

TOWAMENCIN TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

TOWAMENCIN TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2013

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17-18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19-20
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Net Position - Fiduciary Funds	29
Statement of Changes in Net Position - Fiduciary Funds	30
Notes to Financial Statements	31-63
Required Supplemental Information:	
Schedule of Funding Progress - Pension Plans	65
Schedule of Employer Contributions - Pension Plans	66
Schedule of Funding Progress and Contributions- OPEB Plan	67
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	68-69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	70-71
Statement of Net Position - Fiduciary Funds	72
Statement of Changes in Net Position - Fiduciary Funds	73
Combining Statement of Changes in Assets and Liabilities - Agency Funds	74



936 Easton Rd., PO Box 754 Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446
252 W. Swamp Rd., Unit 9, Doylestown, PA 18901 | 444 South State St. Suite B12, Newtown, PA 18940
24 Arnett St. Suite 202, Lambertville, NJ 08530
215-343-2727 | www.bbco-cpa.com

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Towamencin Township
Kulpsville, 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 Towamencin Township, Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Towamencin Township, Pennsylvania, as of December 31, 2013 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

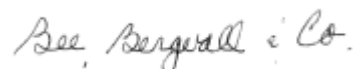
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, and the historical trend information on pages 65 through 67 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 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 Towamencin Township, Montgomery County, Pennsylvania, financial statements as a whole. The combining and individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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



Bee, Bergvall and Company, P.C.
Certified Public Accountants

June 27, 2014

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Introduction

Our discussion and analysis of Towamencin Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements which begin with the statement of net position.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the calendar year by \$37,715,320 (net position). Of this amount, \$1,275,250 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2013, the Township's governmental funds reported combined ending balances of \$1,777,459.
- The Township reduced the outstanding debt with principal payments of \$1,040,000. The average variable interest rate on two notes with the Delaware Valley Regional Financing Authority was 1.0% including a .91% administrative fee.
- As of December 31, 2013, the Township's proprietary funds reported combined ending balances of \$60,828 for sewer related operations. Sewer rental fees did not increase in 2013.
- The Township continued the Homestead and Farmstead exclusions of \$59,000 and the real estate tax rate of 3.808 mills for 2013.
- During 2013, the Township issued Guaranteed Sewer Revenue Notes, 2013 Series, through a private sale by negotiation with The Delaware Valley Regional Finance Authority. The Notes are in the aggregate principal amount of \$2,500,000 for improvements to the sewer system. Related to the 2013 Notes, The Township awarded a Qualified Interest Rate Management Agreement to the Delaware Valley Regional Finance Authority.

Overview of the Financial Statements

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future.

The required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The Township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements provide a broad overview of Towamencin Township's finances, in a manner similar to a private-sector business. Please note that the Towamencin Township Infrastructure Authority, although considered a major fund of the Township, is discussed in detail in a separate audit.

The Statement of Net Position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future calendar periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental Activities – Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government, public safety, highway and streets, and culture and recreation.

Business-type Activities – The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services.

Fund Financial Statements. The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds begin on page 19. All of the funds of the Township can be divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

Proprietary Funds – When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise) utilize the accrual basis of accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public, such as sewer services.

Fiduciary Funds – The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds – Police and Non-Uniform. In addition, the Township maintains escrow accounts for land developments. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 31 of this report.

Other Information. This information includes combining financial statements for non-major governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as is done with major funds, on the governmental fund financial statements. This section also contains the Township’s required supplementary pension information.

Financial Analysis of the Government as a Whole

The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question, “How did the Township do financially during 2013?”. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township’s net position and changes in them during the year. This change in net position is important because it informs the reader whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors could include changes in the Township’s property tax base and the condition of Township’s assets.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- Governmental activities – Most of the Township’s basic services are reported here, including general government, public safety, streets and highway, and culture and recreation. Real estate taxes, earned income taxes, permits, fees and charges for services finance most of these activities.
- Business-type activities – The Township charges a fee to help cover the cost of all or most of the cost of the sanitary sewer system in the Township.

Table 1 below shows the net position of the Township’s governmental and business-type activities. Assets exceeded liabilities by \$38,251,221 at December 31, 2013. This is a decrease of \$2,492,919 from the previous year.

Table 1-Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and investments	\$ 1,701,648	\$ 2,610,161	\$ 2,246,766	\$ 499,598	\$ 3,948,414	\$ 3,109,759
Other assets	1,481,368	1,595,874	356,696	437,440	1,838,064	2,033,314
Capital assets	56,238,914	58,067,321	-	-	56,238,914	58,067,321
Total Assets	<u>\$ 59,421,930</u>	<u>\$ 62,273,356</u>	<u>\$ 2,603,462</u>	<u>\$ 937,038</u>	<u>\$ 62,025,392</u>	<u>\$ 63,210,394</u>
LIABILITIES						
Other liabilities	\$ 1,692,576	\$ 1,504,701	\$ 42,634	\$ 307,118	\$ 1,735,210	\$ 1,811,819
Long term liabilities	20,014,034	20,654,435	2,500,000	-	22,514,034	20,654,435
Total Liabilities	<u>21,706,610</u>	<u>22,159,136</u>	<u>2,542,634</u>	<u>307,118</u>	<u>24,249,244</u>	<u>22,466,254</u>
NET POSITION						
Net position						
Invested in capital assets, net of debt	36,062,652	37,114,983	(2,500,000)	-	33,562,652	37,114,983
Restricted	377,418	993,154	2,210,428	481,363	2,587,846	1,474,517
Unrestricted	1,275,250	2,006,083	350,400	148,557	1,625,650	2,154,640
Total Net Position	<u>\$ 37,715,320</u>	<u>\$ 40,114,220</u>	<u>\$ 60,828</u>	<u>\$ 629,920</u>	<u>\$ 37,776,148</u>	<u>\$ 40,744,140</u>

The largest portion of the Township’s net position, \$36,062,652 or 96% is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt, which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments in the amount of \$3,948,414 represent 6% of the Township’s total assets.

The net position in the governmental activities decreased by \$2,398,900. The change in net position is made up of multiple items including depreciation expense which exceed capital outlay for the year, the recognition of the 2013 net obligation of Other Post-Employment Benefits (OPEB) and the completion of the Fischer’s Park Improvement Project. One offset to these decreases was the repayment of debt in the amount of \$1,205,300.

