)	(563,940)	(29,515)
Other	-	-	-
<b>TOTAL ADDITIONS</b>	<u>3,719</u>	<u>(125,289)</u>	<u>227,368</u>
<b>DEDUCTIONS</b>			
Administrative expenses	88,267	51,455	-
Benefits	610,507	536,970	9,975
Transfer to deferred retirement option plan	207,475	-	-
<b>TOTAL DEDUCTIONS</b>	<u>906,249</u>	<u>588,425</u>	<u>9,975</u>
<b>CHANGE IN NET POSITION</b>	<b>(902,530)</b>	<b>(713,714)</b>	<b>217,393</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES</b>			
<b>BEGINNING OF YEAR</b>	<u>11,108,034</u>	<u>8,046,989</u>	<u>75,742</u>
<b>END OF YEAR</b>	<u>\$ 10,205,504</u>	<u>\$ 7,333,275</u>	<u>\$ 293,135</u>

*See accompanying notes to the basic financial statements.*



Deferred Retirement Option Plan Fund	Unemployment Compensation Trust Fund	Total Fiduciary Funds
\$ -	\$ -	\$ 1,164,656
-	-	282,504
207,475	-	207,475
2,727	-	(1,338,635)
-	35,065	35,065
<u>210,202</u>	<u>35,065</u>	<u>351,065</u>
-	-	139,722
-	14,951	1,172,403
-	-	207,475
<u>-</u>	<u>14,951</u>	<u>1,519,600</u>
210,202	20,114	(1,168,535)
<u>393,956</u>	<u>(19,065)</u>	<u>19,605,656</u>
<u>\$ 604,158</u>	<u>\$ 1,049</u>	<u>\$ 18,437,121</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Nature of Entity**

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

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

The financial statements of the Township have been prepared in conformity with United States generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity**

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

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable and as such, be included in the Township's financial statements. In accordance with GASB Statement No. 39, the Township is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Management has elected to include the Municipal Sewer Authority of the Township of Lower Makefield (the Authority) as a blended component unit in the December 31, 2018 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.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Management has elected not to include the following potential component units in the December 31, 2018 annual financial report:

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

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

**Basis of Presentation and Accounting**

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

***Government-Wide Financial Statements***

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

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**Fund Financial Statements**

Separate Fund Financial Statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The focus of Fund Financial Statements is on major funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by the measurement focus. The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Those revenues generally susceptible to accrual are real estate taxes, real estate transfer taxes, and local services and per capita taxes. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other postemployment benefits, compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which report on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

**Fund Accounting**

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

The Township has the following funds:

**Governmental Funds**

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

The Township reports the following major Governmental Funds:

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs. The fund also contains bond proceeds restricted for capital projects.

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

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

**Proprietary Funds**

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

The Township reports the following major Proprietary Funds:

***Sewer Fund***

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

***Community Pool Fund***

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

***Golf Course Fund***

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

**Fiduciary Funds**

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

The Township reports the following Fiduciary Funds:

***Pension Trust Funds***

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

***Deferred Retirement Option Plan Fund***

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

***Unemployment Compensation Trust Fund***

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

***Agency Fund***

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

**Use of Estimates**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**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, 2018, only the Township's fiduciary funds held investments.

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

**Accounts Receivable**

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

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

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

**Short-Term Interfund Receivables/Payables**

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



**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**Inventory and Prepaid Expenditures/Expenses**

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

The inventories on hand in the Golf Course Fund at December 31, 2018, consist of the following:

Pro shop	\$ 99,241
Food and beverage	<u>9,083</u>
	<u>\$ 108,324</u>

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

**Deferred Charges**

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

**Capital Assets**

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

In the case of road, curb, sidewalk and bike path infrastructure, the Township has elected to use the modified approach and the assets are not depreciated. See page 73 for a more detailed description of the method.

**TOWNSHIP OF LOWER MAKEFIELD**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide and proprietary fund statement of net position. The deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred pension outflow is reported in the government-wide and proprietary fund statement of net position and is the result of changes in assumptions and differences between projected and actual earnings on pension plan investments.

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

The Township accounts for compensated absences by complying with GASB Statement No. 16 *Accounting for Compensated Absences*. This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid. Certain Township employees are entitled to vacation pay based on years of service. The unpaid vacation time incurred as of December 31, 2018 is reported as compensated absences in the government-wide financial statements and accrued expenses in the proprietary fund financial statements. Police officers are entitled to a maximum of sixty days' sick pay upon retirement and the accrued sick time is reported as compensated absences in the government-wide financial statements. In addition, per the terms of the Township's police and public works contract, officers and public works employees are due certain other benefits after retirement. See Note H - Post Retirement Health Benefits.

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

During 2015, the Township adopted GASS 68 which is the inclusion of the Net Pension Liability. See Note G - Defined Benefit Pension Plan.

**Long-Term Obligations**

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**Net Position**

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

**Fund Equity**

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

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

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

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

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

***Unassigned*** - Amounts available for any purpose.

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Real Estate Tax Calendar**

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

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

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

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. As of December 31, 2018, the bank balance of all Township funds on deposit with financial institutions, including Fiduciary Funds totaled \$10,629,294, of which, \$966,940 was covered by FDIC and \$9,662,354 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Township's name	\$ <u>9,662,354</u>
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**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

***Investments***

As of December 31, 2018, the Township had the following investments and maturities in its Pension Trust and Deferred Retirement Option Plan Funds:

Investment Type	Fair Value				Total
	Police Pension Fund	Non-Uniform Pension Fund	Deferred Retirement Option Plan	Deferred Contribution Pension Fund	
Fixed income mutual funds	\$ 3,173,102	\$ 1,987,223	\$ -	\$ -	\$ 5,160,325
Equity mutual funds	1,614,306	1,192,750	49,921	222,918	3,079,895
Mixed assets	1,200,691	1,056,328	-	-	2,257,019
Common stock	3,639,220	2,614,177	-	70,217	6,323,614
Investment contract	-	-	554,237	-	554,237
	<u>\$ 9,627,319</u>	<u>\$ 6,850,478</u>	<u>\$ 604,158</u>	<u>\$ 293,135</u>	<u>\$ 17,375,090</u>