The net position of the business-type activities decreased \$569,092. The decrease was due to substantial costs to continue infiltration & inflow reduction efforts within the Township’s sanitary sewer system as required by DEP.

Table 2 - Condensed Statement of Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 811,262	\$ 1,051,682	\$ 3,403,123	\$ 3,434,977	\$ 4,214,385	\$ 4,486,659
Operating grants and contributions	925,066	842,798	-	-	925,066	842,798
Capital grants and contributions	154,134	184,314	-	-	154,134	184,314
General Revenues:						
Taxes						
Real estate tax	2,823,430	2,876,907	-	-	2,823,430	2,876,907
Real estate transfer tax	438,634	342,469	-	-	438,634	342,469
Earned income tax	2,826,882	2,788,334	-	-	2,826,882	2,788,334
Local service tax	287,717	261,154	-	-	287,717	261,154
Cable TV franchise tax	343,530	324,935	-	-	343,530	324,935
Investment earnings	4,650	6,090	1,254	3,486	5,904	9,576
Other	261,335	606,754	-	-	261,335	606,754
Total Revenues	<u>8,876,640</u>	<u>9,285,437</u>	<u>3,404,377</u>	<u>3,438,463</u>	<u>12,281,017</u>	<u>12,723,900</u>
EXPENSES						
General government	1,548,935	1,595,220	-	-	1,548,935	1,595,220
Public safety-police	4,154,092	4,060,381	-	-	4,154,092	4,060,381
Public safety-other	1,043,066	930,242	-	-	1,043,066	930,242
Public works-highway & streets	3,211,191	2,595,781	-	-	3,211,191	2,595,781
Culture & recreation-parks	1,383,205	536,430	-	-	1,383,205	536,430
Interest	537,976	764,706	24,108	-	562,084	764,706
Sewer operations	-	-	3,346,436	3,125,043	3,346,436	3,125,043
Total Expenses	<u>11,878,465</u>	<u>10,482,760</u>	<u>3,370,544</u>	<u>3,125,043</u>	<u>15,249,009</u>	<u>13,607,803</u>
Excess (Deficiency) Before Transfers	(3,001,825)	(1,197,323)	33,833	313,420	(2,967,992)	(883,903)
Transfers (Net)	<u>602,925</u>	<u>934,942</u>	<u>(602,925)</u>	<u>(934,942)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(2,398,900)	(262,381)	(569,092)	(621,522)	(2,967,992)	(883,903)
Net Position - Beginning	<u>40,114,220</u>	<u>40,376,601</u>	<u>629,920</u>	<u>1,251,442</u>	<u>40,744,140</u>	<u>41,628,043</u>
Net Position - Ending	<u>\$ 37,715,320</u>	<u>\$ 40,114,220</u>	<u>\$ 60,828</u>	<u>\$ 629,920</u>	<u>\$ 37,776,148</u>	<u>\$ 40,744,140</u>

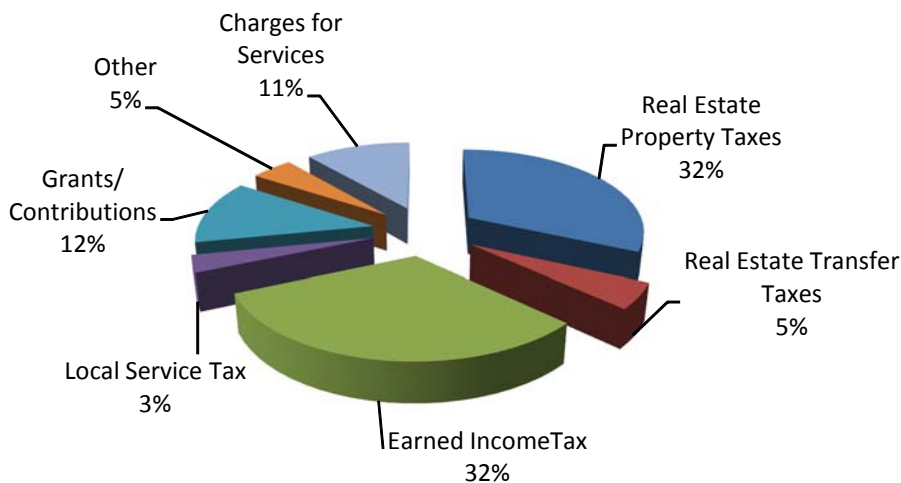
Governmental Activities

The cost of all governmental activities in 2013 was \$11,878,465. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$8,300,490 or 70%. Other costs were paid by those directly benefiting from the programs (\$811,262 or 7%) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$2,762,063 or 23%) in addition to investment earnings.

As indicated by governmental program expenses, public safety programs account for approximately 44% of the total expenditures of the Township’s governmental activities. General administration and Public Works account for approximately 13% and 27%, respectively, of the total expenditures for 2013. Culture & Recreation expenses accounted for 12% of the total. Lastly, interest expense accounted for 4% of the total governmental expenditures.

Real estate taxes, earned income tax and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 32% and 5% of total revenues, respectively. The earned income tax and the local services tax provide 35% of the governmental revenues. The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed. Below are the last five years of Real Estate, Real Estate Transfer, Earned Income and Local tax receipts:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Real Estate Tax	\$ 2,823,430	\$ 2,876,907	\$ 2,743,772	\$ 2,744,751	\$ 1,690,826
Transfer Tax	438,634	342,469	221,987	217,741	269,009
Earned Income Tax	2,826,882	2,788,334	2,614,619	2,527,890	2,459,426
Local Service Tax	287,717	261,154	276,977	288,759	248,935



Business-type Activities

Towamencin Township and Upper Gwynedd entered into a Joint Agreement resulting in the creation of the Upper Gwynedd-Towamencin Municipal Authority (UGTMA). The Authority is a joint venture, the purpose of which is to borrow money to finance the construction or acquisition of and operate sewer facilities, consisting of a sewage treatment plant and collection system. The Townships guarantee payment of bonds in proportion to their shares of the reserved capacity of the treatment plant to total treatment capacity. The treatment plant is operated by the Authority. Treatment plant operations are financed by Operating Service Charges paid by the Townships pursuant to the Service Agreement. The collection system is leased to the Townships. The construction of the facilities was and is being financed by government grants and the sale of Authority bonds. The Authority's debt service requirements are guaranteed by the Townships through payments of annual lease rentals and capital service charges under Lease and Service Agreements.

During 2013, UGTMA's capital improvements totaled \$325,700. Towamencin Township's 77.5% share of these expenses or \$252,417 was funded in part with \$38,295 tapping fees received during the year.

Residential properties in the Township pay sewer rent in the amount of \$325 per year or \$375 per year with a garbage disposal. Commercial properties are billed twice a year, in arrears, based on water usage. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a new property ties into the system.

During 2013, the Township received tapping fees for 36 residential connections. The total amount received was \$24,336.

Financial Analysis of the Township's Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2013, the Township's governmental funds reported combined ending balances of \$1,777,459, a decrease of \$1,042,020 as compared to the prior year. A large part of this anticipated decrease was the use of funds to complete the Fischer's Park Improvement Project. Funding for the \$962,000 project came from a Keystone Recreation, Park and Conservation Grant and funds bequeathed by a Township Resident available for use in Fischer's Park only.

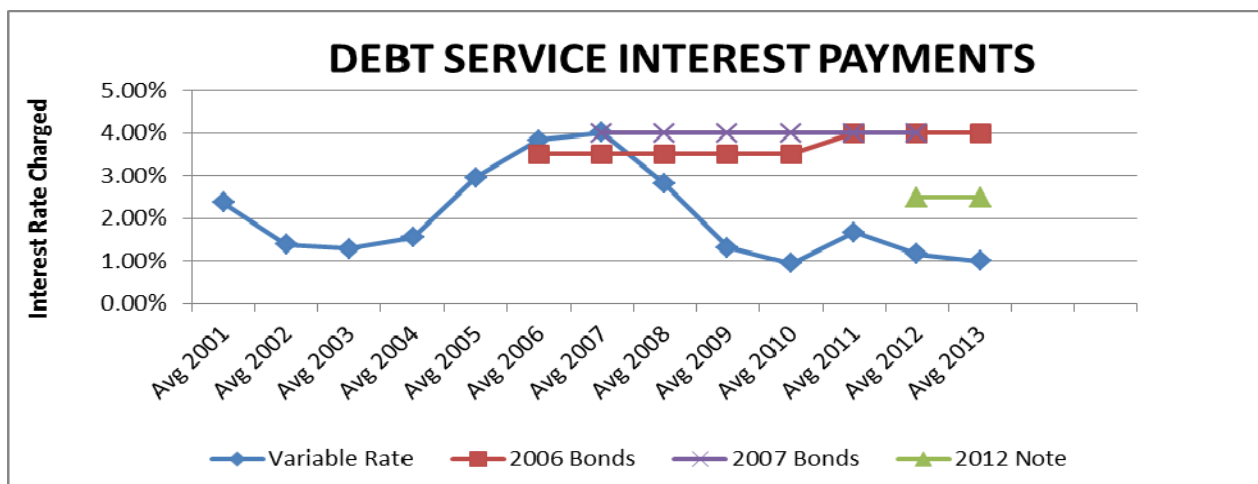
The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2013, the total fund balance of the General Fund was \$1,071,137. All of which is unassigned except for \$10,372 representing prepaid expenses. The fund balance decreased \$435,499 in fiscal year 2013. The anticipated decrease was \$728,300. Key factors attributing to the positive variance are as follows:

- Real Estate Transfer and Earned Income Tax revenues exceeded budgeted estimates by a total of \$454,840.
- Building and Zoning Permit revenue exceeded budget by \$105,000.
- The Code Enforcement and Planning and Zoning Departments incurred higher than anticipated expenses resulting from staffing changes however, the Police Department expenses were lower than budget due to decreased staffing levels during the year.
- General Liability and Workers Compensation Insurance premiums together with dividends and rate stabilization credits resulted in \$20,000 savings over budgeted estimates.

The **Traffic Impact Fund** was created in 1992 subsequent to the enactment of Act 209 of 1991. The impact fee is calculated upon (1) estimated peak afternoon trips generated by future development and (2) Township roadway improvements required to meet the increased demand of traffic. The Roadway Sufficiency Analysis, amended in 1996, resulted in the current per trip fee of \$2,198. These impact fees can be used to fund engineering, right-of-way acquisition and construction of traffic improvements in the Act 209 area. In 2013, the Township received impact fees of \$2,198 relating to the development of one lot in the Township.

The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mils) is assessed for this purpose.

The average variable rate of interest including the average monthly administration fee of .9% charged by the Delaware Valley Regional Finance Authority (DVRFA) during 2013 was 1.0%. This rate applies to Notes issued in 2000 (\$7,365,000), 2002 (\$6,000,000) and 2012 (\$3,062,000) and 2013 (\$2,500,000).



As of December 31, 2013, the fund balance of the Debt Service Fund was \$18,085. This is the amount available for future debt service payments.

The **Towamencin Township Infrastructure Authority** is a component unit of the Township. The Authority is charged with projects by resolution of the Township. Its current responsibility is the engineering and right-of-way acquisition for the recently completed Forty Foot Road project. The Pennsylvania Department of Transportation (PennDOT) was responsible for construction.

Revenues in 2013 included \$37 in interest earnings, \$34,134 in reimbursements from PennDOT and transfers from the Township in the amount of \$705,357. Debt service of \$705,357 accounts for 95% of total expenditures. The remaining expenditures include legal and other professional fees of \$33,620.

In 2006, the Township Infrastructure Authority issued general revenue bonds in the amount of \$10,000,000, for the purpose of refunding two Guaranteed Project Notes issued in 2000. The Notes were refunded in January 2007. The interest rates range from 3.55% to 5.0%.

The **General Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from an annual transfer from the General Fund, the sale of fixed assets and various grants. In 2013, the transfer from the general fund totaled \$160,000 and the sale of assets generated \$55,056. The Township entered into a lease purchase agreement to fund the purchase of two dump trucks, a new digital phone system and Munilogic permitting software. Additional purchases included a police patrol car and a sport utility vehicle, the upgrade of 21 mobile and 2 base radios and two public works pick-up trucks.