Investment Type	Investment Maturities			Total
	Less than One Year	One to Five Years	Five to Ten Years	
Fixed income mutual funds	\$ 5,160,325	\$ -	\$ -	\$ 5,160,325
Equity mutual funds	3,079,895	-	-	3,079,895
Mixed assets	2,257,019	-	-	2,257,019
Common stock	6,323,614	-	-	6,323,614
Investment contract	554,237	-	-	554,237
	<u>\$ 17,375,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,375,090</u>

***Interest Rate Risk***

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**Restrictions**

***Fixed Income***

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

***Equities***

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

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

**Credit Risk**

The Township's Pension Trust Funds' credit risk policy is described under interest rate risk restrictions. 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.

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	Governmental Type Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Real estate taxes	\$ 91,649	\$ 17,074	\$ 28,595	\$ 137,318
Other fees and assessments	491,601	-	65,649	557,250
	\$ 583,250	\$ 17,074	\$ 94,244	\$ 694,568
			Proprietary Funds	
			Enterprise Funds	Fiduciary Funds
Golf Course			\$ 4,104	\$ -
Sewer billings			2,139,050	-
Due from developers			-	67,257
			\$ 2,143,154	\$ 67,257

Accounts receivable for the sewer billings is reported net of allowance for doubtful accounts of \$16,592. No bad debt expense was recorded for the year ended December 31, 2018.



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE D - CAPITAL ASSETS**

Changes in capital asset activity for the year ended December 31, 2018, were as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 23,859,951	\$ -	\$ -	\$ 23,859,951
Infrastructure	50,392,183	-	(153,226)	50,238,957
Construction in progress	781,067	222,713	(195,395)	808,385
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>75,033,201</b>	<b>222,713</b>	<b>(348,621)</b>	<b>74,907,293</b>
Capital assets subject to depreciation				
Infrastructure	1,308,418	-	-	1,308,418
Land improvements	9,659,007	461,912	-	10,120,919
Building and improvements	10,742,003	148,388	-	10,890,391
Vehicles	6,342,729	872,781	(440,157)	6,775,353
Furniture and equipment	3,845,524	99,668	(31,670)	3,913,522
	31,897,681	1,582,749	(471,827)	33,008,603
Accumulated depreciation	(18,735,115)	(1,093,879)	471,827	(19,357,167)
<b>TOTAL CAPITAL ASSETS SUBJECT TO DEPRECIATION, NET</b>	<b>13,162,566</b>	<b>488,870</b>	<b>-</b>	<b>13,651,436</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>88,195,767</b>	<b>711,583</b>	<b>(348,621)</b>	<b>88,558,729</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets not being depreciated				
Land	7,765,999	-	-	7,765,999
Construction in progress	37,037	273,022	-	310,059
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>7,803,036</b>	<b>273,022</b>	<b>-</b>	<b>8,076,058</b>
Capital assets subject to depreciation				
Land improvements	8,120,764	39,760	-	8,160,524
Sewer infrastructure and pools	46,807,359	333,534	-	47,140,893
Buildings and improvements	3,397,254	19,146	-	3,416,400
Furniture and equipment	2,092,647	299,703	-	2,392,350
	60,418,024	692,143	-	61,110,167
Accumulated depreciation	(33,519,197)	(1,654,037)	-	(35,173,234)
<b>TOTAL CAPITAL ASSETS SUBJECT TO DEPRECIATION, net</b>	<b>26,898,827</b>	<b>(961,894)</b>	<b>-</b>	<b>25,936,933</b>
<b>TOTAL BUSINESS-TYPE ACTIVITY CAPITAL ASSETS, net</b>	<b>34,701,863</b>	<b>(688,872)</b>	<b>-</b>	<b>34,012,991</b>
<b>TOTAL CAPITAL ASSETS, net</b>	<b>\$ 122,897,630</b>	<b>\$ 22,711</b>	<b>\$ (348,621)</b>	<b>\$ 122,571,720</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

GOVERNMENTAL

General government	\$ 291,286
Public safety	511,476
Public works	201,988
Parks and recreations	<u>89,129</u>
	<u>\$ 1,093,879</u>

BUSINESS - TYPE

Sewer Fund	\$ 1,262,705
Golf Course Fund	297,992
Pool fund	<u>93,340</u>
	<u>\$ 1,654,037</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of long-term activity of the Township for the year ended December 31, 2018:

	Principal Outstanding January 1, 2018	Additions	Deletions/ Maturities	Principal Outstanding December 31, 2018	Due Within One year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds					
Series A of 2010	\$ 500,000	\$ -	\$ (500,000)	\$ -	\$ -
Series B of 2013	803,616	-	-	803,616	-
Series of 2015	3,195,000	-	(315,000)	2,880,000	925,000
Series of 2016	7,003,700	-	(252,000)	6,751,700	256,500
Series of 2018	-	1,605,000	(120,000)	1,485,000	115,000
General obligation notes					
Series of 2004	1,769,000	-	(1,769,000)	-	-
Notes payable					
PEMA	11,807	-	(11,006)	801	801
Bucks County	239,702	-	(47,423)	192,279	46,514
Deferred amounts					
Bond premiums	622,850	196,536	(111,738)	707,648	-
<b>TOTAL BONDS AND NOTES</b>	<b>14,145,675</b>	<b>1,801,536</b>	<b>(3,126,167)</b>	<b>12,821,044</b>	<b>1,343,815</b>
Net OPEB obligation	4,610,582	258,771	-	4,869,353	-
Compensated absences	1,281,806	3,878	-	1,285,684	-
Net pension liability	5,220,954	2,745,575	-	7,966,529	-
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<b>25,259,017</b>	<b>4,809,760</b>	<b>(3,126,167)</b>	<b>26,942,610</b>	<b>1,343,815</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation bonds					
Series A of 2013	1,955,000	-	(25,000)	1,930,000	15,000
Series B of 2013	1,988,918	-	-	1,988,918	-
Series of 2015	2,480,000	-	(585,000)	1,895,000	610,000
Series of 2016	14,081,300	-	(648,000)	13,433,300	728,500
Series of 2018	-	7,955,000	-	7,955,000	-
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	1,075,869	752,057	(125,443)	1,702,483	-
<b>TOTAL BONDS AND NOTES</b>	<b>30,087,087</b>	<b>8,707,057</b>	<b>(9,889,443)</b>	<b>28,904,701</b>	<b>1,353,500</b>
Compensated absences	21,731	697	-	22,428	-
Net pension liability	292,790	188,777	-	481,567	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>30,401,608</b>	<b>8,896,531</b>	<b>(9,889,443)</b>	<b>29,408,696</b>	<b>1,353,500</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 55,660,625</b>	<b>\$ 13,706,291</b>	<b>\$ (13,015,610)</b>	<b>\$ 56,351,306</b>	<b>\$ 2,697,315</b>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The following is a summary of long-term activity of the Township for the year ended December 31, 2018:

Funds to repay outstanding bonds and notes will be provided from future taxes, other general revenues and charges for services. Total interest expense incurred during the year ended December 31, 2018 was \$1,204,336. Interest costs incurred and charged to expenditures for the year ended December 31, 2018 were \$400,397 in the Debt Service Fund, \$449,144 in the Sewer Fund and \$354,795 in the Golf Course Fund.

In May 2018, the Township refunded the General Obligation Bonds Series of 2002 A and B and the General Obligation Note Series of 2004 by issuing the General Obligation Bonds Series of 2018. The refunding reduced future debt service payments by \$284,152.

**Commonwealth of Pennsylvania Emergency**

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

\$ 801

**County of Bucks**

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

192,279

**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.

1,930,000

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

settlement payment and establishing a golf course construction fund. The bond proceeds will be payable annually beginning in December 2025, interest will be payable annually beginning December 2025, at fixed intervals, ranging from 4.4% to 5.45%, with maturity scheduled for December 2032.

2,792,534

Subtotal forwarded

\$ 4,915,614

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

Subtotal forwarded \$ 4,915,614

**General Obligation Bonds, Series of 2015**

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

4,775,000

**General Obligation Bonds, Series of 2016**

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

20,185,000

**General Obligation Bonds, Series of 2018**

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

9,440,000

\$ 39,315,614

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Debt Service Requirements**

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

Year Ending December 31,	Principal	Interest	Total Debt Service
2019	\$ 2,697,315	\$ 1,243,436	\$ 3,940,751
2020	2,792,933	1,144,941	3,937,874
2021	2,893,652	1,042,347	3,935,999
2022	2,334,180	958,668	3,292,848
2023	2,370,000	870,455	3,240,455
2024-2028	12,177,606	2,880,507	15,058,113
2029-2033	11,199,928	1,099,661	12,299,589
2034-2036	2,850,000	137,956	2,987,956
	<u>\$ 39,315,614</u>	<u>\$ 9,377,971</u>	<u>\$ 48,693,585</u>

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

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

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

Interfund transfers are summarized as follows for the year-ended December 31, 2018:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 502,731	\$ 3,524,695
Capital Reserve Fund	2,599,516	50,119
Debt Service Fund	743,874	1,390,995
Special Project Fund	455,000	414,614
Other Governmental Funds	941,153	533,343
Enterprise Funds		
Sewer Fund	2,427,005	2,677,001
Community Pool Fund	200,000	228,512
Golf Course Fund	950,000	-
	<u>\$ 8,819,279</u>	<u>\$ 8,819,279</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE G - DEFINED BENEFIT PENSION PLANS**

**Description of Plans**

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

At December 31, 2018, plan membership consisted of the following:

	<u>Police Pension Plan</u>	<u>Non-Uniform Pension Plan</u>
Active employees	35	20
Retirees and beneficiaries currently receiving benefits	23	35
Terminated employees entitled to benefits but not yet receiving them	<u>3</u>	<u>11</u>
Total Membership	<u><u>61</u></u>	<u><u>66</u></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, 2018, the plan's assets were managed by Glenmede Trust Company.

**Benefits Provided**

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

Covered Employees:	All full-time uniformed employees.
Normal Retirement Date:	Age 55 and the completion of 25 years of service for all participants.
Disability Retirement Date:	The first day of the month following the date on which the member incurs a total and permanent service-related disability. The Township Supervisors shall determine if a member is eligible to receive a disability benefit under the Plan after securing the opinion of one or more practicing physicians licensed to practice medicine.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**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, 2018, the plan's assets were managed by Glenmede Trust Company.



**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

Covered Employees:	All full-time non-uniformed employees. Participation is frozen effective January 1, 2012.
Normal Retirement Date:	The later of the first day of the month following the attainment of age sixty-five (65) or the fifth (5th) anniversary of his date of employment.
Early Retirement Date:	The first day of the month following the latter of the attainment of age fifty-five (55) or the completion of five (5) years of service.
Special Early Retirement Window:	Participants who meet the eligibility of Rule of 80 (Age 60) during January 1, 2017 through December 31, 2018 are eligible.
Vesting:	None for the first five years of service; thereafter 100%.
Normal Retirement Benefit:	2.0% of the Average Monthly Compensation of a member multiplied by years of benefit service not exceeding thirty (30) years of service. The minimum monthly benefit shall not be less than \$200.00 provided the participant works until the Normal Retirement Date.
Early Retirement Benefit:	The accrued Normal Retirement Benefit actuarially reduced by five-tenths percent (.5%) for each month that a member's Early Retirement Date precedes the Normal Retirement Date.
Early Retirement Window:	The unreduced benefit of 2.5% of compensation times credited service to a maximum of 24 years (60% of compensation).