The **Park Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from real estate taxes, grants, impact fees, and from the sale of fixed assets. There were no park projects undertaken in 2013 using Park Capital Funds. The Fischer's Park Improvement Project previously mentioned was funded from a Charitable Remainder Trust bequeathed by a Township Resident and a PA Community Conservation Partnership Program Grant (C2P2). This project was recorded separately in a Non Major Governmental Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's budget and actual results for the General Fund can be found on page 25.

Real Estate Transfer Taxes collected exceeded budget by 50% indicating that property sales in the Township are trending upward. Recorded property sales within the Township included two Industrial Warehouse properties and a Shopping Center. Transfer Taxes for these three properties accounted for 26% of the total taxes collected. Earned Income Tax collections also exceeded budget estimates by \$307,800. Building permits exceeded budget primarily due to the Thorndale Development.

The Township received a \$49,650 dividend from the Delaware Valley Insurance Trust for general liability and property insurance coverage. The dividend combined with other credits reduced the net cost of property insurance to \$24,166 for 2013. The 2013 expense was 38% lower than the 2012 net insurance cost.

Police department salaries were \$110,000 less than budgeted due to the retirement of an officer at the end of 2012 while the position was included in the 2013 budget. Also, the Police Department filled three vacant positions in mid-year; the salaries had been budgeted for the entire calendar year resulting in a lower departmental cost than anticipated. Also, an officer collected long term disability insurance for the entire calendar year which directly reduced the police wage expenses.

The Public Works department incurred fewer expenses for emergency road repairs and storm related damage than anticipated resulting in a \$19,000 savings for contracted services and \$11,600 savings in road materials.

Capital Assets and Debt Administration

Capital Assets. The Township’s investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$56,238,914 net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, sanitary sewer and land improvements.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 4,959,269	\$ 4,959,269
Land and Improvements	5,980,643	5,980,643
Building & Improvements	7,079,008	7,073,148
Machinery & Equipment	2,073,014	2,026,889
Vehicles	1,862,675	1,693,687
Infrastructure	59,726,992	50,225,536
Construction in Progress	-	9,501,456
Total Capital Assets	81,681,601	81,460,628
Less accumulated depreciation	(25,442,687)	(23,393,307)
	<u>\$ 56,238,914</u>	<u>\$ 58,067,321</u>

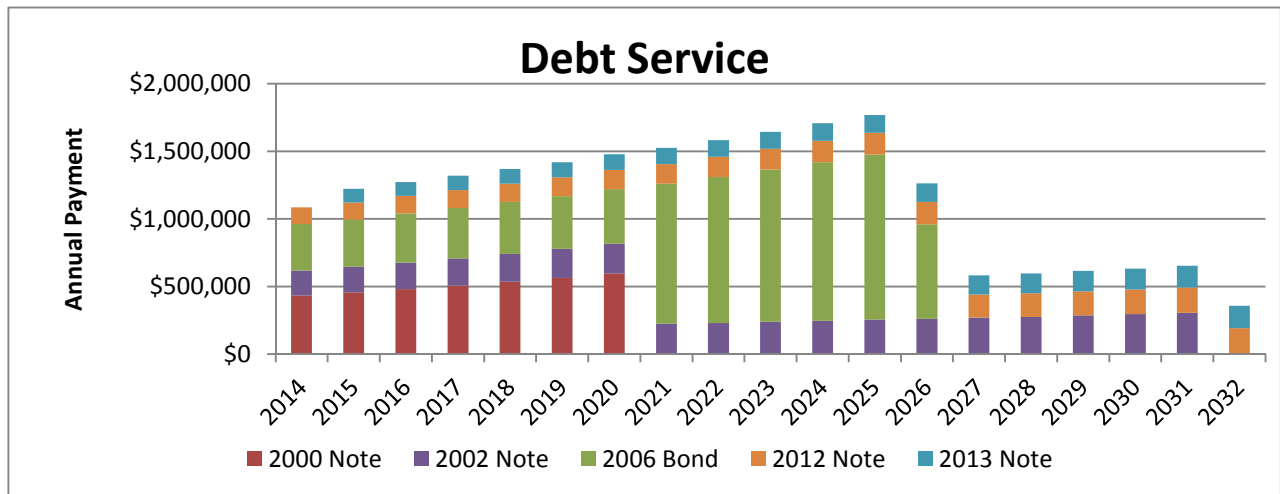
Major capital assets in the governmental funds acquired during the current fiscal year included the following:

- \$ 41,067 – Replace phone system
- \$ 377,122 – Purchase 2 dump trucks and 2 pick-up trucks
- \$ 90,257 – Purchase 2 patrol vehicles

Additional information about the Township’s capital assets can be found in Note III on pages 45-46 of this report.

Long-term Debt. At year-end the Township had \$22,257,000 in outstanding bonds and notes compared to \$20,797,000 last year for governmental activities. The Infrastructure Authority’s debt of \$8,950,000 is included in these amounts. During 2013, the Township issued \$2,500,000 Guaranteed Sewer Revenue Notes through DVRFA. The debt that is due within one year for governmental activities is \$1,085,000.

The Chart below outlines the payment structure of the outstanding bonds and notes for the Township and the Infrastructure Authority.



Additional information about the Township’s long-term debt can be found in Note III on pages 46-49 of this report.

Economic Factors

Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 17,700 and 6,800 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale.

The top three major employers in the Township are:

1. North Penn School District
2. Greene Tweed & Company, Inc.
3. SKF USA, Inc.

The assessed valuations of the three largest taxpayers are:

1. Towamencin Apt. Joint Venture Jacobs Woods Apartments	\$ 26,381,000
2. Souderton Industrial Development Authority Dock Woods Community, Inc Dock Terrace Nursing Home	13,666,300
3. KBF Associates Forge Gate Apartments	8,750,000

NEXT YEAR'S BUDGET

The elected officials of Towamencin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2014 real estate tax rate will remain the same as in 2013 and 2012. The homestead and farmstead exemptions of \$59,000 will remain unchanged. Therefore, a "typical" household with a \$150,000 real estate tax assessment will pay \$347 in real estate taxes. Approximately 4,600 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will change to a one-tier annual fee for 2014. The discount for no garbage disposal will be eliminated. Property owners with on-lot sewer systems will continue being charged \$35 annually to cover the costs of inspections required by the Commonwealth of Pennsylvania. For the past decade, the Township had been successful in receiving grant funds from DEP to offset the cost of inspections. In recent years, these grant funds have been continually declining. Consequently, the Board began collecting fees in 2012 to cover the cost of the program.