The Township is required by statute, principally Pennsylvania Act 205, to contribute the amounts necessary to fund the plans. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

**Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***Method Used to Value Investments***

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

***Financial Reporting***

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

***Contributions***

Act 205 requires that annual contributions to the plans be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. In accordance with the plan's governing document, the non-union administrative employees are required to contribute 3% compensation and the union employees are required to contribute 2% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

***Plan Expenses***

Plan expenses are paid from plan assets.

**Investments**

**Investment Policy**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

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

<u>Police Pension Plan</u>		<u>Non-Uniform Pension Plan</u>	
<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Domestic equity large cap	36%	Domestic equity large cap	36%
International equity	15%	International equity	15%
Fixed income	43%	Fixed income	42%
Cash	6%	Cash	7%

**Rate of Return**

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -9.30 percent for the Police Pension Plan and -7.64 percent for the Non-Uniform Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Concentrations**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

**Net Pension Liability**

The components of the net pension liabilities of the Township at December 31, 2018, were as follows:

	<u>Non-Uniform</u>	<u>Police</u>	<u>Total</u>
Total pension liability	\$ 10,149,463	\$ 15,837,412	\$ 25,986,875
Plan fiduciary net position	<u>7,333,275</u>	<u>10,205,504</u>	<u>17,538,779</u>
<b>NET PENSION LIABILITY</b>	<b><u>\$ 2,816,188</u></b>	<b><u>\$ 5,631,908</u></b>	<b><u>\$ 8,448,096</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u>72.3%</u>	<u>64.4%</u>	<u>67.5%</u>

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biannually. The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2018. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method described below:

**Police Pension Plan**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Non-Uniformed Pension Plan**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

**Police and Non-Uniformed Pension Plan**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25% are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity large cap	6.44%
Domestic equity mid cap	7.22%
Domestic equity small cap	7.22%
International equity	7.26%
Fixed income	3.62%
Cash	0.75%

**Changes in the Net Pension Liability**

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

	<u>Increase/(Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
BALANCES AT DECEMBER 31, 2017	\$ 14,909,553	\$ 11,108,034	\$ 3,801,519
Changes for the year			
Service cost	345,035	-	345,035
Interest	1,195,846	-	1,195,846
Contributions - employer	-	223,063	(223,063)
Contributions - state aid	-	459,070	(459,070)
Contributions - member	-	69,493	(69,493)
Net investment income	-	(1,039,024)	1,039,024
Benefit payments	(613,022)	(613,022)	-
Administrative expense	-	(2,110)	2,110
NET CHANGES	<u>927,859</u>	<u>(902,530)</u>	<u>1,830,389</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 15,837,412</u>	<u>\$ 10,205,504</u>	<u>\$ 5,631,908</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCES AT DECEMBER 31, 2017	\$ 9,759,214	\$ 8,046,989	\$ 1,712,225
Changes for the year			
Service cost	158,556	-	158,556
Interest	771,817	-	771,817
Contributions - employer	-	390,176	(390,176)
Contributions - member	-	48,182	(48,182)
Net investment income	-	(610,498)	610,498
Benefit payments	(540,124)	(540,124)	-
Administrative expense	-	(1,450)	1,450
NET CHANGES	<u>390,249</u>	<u>(713,714)</u>	<u>1,103,963</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 10,149,463</u>	<u>\$ 7,333,275</u>	<u>\$ 2,816,188</u>

**Discount Rate**

The discount rate used to measure the total pension liability is 8.00%. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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

For the year ended December 31, 2018, the Township recognized pension expense of \$1,111,308 (Police) and \$426,986 (Non-Uniformed). At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Deferred Outflows of Resources	Non-Uniformed Deferred Outflows of Resources	Total
Changes in assumptions	\$ 280,397	\$ 136,395	\$ 416,792
Net difference between projected and actual earnings on pension plan investments	<u>1,452,931</u>	<u>864,026</u>	<u>2,316,957</u>
	<u>\$ 1,733,328</u>	<u>\$ 1,000,421</u>	<u>\$ 2,733,749</u>
	Police Deferred Inflows of Resources	Non-Uniformed Deferred Inflows of Resources	Total
Differences between expected and actual experience	<u>\$ 196,062</u>	<u>\$ 341,626</u>	<u>\$ 537,688</u>

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

<u>Year Ending December 31,</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Total</u>
2019	\$ 518,269	\$ 175,173	\$ 693,442
2020	318,973	102,962	421,935
2021	267,679	132,195	399,874
2022	395,858	248,465	644,323
2023	11,962	-	11,962
Thereafter	<u>24,525</u>	<u>-</u>	<u>24,525</u>
	<u>\$ 1,537,266</u>	<u>\$ 658,795</u>	<u>\$ 2,196,061</u>



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

	1% Decrease 7.00%	Discount Rate 8.00%	1% Increase 9.00%
Net pension liability - Police	\$ 7,419,422	\$ 5,631,908	\$ 4,120,760
Net pension liability - Non-Uniform	\$ 3,754,290	\$ 2,816,188	\$ 1,997,132

**NOTE H - POST RETIREMENT HEALTH BENEFITS**

**Plan Description**

The Township provides health benefits to eligible employees and retirees through three separate single-employer defined benefit plans for benefits other than pension. The retiree group health plan provides the first thirty months of benefits for eligible retirees and their dependents. Benefit coverage includes medical, dental, prescription, and life insurance.

***Plan Membership*** – At January 1, 2018, plan membership consisted of the following:

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

**Investments**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**Administrative Plan**

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

**Public Works Plan**

1. Actuarial Methods
  - a. Liabilities – All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.
2. Economic Assumptions
  - a. Investment return – There are no invested assets.
  - b. Salary increases – 5% compounded annually.
  - c. Discount rate – 3.5%.

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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

**Police Plan**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - POST RETIREMENT HEALTH BENEFITS (Continued)**

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

**Changes in the Total OPEB Liability**

<b>Administrative Plan</b>	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2018	\$ <u>220,317</u>
Changes for the year	
Service cost	6,075
Interest cost	7,740
Benefit payments	<u>(10,517)</u>
NET CHANGES	<u>3,298</u>
BALANCES AT DECEMBER 31, 2018	\$ <u><u>223,615</u></u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - POST RETIREMENT HEALTH BENEFITS (Continued)**

	<u>Total OPEB Liability</u>
<b>Public Works Plan</b>	
BALANCES AT JANUARY 1, 2018	\$ 788,335
Changes for the year	
Service cost	39,056
Interest cost	28,650
Benefit payments	<u>(17,648)</u>
NET CHANGES	<u>50,058</u>
 BALANCES AT DECEMBER 31, 2018	 \$ <u>838,393</u>
 <b>Police Plan</b>	
BALANCES AT JANUARY 1, 2018	\$ 3,601,930
Changes for the year	
Service cost	212,063
Interest cost	131,080
Benefit payments	<u>(137,728)</u>
NET CHANGES	<u>205,415</u>
 BALANCES AT DECEMBER 31, 2018	 \$ <u>3,807,345</u>

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

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Administrative Plan	\$ 253,867	\$ 223,615	\$ 198,649
Public Works Plan	897,357	838,393	783,653
Police Plan	<u>4,126,899</u>	<u>3,807,345</u>	<u>3,511,884</u>
 Total Net OPEB liability	 \$ <u>5,278,123</u>	 \$ <u>4,869,353</u>	 \$ <u>4,494,186</u>

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - POST RETIREMENT HEALTH BENEFITS (Continued)**

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Administrative Plan	\$ 223,615	\$ 223,615	\$ 223,615
Public Works Plan	775,495	838,393	909,013
Police Plan	<u>3,390,339</u>	<u>3,807,345</u>	<u>4,298,654</u>
Total Net OPEB liability	<u>\$ 4,389,449</u>	<u>\$ 4,869,353</u>	<u>\$ 5,431,282</u>

**NOTE I - DEFERRED COMPENSATION PLAN**

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

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - DEFERRED RETIREMENT OPTION PLAN**

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

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

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

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
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**NOTE J - DEFERRED RETIREMENT OPTION PLAN (Continued)**

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

**NOTE K - TRANSACTIONS WITH DEVELOPERS**

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

The Township also receives developer deposits applicable to plan review and development billing activities. In such instances, the Township is required to hold such deposits in escrow and refund amounts not ultimately required to fund anticipated administrative costs. Potentially refundable deposits are accounted for in Agency Funds, which reflect a liability to various developers of \$623,191 as of December 31, 2018 .

**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, 2018, capital contributions in the form of system improvements and expansion were \$287,393.



**TOWNSHIP OF LOWER MAKEFIELD**  
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**NOTE L - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**Equipment Leases**

In 2013, the Township entered into a lease for maintenance equipment to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$5,901. In 2016, the Township entered into lease agreement for golf carts to be used at the Makefield Highlands Golf Club. The lease terms call for monthly rental payments of \$6,888, beginning September 2016 through August 2020. Total rent expense for the year ended December 31, 2018 for the leases was \$113,006.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ 82,656
2020	<u>55,104</u>
	<u>\$ 137,760</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 expired on December 31, 2018 and called for monthly management fee payments of \$7,500 per month. The agreement was extended in January 2019 for one year, with an option to extend for an additional one-year term.

The future minimum management fee payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	<u>\$ 90,000</u>

**Sewer Billing Service Contract**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**Self-Insured Unemployment Compensation**

The Township is self-insured for unemployment compensation coverage. During 2018, there were several claims totaling \$14,951.

**Construction and Material Contracts**

During the year, the Township enters into construction contracts for improvements to the facilities and infrastructure. These construction contracts may take over a year to complete but are usually completed in the second year. As of December 31, 2018, the Township had five construction contracts in progress and as of the date of this report, the Township has entered into five construction contracts.

In addition, the Township enters into purchase commitment contracts for materials as unit price contracts for a length of two to three years.

**Litigation**

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

**NOTE M - RISK MANAGEMENT**

The Township is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township participates in a public entity risk pool (Delaware Valley Insurance Trust (OVIT)) operated as a common risk management and insurance program for municipalities. The Trust retains the first \$250,000 of each general liability, police professional liability and automobile liability loss. OVIT assumes the first \$100,000 of each first party property loss public official liability claim. Reinsurance coverage is through commercial companies. The Trust also serves a group purchaser of boiler and machinery and crime and public official policies for its members.

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE N - MUNICIPAL SEWER AUTHORITY**

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

**NOTE O - COMMUNICATION EASEMENT AGREEMENT**

In June 2018, the Township entered into a thirty-five year communication easement agreement with a Company over real property currently leased by the Company from the Township. A one-time payment in the sum of \$2,020,000 was made to the Township in advance to execute the agreement for the thirty-five year term. Upon payment, rent for the balance of the thirty-five year term ended. The advance payments to the Township will be recognized as revenue over the term of the lease. As of December 31, 2018, \$1,954,296 is unearned. This amount is included in unearned revenues as a liability on the General Fund Balance Sheet.

**NOTE P - PRIOR PERIOD ADJUSTMENT**

For the capital projects fund, the Township has made a prior period adjustment to recognize grant revenues in the year the revenues become measurable and available. The effect of the adjustment is to decrease beginning fund balance on the capital projects fund \$911,525, from (\$834,462) to (\$1,745,987).