On the expense side, the Township plans to continue efforts to alleviate the Inflow and Infiltration (I&I) of storm water into the sanitary sewer treatment system. The 2014 budget provides \$200,000 for that purpose. Additional capital expenses include the purchase of police vehicles, a storm water pipe replacement and repairs to the municipal complex estimated at \$162,000.

Despite budgeting challenges created by the economic downturn, the Township expects to provide the same high level of services to its residents as in past years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors a general overview of Towamencin Township's finances and to show the Township's accountability for the funds it received and disbursed. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Robert A. Ford, Township Manager, Towamencin Township, P.O. Box 303, Kulpsville, PA 19443.

General information relating to Towamencin Township, Pennsylvania can be found at the Township's website www.towamencin.org.

TOWAMENCIN TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2013

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,701,648	\$ 2,246,766	\$ 3,948,414
Receivables	1,406,518	356,696	1,763,214
Prepaid expenses	10,372	-	10,372
Net pension asset	64,478	-	64,478
Capital assets not being depreciated:			
Land	4,959,269	-	4,959,269
Other capital assets (net of accumulated depreciation)	<u>51,279,645</u>	<u>-</u>	<u>51,279,645</u>
TOTAL ASSETS	<u>\$ 59,421,930</u>	<u>\$ 2,603,462</u>	<u>\$ 62,025,392</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$ 382,755	\$ 42,634	\$ 425,389
Interest payable	74,452	-	74,452
Noncurrent liabilities:			
Due within one year	1,235,369	-	1,235,369
Due after one year	<u>20,014,034</u>	<u>2,500,000</u>	<u>22,514,034</u>
Total Liabilities	<u>21,706,610</u>	<u>2,542,634</u>	<u>24,249,244</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	36,062,652	(2,500,000)	33,562,652
Restricted for:			
Traffic	125,636	-	125,636
Streets and highways	18,089	-	18,089
Street lights	101	-	101
Capital projects	105,149	-	105,149
Fire	4,336	-	4,336
Park and recreation	124,107	-	124,107
Sewer system capital improvements	-	2,210,428	2,210,428
Unrestricted	<u>1,275,250</u>	<u>350,400</u>	<u>1,625,650</u>
Total Net Position	<u>\$ 37,715,320</u>	<u>\$ 60,828</u>	<u>\$ 37,776,148</u>

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General Government	\$ 1,548,935	\$ 189,092	\$ 262,849	\$ -
Public Safety	5,197,158	454,640	153,562	-
Highways and Streets	3,211,191	-	410,798	34,134
Culture and Recreation	1,383,205	167,530	97,857	120,000
Interest Expense	537,976	-	-	-
Total Governmental Activities	<u>11,878,465</u>	<u>811,262</u>	<u>925,066</u>	<u>154,134</u>
Business -Type Activities				
Sewer	<u>3,346,436</u>	<u>3,403,123</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>3,346,436</u>	<u>3,403,123</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 15,224,901</u>	<u>\$ 4,214,385</u>	<u>\$ 925,066</u>	<u>\$ 154,134</u>
General Revenues				
Taxes:				
Real Estate				
Transfer				
Earned Income Tax				
Local Service Tax				
Grants and Contributions not Restricted to Specific Programs				
Investment Earnings				
Gain on Sale of Capital Assets				
Cable Fees				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,096,994)	\$ -	\$ (1,096,994)
(4,588,956)	-	(4,588,956)
(2,766,259)	-	(2,766,259)
(997,818)	-	(997,818)
(537,976)	(24,108)	(562,084)
<u>(9,988,003)</u>	<u>(24,108)</u>	<u>(10,012,111)</u>
-	56,687	56,687
-	56,687	56,687
<u>(9,988,003)</u>	<u>32,579</u>	<u>(9,955,424)</u>
2,823,430	-	2,823,430
438,634	-	438,634
2,826,882	-	2,826,882
287,717	-	287,717
17,221	-	17,221
4,650	1,254	5,904
52,320	-	52,320
343,530	-	343,530
191,794	-	191,794
602,925	(602,925)	-
<u>7,589,103</u>	<u>(601,671)</u>	<u>6,987,432</u>
(2,398,900)	(569,092)	(2,967,992)
<u>40,114,220</u>	<u>629,920</u>	<u>40,744,140</u>
<u>\$ 37,715,320</u>	<u>\$ 60,828</u>	<u>\$ 37,776,148</u>

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General	Traffic Impact	Debt Service	Infrastructure Authority
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 1,046,530	\$ 42,731	\$ 22,678	\$ 54,579
Accounts receivable	150,569	10,700	-	18,351
Taxes receivable	225,485	-	13,590	-
Prepaid expenses	10,372	-	-	-
Due from other funds	-	3,913,601	-	-
Total Current Assets	1,432,956	3,967,032	36,268	72,930
TOTAL ASSETS	\$ 1,432,956	\$ 3,967,032	\$ 36,268	\$ 72,930
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 326,329	\$ -	\$ 7,270	\$ 725
Due to other funds	-	-	-	3,913,601
Total Liabilities	326,329	-	7,270	3,914,326
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	35,490	-	10,903	-
Total Deferred Inflows of Resources	35,490	-	10,903	-
Fund Balances				
Nonspendable	10,372	-	-	-
Restricted for:				
Streets and highways	-	-	-	-
Traffic	-	3,967,032	-	-
Capital projects	-	-	-	-
Street lights	-	-	-	-
Fire	-	-	-	-
Park and recreation	-	-	-	-
Committed for:				
Debt service	-	-	18,095	-
Public Art	-	-	-	-
Capital projects	-	-	-	-
Assigned for:				
Capital projects	-	-	-	-
Pool	-	-	-	-
Unassigned	1,060,765	-	-	(3,841,396)
Total Fund Balances	1,071,137	3,967,032	18,095	(3,841,396)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,432,956	\$ 3,967,032	\$ 36,268	\$ 72,930