For the general fund, the Township has made a prior period adjustment to accrue expenses for compensated absences only when payment is due. The effect of the adjustment is to increase beginning fund balance on the general fund \$423,636, from \$2,950,799 to \$3,374,435. This adjustment does not affect beginning net position of government-wide governmental activities.

For the park and recreation fund, the Township has made a prior period adjustment to accrue expenses for compensated absences only when payment is due. The effect of the adjustment is to increase beginning fund balance on the park and recreation fund \$22,515, from (\$139,501) to (\$116,986). This adjustment does not affect beginning net position of government-wide governmental activities.

The Township implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans.

For the government-wide governmental activities, the Township has treated their proportionate share of the beginning of year net OPEB liability of \$4,610,582 as having been recognized in the period incurred. As part of the implementation, the previously recognized other postemployment benefit liability under GASB 45 in the amount of \$628,103 will be reversed. The effect of the adjustment is to decrease net position by \$3,982,479. For the government-wide governmental activities, the net effect of all prior period adjustments is to decrease net position \$4,894,004, from \$75,454,899 to \$70,560,895.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amount Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 8,684,097	\$ 8,850,176	\$ 166,079
Licenses, permits and fees	1,566,050	1,694,278	128,228
Fines, forfeits and costs	82,000	73,798	(8,202)
Interest earnings and rental income	347,500	406,577	59,077
Intergovernmental revenues	628,500	676,244	47,744
Charges for services	719,500	728,847	9,347
Contributions	500	21,250	20,750
Miscellaneous	45,000	310,624	265,624
TOTAL REVENUES	<u>12,073,147</u>	<u>12,761,794</u>	<u>688,647</u>
<b>EXPENDITURES</b>			
General government	1,727,974	2,038,253	(310,279)
Public safety	6,797,066	6,520,493	276,573
Public works	1,182,772	1,529,573	(346,801)
Insurance	381,708	436,168	(54,460)
Employee benefits	2,226,763	2,146,501	80,262
TOTAL EXPENDITURES	<u>12,316,283</u>	<u>12,670,988</u>	<u>(354,705)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(243,136)</u>	<u>90,806</u>	<u>333,942</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year expenditures	70,000	96,205	26,205
Transfers in	250,000	502,731	252,731
Transfers out	(235,619)	(3,524,695)	(3,289,076)
TOTAL OTHER FINANCING SOURCES (USES)	<u>84,381</u>	<u>(2,925,759)</u>	<u>(3,010,140)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (158,755)</u>	<u>(2,834,953)</u>	<u>\$ (2,676,198)</u>
FUND BALANCE AT BEGINNING OF YEAR, restated		<u>3,374,435</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 539,482</u>	

*See accompanying notes to the budgetary comparison statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**DEBT SERVICE FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>			
Real estate taxes	\$ 1,211,500	\$ 1,231,313	\$ 19,813
Interest earnings	5,750	21,612	15,862
<b>TOTAL REVENUES</b>	<u>1,217,250</u>	<u>1,252,925</u>	<u>35,675</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	1,209,006	1,245,429	(36,423)
Interest	372,955	400,397	(27,442)
Bond issuance costs	-	22,217	(22,217)
<b>TOTAL EXPENDITURES</b>	<u>1,581,961</u>	<u>1,668,043</u>	<u>(86,082)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(364,711)</u>	<u>(415,118)</u>	<u>(50,407)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from refunding bond issuance	-	1,605,000	(1,605,000)
Bond premium	-	196,536	(196,536)
Payment to bond refunding agent	-	(1,779,319)	1,779,319
Operating transfers in	303,471	743,874	(440,403)
Operating transfers out	(4,493,760)	(1,390,995)	(3,102,765)
<b>TOTAL OTHER FINANCING USES</b>	<u>(4,190,289)</u>	<u>(624,904)</u>	<u>(3,565,385)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (4,555,000)</u>	(1,040,022)	<u>\$ 3,514,978</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>		<u>5,858,474</u>	
<b>FUND BALANCES AT END OF YEAR</b>		<u>\$ 4,818,452</u>	

*See accompanying notes to the budgetary comparison statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**CAPITAL RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenues	\$ 726,006	\$ -	\$ (726,006)
EXPENDITURES			
Capital outlay	<u>493,000</u>	<u>803,410</u>	<u>(310,410)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>233,006</u>	<u>(803,410)</u>	<u>(1,036,416)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,000,000	2,599,516	1,599,516
Interfund transfers out	-	(50,119)	(50,119)
TOTAL OTHER FINANCING SOURCES	<u>1,000,000</u>	<u>2,549,397</u>	<u>1,549,397</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,233,006</u>	1,745,987	<u>\$ 512,981</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>(1,745,987)</u>	
FUND BALANCES AT END OF YEAR		<u>\$ -</u>	

*See accompanying notes to the budgetary comparison statements.*

**TOWNSHIP OF LOWER MAKEFIELD**  
**BUDGETARY COMPARISON STATEMENT**  
**SPECIAL PROJECT FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
REVENUES			
Interest earnings	\$ 450	\$ 72	\$ (378)
Intergovernmental revenues	-	269,605	269,605
Contributions	266,397	680,895	414,498
TOTAL REVENUES	<u>266,847</u>	<u>950,572</u>	<u>683,725</u>
EXPENDITURES			
Capital outlay	<u>1,830,000</u>	<u>418,045</u>	<u>1,411,955</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,563,153)</u>	<u>532,527</u>	<u>2,095,680</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,720,000	455,000	1,265,000
Operating transfers out	(30,009)	(414,614)	384,605
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,689,991</u>	<u>40,386</u>	<u>1,649,605</u>
NET CHANGE IN FUND BALANCES	<u>\$ 126,838</u>	572,913	<u>\$ 446,075</u>
FUND BALANCES AT BEGINNING OF YEAR		<u>(430,809)</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 142,104</u>	