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 535,130	\$ 1,701,648
74,270	253,890
8,252	247,327
-	10,372
-	3,913,601
<u>617,652</u>	<u>6,126,838</u>
<u>\$ 617,652</u>	<u>\$ 6,126,838</u>
\$ 48,431	\$ 382,755
-	3,913,601
<u>48,431</u>	<u>4,296,356</u>
<u>6,630</u>	<u>53,023</u>
<u>6,630</u>	<u>53,023</u>
-	10,372
18,089	18,089
-	3,967,032
105,149	105,149
101	101
4,336	4,336
124,107	124,107
-	18,095
120,267	120,267
13,754	13,754
176,788	176,788
-	-
-	(2,780,631)
<u>562,591</u>	<u>1,777,459</u>
<u>\$ 617,652</u>	<u>\$ 6,126,838</u>

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

For the Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 16)
are different because:

Total fund balances--total governmental funds (pages 19-20) \$ 1,777,459

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	\$ 81,681,601	
Accumulated depreciation	<u>(25,442,687)</u>	56,238,914

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds 929,364

Net position of the pension fund will be amortized over the long term
and are reported in the statement of net assets 64,478

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred revenues
in the governmental funds and thus are not included in fund balance 28,960

Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds

Bonds and notes payable	(19,757,000)	
Compensated absences	(31,817)	
Net OPEB Obligation	(1,041,324)	
Capital lease payable	(431,593)	
Interest payable	(74,452)	
Unamortized bond discount	<u>12,331</u>	<u>(21,323,855)</u>

Net Position of governmental activities (page 16) \$ 37,715,320

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

	<u>General</u>	<u>Traffic Impact</u>	<u>Debt Service</u>	<u>Infrastructure Authority</u>
Revenues				
Taxes:				
Real estate tax	\$ 1,859,081	\$ -	\$ 599,535	\$ -
Real estate transfer tax	438,634	-	-	-
Earned income tax	2,857,809	-	-	-
Local service tax	287,717	-	-	-
Fees, licenses and permits	346,460	-	-	-
Investment income and rent	42,812	22	80	37
Intergovernmental revenues	326,335	-	-	34,134
Fines and forfeitures	80,020	-	-	-
Charges for services	560,782	-	-	-
Other	60,189	2,198	-	741
Total Revenues	<u>6,859,839</u>	<u>2,220</u>	<u>599,615</u>	<u>34,912</u>
Expenditures				
Current:				
General government	975,379	-	-	30,745
Public safety	4,521,106	-	-	-
Highways and roads	918,755	-	-	-
Culture and recreation	5,000	-	-	-
Miscellaneous	275,423	-	-	2,876
Debt service:				
Principal	-	-	875,300	330,000
Interest	-	-	164,509	375,357
Total Expenditures	<u>6,695,663</u>	<u>-</u>	<u>1,039,809</u>	<u>738,978</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>164,176</u>	<u>2,220</u>	<u>(440,194)</u>	<u>(704,066)</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Transfers in	427,925	-	1,125,629	705,357
Transfers out	<u>(1,027,600)</u>	<u>(1,868)</u>	<u>(705,357)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(599,675)</u>	<u>(1,868)</u>	<u>420,272</u>	<u>705,357</u>
Net Change in Fund Balances	(435,499)	352	(19,922)	1,291
Fund Balance - Beginning	<u>1,506,636</u>	<u>3,966,680</u>	<u>38,017</u>	<u>(3,842,687)</u>
Fund Balance - Ending	<u>\$ 1,071,137</u>	<u>\$ 3,967,032</u>	<u>\$ 18,095</u>	<u>\$ (3,841,396)</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 364,814	\$ 2,823,430
-	438,634
-	2,857,809
-	287,717
-	346,460
471	43,422
620,874	981,343
-	80,020
167,530	728,312
<u>204,972</u>	<u>268,100</u>
<u>1,358,661</u>	<u>8,855,247</u>
590,337	1,596,461
318,126	4,839,232
356,647	1,275,402
1,243,964	1,248,964
-	278,299
-	1,205,300
-	<u>539,866</u>
<u>2,509,074</u>	<u>10,983,524</u>
<u>(1,150,413)</u>	<u>(2,128,277)</u>
428,276	428,276
55,056	55,056
412,000	2,670,911
<u>(333,161)</u>	<u>(2,067,986)</u>
<u>562,171</u>	<u>1,086,257</u>
(588,242)	(1,042,020)
<u>1,150,833</u>	<u>2,819,479</u>
<u>\$ 562,591</u>	<u>\$ 1,777,459</u>

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities (page 17-18)
are different because:

Net change in fund balances--total governmental funds (page 22-23). \$ (1,042,020)

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 524,447	
Depreciation expense	<u>(2,350,116)</u>	(1,825,669)

The effect of sales of capital assets is to decrease net assets. (2,738)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (30,930)

The effect of any over funding of the pension liability less the amortization
of the net pension asset increases net assets (6,008)

The issuance of long-term debt (e.g. bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets. Also,
governmental funds report the effect of issuance costs, premiums, discounts,
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. This amount is the
net effect of these differences in the treatment of long-term debt and
related items.

Debt issuance	(428,276)	
Compensated absences	(5,301)	
Net OPEB obligation	(265,150)	
Amortization of debt issuance costs	(949)	
Interest payable	2,841	
Repayment of debt	<u>1,205,300</u>	<u>508,465</u>

Change in net position of governmental activities (pages 17-18) \$ (2,398,900)

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2013

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes				
Real estate tax	\$ 1,893,170	\$ 1,893,170	\$ 1,859,081	\$ (34,089)
Real estate transfer tax	291,600	291,600	438,634	147,034
Earned income tax	2,550,000	2,550,000	2,857,809	307,809
Local service tax	275,000	275,000	287,717	12,717
Fees, licenses and permits	345,200	345,200	346,460	1,260
Investment income and rent	49,148	49,148	42,812	(6,336)
Intergovernmental revenues	292,762	292,762	326,335	33,573
Fines and forfeitures	87,000	87,000	80,020	(6,980)
Charges for services	440,950	440,950	560,782	119,832
Other	66,450	66,450	60,189	(6,261)
Total Revenues	<u>6,291,280</u>	<u>6,291,280</u>	<u>6,859,839</u>	<u>568,559</u>
Expenditures				
Current:				
General government	917,067	917,067	975,379	58,312
Public safety	4,568,849	4,568,849	4,521,106	(47,743)
Highways and roads	945,391	945,391	918,755	(26,636)
Culture and recreation	8,375	8,375	5,000	(3,375)
Miscellaneous	296,248	296,248	275,423	(20,825)
Total Expenditures	<u>6,735,930</u>	<u>6,735,930</u>	<u>6,695,663</u>	<u>(40,267)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(444,650)</u>	<u>(444,650)</u>	<u>164,176</u>	<u>608,826</u>
Other Financing Sources (Uses)				
Transfers in	775,850	743,950	427,925	(316,025)
Transfers out	<u>(1,027,600)</u>	<u>(1,027,600)</u>	<u>(1,027,600)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(251,750)</u>	<u>(283,650)</u>	<u>(599,675)</u>	<u>(316,025)</u>
Net Change in Fund Balances	(696,400)	(728,300)	(435,499)	292,801
Fund Balance, Beginning of Year	<u>1,506,636</u>	<u>1,506,636</u>	<u>1,506,636</u>	
Fund Balance, End of Year	<u>\$ 810,236</u>	<u>\$ 778,336</u>	<u>\$ 1,071,137</u>	

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2013

	<u>Business-Type Activities - Proprietary Funds</u>			
	<u>Sewer</u>	<u>Sewer Capital</u>	<u>Sewer Note</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 3,319	\$ 4,552	\$ 2,238,895	\$ 2,246,766
Accounts receivable	<u>356,696</u>	<u>-</u>	<u>-</u>	<u>356,696</u>
Total Assets	<u>\$ 360,015</u>	<u>\$ 4,552</u>	<u>\$ 2,238,895</u>	<u>\$ 2,603,462</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 9,615	\$ 33,019	\$ -	\$ 42,634
Total Current Liabilities	<u>9,615</u>	<u>33,019</u>	<u>-</u>	<u>42,634</u>
Noncurrent Liabilities				
Long-term note and bonds payable	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total Liabilities	<u>9,615</u>	<u>33,019</u>	<u>2,500,000</u>	<u>2,542,634</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	-	-	(2,500,000)	(2,500,000)
Restricted for capital improvements (Expendable)	-	(28,467)	2,238,895	2,210,428
Unrestricted	<u>350,400</u>	<u>-</u>	<u>-</u>	<u>350,400</u>
Total Net Position	<u>\$ 350,400</u>	<u>\$ (28,467)</u>	<u>\$ (261,105)</u>	<u>\$ 60,828</u>

The notes to the financial statements are an integral part of this statement.

TOWAMENCIN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	Business-Type Activities - Proprietary Funds			
	Sewer	Sewer Capital	Sewer Note	Total
Operating Revenues				
Sewer service	\$ 3,378,787	\$ -	\$ -	\$ 3,378,787
Connection fees	-	24,336	-	24,336
Total Operating Revenues	<u>3,378,787</u>	<u>24,336</u>	<u>-</u>	<u>3,403,123</u>
Operating Expenses				
Sewer disposal	2,500,175	734,969	-	3,235,144
Administration	5,888	105,404	-	111,292
Total Operating Expenses	<u>2,506,063</u>	<u>840,373</u>	<u>-</u>	<u>3,346,436</u>
Operating Income (Loss) before transfers	<u>872,724</u>	<u>(816,037)</u>	<u>-</u>	<u>56,687</u>
Nonoperating Revenues (Expense)				
Net earnings on investments	205	607	442	1,254
Interest expense	(24,108)	-	-	(24,108)
Total Nonoperating Revenues (Expense)	<u>(23,903)</u>	<u>607</u>	<u>442</u>	<u>(22,854)</u>
Net Income (Loss) before transfers	<u>848,821</u>	<u>(815,430)</u>	<u>442</u>	<u>33,833</u>
Other Financing Sources (Uses)				
Interfund transfers in	13,947	480,600	-	494,547
Interfund transfers out	(660,925)	(175,000)	(261,547)	(1,097,472)
Total Other Financing Sources (Uses)	<u>(646,978)</u>	<u>305,600</u>	<u>(261,547)</u>	<u>(602,925)</u>
Change in Net Position	201,843	(509,830)	(261,105)	(569,092)
Net Position - Beginning	<u>148,557</u>	<u>481,363</u>	<u>-</u>	<u>629,920</u>
Net Position - Ending	<u>\$ 350,400</u>	<u>\$ (28,467)</u>	<u>\$ (261,105)</u>	<u>\$ 60,828</u>

The notes to the financial statements are an integral part of this statement

TOWAMENCIN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

December 31, 2013

	Proprietary Fund Types			Total
	Sewer	Sewer Capital	Sewer Note	
Cash flows from operating activities				
Cash received from customers	\$ 3,459,531	\$ 24,336	\$ -	\$ 3,483,867
Cash paid to suppliers	(2,504,216)	(825,589)	-	(3,329,805)
Net cash provided by (used in) operating activities	<u>955,315</u>	<u>(801,253)</u>	<u>-</u>	<u>154,062</u>
Cash flows from capital and related financing activities				
Proceeds from debt issuance	-	-	2,500,000	2,500,000
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Cash flows from investing activities				
Proceeds from sale of investments	-	200,000	-	200,000
Interest payments	(24,108)	-	-	(24,108)
Investment income	205	607	442	1,254
Net cash provided by (used in) investing activities	<u>(23,903)</u>	<u>200,607</u>	<u>442</u>	<u>177,146</u>
Cash flows from non-capital financing activities				
Operating transfers to/from other funds, net	(646,978)	305,600	(261,547)	(602,925)
Net cash provided by (used in) non-capital financing activities	<u>(646,978)</u>	<u>305,600</u>	<u>(261,547)</u>	<u>(602,925)</u>
Net increase (decrease) in cash and cash equivalents	284,434	(295,046)	2,238,895	2,228,283
Beginning cash and cash equivalents	(281,115)	299,598	-	18,483
Ending cash and cash equivalents	<u>\$ 3,319</u>	<u>\$ 4,552</u>	<u>\$ 2,238,895</u>	<u>\$ 2,246,766</u>