*See accompanying notes to the budgetary comparison statements.*



**TOWNSHIP OF LOWER MAKEFIELD**  
**NOTES TO THE BUDGETARY COMPARISON STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE A - BUDGETARY INFORMATION**

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

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

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

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

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

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

For the year ended December 31, 2018, expenditures exceeded appropriations in the following fund object levels (the legal level of the budgetary control):

<u>General Fund</u>		
General government		\$ (310,279)
Public works		\$ (346,801)
Insurance		\$ (54,460)
<u>Debt Service</u>		
Principal		\$ (36,423)
Interest		\$ (27,442)
<u>Capital Reserve</u>		
Capital outlay		\$ (310,410)

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
**YEAR ENDED DECEMBER 31, 2018**

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

<u>Period</u>	<u>Evaluation Rating</u>
2017	103.41

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

<u>Period</u>	<u>Budget</u>	<u>Actual</u>
2018	\$ 935,946	\$ 1,064,293

An inspection was not performed in 2018. The next inspection of Township roadways is scheduled to be completed in 2020.

## **SUPPLEMENTARY INFORMATION SECTION**

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

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

**NOTES TO SCHEDULES**

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

Change in benefit terms: none

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULES OF POLICE PENSION PLAN CONTRIBUTIONS**  
**LAST FOUR FISCAL YEARS**

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

**NOTES TO SCHEDULES**

Valuation date: January 1, 2017

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2018 and 2017 are based upon the January 1, 2017 actuarial valuation and calendar year 2016 and 2015 are based upon the January 1, 2015 actuarial valuation.

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

Change in benefit terms: none

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	16.44 years
Asset valuation method	Market value of assets
Inflation	0%
Salary increases	5.0%
Investment rate of return	8.0%
Retirement age	Normal retirement age
Mortality	RP2000 Table

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

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

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

**NOTES TO SCHEDULES**

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

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

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**SCHEDULES OF NET NON-UNIFORM**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST FOUR FISCAL YEARS**

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

**NOTES TO SCHEDULES**

Valuation date: January 1, 2017

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2018 and 2017 are based upon the January 1, 2017 actuarial valuation and calendar year 2016 and 2015 are based upon the January 1, 2015 actuarial valuation.

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

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2017
Asset valuation method	Market Value of Assets
Salary increases	5%
Investment rate of return	8%
Retirement age	Normal retirement age
Mortality	RP2000 table
Termination	T-1 table actuary handbook
Disability	None assumed
Form of annuity	Single life annuity

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

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

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



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

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	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 6,075
Interest	7,740
Benefit payments	<u>(10,517)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	3,298
TOTAL OPEB LIABILITY, BEGINNING	<u>220,317</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 223,615</u>
COVERED ADMINISTRATIVE EMPLOYEE PAYROLL	<u>\$ 956,387</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED ADMINISTRATIVE EMPLOYEE PAYROLL	<u>23.38%</u>

**NOTES TO SCHEDULES**

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

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

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	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 39,056
Interest	28,650
Benefit payments	<u>(17,648)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	50,058
TOTAL OPEB LIABILITY, BEGINNING	<u>788,335</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 838,393</u>
COVERED PUBLIC WORKS EMPLOYEE PAYROLL	<u>\$ 1,486,696</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PUBLIC WORKS EMPLOYEE PAYROLL	<u>56.39%</u>

**NOTES TO SCHEDULES**

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

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

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	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 212,063
Interest	131,080
Benefit payments	<u>(137,728)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	205,415
TOTAL OPEB LIABILITY, BEGINNING	<u>3,601,930</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 3,807,345</u>
COVERED POLICE EMPLOYEE PAYROLL	<u>\$ 4,249,566</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>89.59%</u>

**NOTES TO SCHEDULES**

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

**TOWNSHIP OF LOWER MAKEFIELD**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	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	Tree Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Road Machinery	Patterson Park Fund	Total Other Governmental Funds
<b>ASSETS</b>															
<b>CURRENT ASSETS</b>															
Cash and cash equivalents	\$ 42,583	\$ 10,167	\$ 29,376	\$ 13,758	\$ 19,898	\$ 37,181	\$ -	\$ 148,668	\$ 400,822	\$ 113,799	\$ 352,042	\$ 14,439	\$ 77,962	\$ 76,793	\$ 1,337,488
Accounts receivable	448	-	6,855	2,328	82,081	-	-	-	-	-	-	1,804	728	-	94,244
<b>TOTAL ASSETS</b>	<b>\$ 43,031</b>	<b>\$ 10,167</b>	<b>\$ 36,231</b>	<b>\$ 16,086</b>	<b>\$ 101,979</b>	<b>\$ 37,181</b>	<b>\$ -</b>	<b>\$ 148,668</b>	<b>\$ 400,822</b>	<b>\$ 113,799</b>	<b>\$ 352,042</b>	<b>\$ 16,243</b>	<b>\$ 78,690</b>	<b>\$ 76,793</b>	<b>\$ 1,431,732</b>
<b>LIABILITIES</b>															
Accounts payable	\$ 1,888	\$ 6,146	\$ 1,200	\$ 12,206	\$ 36,945	\$ -	\$ -	\$ 270	\$ -	\$ 10,530	\$ 32,183	\$ -	\$ -	\$ 1,087	\$ 102,255
Accrued expenses	-	-	479	-	15,012	-	-	-	-	-	-	-	-	86	15,577
Unearned revenue	-	-	-	-	5,337	-	-	-	-	-	-	-	-	-	5,337
Security deposits	-	-	-	-	1,400	-	-	-	-	-	-	-	-	4,600	6,000
<b>TOTAL LIABILITIES</b>	<b>1,888</b>	<b>6,146</b>	<b>1,679</b>	<b>12,206</b>	<b>58,694</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>-</b>	<b>10,530</b>	<b>32,183</b>	<b>-</b>	<b>-</b>	<b>5,773</b>	<b>129,169</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>															
Unavailable revenue, property taxes	-	-	5,434	1,977	13,892	-	-	-	-	-	-	1,506	550	-	23,359
<b>FUND BALANCES</b>															
Restricted for															
Special revenue funds	41,343	4,021	29,118	1,903	29,393	37,181	-	148,398	400,822	103,269	319,859	14,737	78,140	71,020	1,279,204
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 43,031</b>	<b>\$ 10,167</b>	<b>\$ 36,231</b>	<b>\$ 16,086</b>	<b>\$ 101,979</b>	<b>\$ 37,181</b>	<b>\$ -</b>	<b>\$ 148,668</b>	<b>\$ 400,822</b>	<b>\$ 113,799</b>	<b>\$ 352,042</b>	<b>\$ 16,243</b>	<b>\$ 78,890</b>	<b>\$ 76,793</b>	<b>\$ 1,431,732</b>

**TOWNSHIP OF LOWER MAKEFIELD**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	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	Tree Fund	Liquid Fuels Fund	Ambulance Rescue Fund	Road Machinery	Patterson Park Fund	Total Other Governmental Funds
<b>REVENUES</b>															
Real estate taxes	\$ -	\$ -	\$ 473,187	\$ 164,263	\$ 1,271,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,487	\$ 78,026	\$ -	\$ 2,118,359
Interest earnings	89	6	17	11	583	56	-	58	655	205	3,014	47	114	120	4,975
Rental income	-	-	-	-	62,739	-	-	-	-	-	-	-	-	65,623	128,362
Intergovernmental revenues	-	-	268,866	-	-	-	-	-	-	-	1,087,987	-	-	-	1,356,853
Charges for services	68,529	-	25,700	-	175,384	-	-	-	-	-	-	-	-	-	269,613
Contributions	-	823	-	-	-	47,856	-	-	-	-	-	-	-	-	48,679
Miscellaneous income	-	-	-	-	45,941	-	-	-	47,850	9,375	-	-	-	-	103,166
<b>TOTAL REVENUES</b>	<b>68,618</b>	<b>829</b>	<b>767,770</b>	<b>164,274</b>	<b>1,556,043</b>	<b>47,912</b>	<b>-</b>	<b>58</b>	<b>48,505</b>	<b>9,580</b>	<b>1,091,001</b>	<b>131,534</b>	<b>78,140</b>	<b>65,743</b>	<b>4,030,007</b>
<b>EXPENDITURES</b>															
Public safety	-	-	670,197	-	-	-	-	-	-	-	-	175,000	-	-	845,197
Public works	38,048	-	-	155,602	-	-	-	85,583	-	-	788,485	-	-	40,401	1,108,119
Parks and recreation	-	35,399	-	-	1,184,248	-	-	-	-	-	-	-	-	-	1,219,647
Capital outlays	-	-	572,235	-	25,459	67,593	-	-	-	25,862	-	-	-	-	691,149
<b>TOTAL EXPENDITURES</b>	<b>38,048</b>	<b>35,399</b>	<b>1,242,432</b>	<b>155,602</b>	<b>1,209,707</b>	<b>67,593</b>	<b>-</b>	<b>85,583</b>	<b>-</b>	<b>25,862</b>	<b>788,485</b>	<b>175,000</b>	<b>-</b>	<b>40,401</b>	<b>3,864,112</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>30,570</b>	<b>(34,570)</b>	<b>(474,662)</b>	<b>8,672</b>	<b>346,336</b>	<b>(19,681)</b>	<b>-</b>	<b>(85,525)</b>	<b>48,505</b>	<b>(16,282)</b>	<b>302,516</b>	<b>(43,466)</b>	<b>78,140</b>	<b>25,342</b>	<b>165,895</b>
<b>OTHER FINANCING SOURCES (USES)</b>															
Refund of prior year expenditures	-	-	562	-	4,712	-	-	-	-	-	-	-	-	-	5,274
Operating transfers in	-	67,500	572,235	62,000	-	-	-	189,418	-	-	-	50,000	-	-	941,153
Operating transfers out	(1,245)	-	(128,661)	(5,016)	(204,669)	-	(11)	(189,418)	-	-	-	(4,323)	-	-	(533,343)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,245)</b>	<b>67,500</b>	<b>444,136</b>	<b>56,984</b>	<b>(199,957)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,677</b>	<b>-</b>	<b>-</b>	<b>413,084</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>29,325</b>	<b>32,930</b>	<b>(30,526)</b>	<b>65,656</b>	<b>146,379</b>	<b>(19,681)</b>	<b>(11)</b>	<b>(85,525)</b>	<b>48,505</b>	<b>(16,282)</b>	<b>302,516</b>	<b>2,211</b>	<b>78,140</b>	<b>25,342</b>	<b>578,979</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, restated</b>	<b>12,018</b>	<b>(28,909)</b>	<b>59,644</b>	<b>(63,753)</b>	<b>(116,986)</b>	<b>56,862</b>	<b>11</b>	<b>233,923</b>	<b>352,317</b>	<b>119,551</b>	<b>17,343</b>	<b>12,526</b>	<b>-</b>	<b>45,678</b>	<b>700,225</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 41,343</b>	<b>\$ 4,021</b>	<b>\$ 29,118</b>	<b>\$ 1,903</b>	<b>\$ 29,393</b>	<b>\$ 37,181</b>	<b>\$ -</b>	<b>\$ 148,398</b>	<b>\$ 400,822</b>	<b>\$ 103,269</b>	<b>\$ 319,859</b>	<b>\$ 14,737</b>	<b>\$ 78,140</b>	<b>\$ 71,020</b>	<b>\$ 1,279,204</b>