Reconciliation of Net Operating Income (Loss)
to Net Cash Provided By (Used In) Operating Activities

Net operating income (loss)	\$ 872,724	\$ (816,037)	\$ -	\$ 56,687
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Changes in assets and liabilities:				
(Increase) decrease in receivables	80,744	-	-	80,744
Increase (decrease) in payables	1,847	14,784	-	16,631
Net adjustments	<u>82,591</u>	<u>14,784</u>	<u>-</u>	<u>97,375</u>
Cash provided by (used in) operating activities	<u>\$ 955,315</u>	<u>\$ (801,253)</u>	<u>\$ -</u>	<u>\$ 154,062</u>

The notes to the financial statements are an integral part of this statement

TOWAMENCIN TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2013

	Pension Trust Funds	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 898,735	\$ 778,327	\$ 1,677,062
Receivables	1,476	1,057	2,533
Investments			
Certificates of deposit	751,554	-	751,554
Corporate bonds	203,815	-	203,815
Mutual Funds-equity	155,000	-	155,000
Common stocks	8,863,027	-	8,863,027
TOTAL ASSETS	<u>\$ 10,873,607</u>	<u>\$ 779,384</u>	<u>\$ 11,652,991</u>
 <u>LIABILITIES</u>			
Payables	\$ 1,771	\$ -	\$ 1,771
Escrow Payable	-	779,384	779,384
TOTAL LIABILITIES	<u>1,771</u>	<u>779,384</u>	<u>781,155</u>
 <u>NET POSITION</u>			
Restricted for Pension benefits	<u>10,871,836</u>	<u>-</u>	<u>10,871,836</u>
TOTAL NET POSITION	<u>\$ 10,871,836</u>	<u>\$ -</u>	<u>\$ 10,871,836</u>

The notes to the financial statements are an integral part of this statement

TOWAMENCIN TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 109,360
Employer contributions	654,259
State contributions	<u>252,483</u>
Total Contributions	<u>1,016,102</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	1,815,347
Investment earnings	<u>349,106</u>
Total Investment Earnings	2,164,453
Less investment expense	<u>(56,375)</u>
Net Investment Earnings	<u>2,108,078</u>
Total Additions	<u>3,124,180</u>
Deductions	
Benefits	719,310
Miscellaneous expense	16,650
Actuary fees	<u>13,030</u>
Total Deductions	<u>748,990</u>
Change in Net Position	2,375,190
Net Position Restricted for Pension benefits:	
Beginning of Year	<u>8,496,646</u>
End of Year	<u>\$ 10,871,836</u>

The notes to the financial statements are an integral part of this statement

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies

A. *Reporting entity*

Towamencin Township (the “Township”) was created in 1728 and operates under the Second Class Township Code as prescribed by the Commonwealth of Pennsylvania. The Township’s major services include safety, health and welfare, fire protection, parks and recreation, and general administration.

For financial reporting purposes, Towamencin Township’s primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township’s legal entity. The Township’s reporting entity also is comprised of its component units, which are legally separate organizations for which the Township’s elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 “The Financial Reporting Entity,” as amended by GASB No. 39. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization’s board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Blended Component Units

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. The Towamencin Township has two blended component units.

The Towamencin Township Infrastructure Authority (the “Infrastructure Authority”) is considered a component unit of the Township. The Infrastructure Authority is a public corporation incorporated on January 9, 1997 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Infrastructure Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township’s governing body. The Township provides, at a nominal charge, office space and personnel for use by the Infrastructure Authority.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

A. *Reporting entity (continued)*

The Towamencin Authority is considered a component unit of the Township. The Towamencin Authority is a public corporation incorporated on March 3, 1998 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is organized for the purpose of undertaking certain projects, associated with land owned or leased by Towamencin Township, which have been specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Towamencin Authority.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices.

B. *Government-wide and fund financial statements*

Government-wide

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements excluded fiduciary activities such as pension and agency funds.

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements. Therefore, governmental fund financial statements included reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

Government-wide (continued)

Internal activity is limited to interfund transfers, which are eliminated to avoid “doubling up” revenues and expenses. Net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations. The net position restricted for other purposes result from the sewer capital projects fund and the restrictions on their net position use.

Fund Financial Statements

Fund Financial Statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on a major funds rather than reporting funds by type. Each major fund is presented in a separate column. The five major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

All governmental funds are accounted for using the *modified accrual basis of accounting* and the *current financial resources measurement focus*. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, the traffic impact fund, the Infrastructure Authority fund, and the debt service fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the highway aid fund, parks and recreation fund, fire fund, street light fund, park capital fund, public arts fund, pool fund, general capital fund, Towamencin Authority fund, and Fischer’s park fund.

The Township reports the following major governmental funds:

- The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Traffic Impact* is maintained to account for the accumulation of resources for acquisition of fixed assets.
- The *Debt Service Fund* accounts for proceeds of special revenue sources that are restricted to the repayment of debt.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

B. *Government-wide and fund financial statements (continued)*

Fund Financial Statements (continued)

- The *Infrastructure Authority Fund* accounts for proceeds of special revenue sources that are restricted to expenditures for construction of infrastructure capital assets.

The Township reports the following proprietary funds:

- The *Sewer Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The *Sewer Fund* accounts for the Township’s sewer system. The *Sewer Capital Fund* accounts for accumulation of resources to pay for capital improvements for the sewer operations. The *Sewer Note Fund* accounts for the proceeds of the guaranteed sewer note 2013 and related expenditure.
- The Township, specifically its Sewer Fund, leases the sewage collection system, located within its geographic boundaries, from the Upper Gwynedd-Towamencin Municipal Authority (UGTMA). The Sewer Fund operates the sewer system and charges the owners of each property connected to the sewer system rents which shall be sufficient to pay (1) the rentals under the lease, (2) UGTMA service charges and operating expenses under the service agreement, and (3) Sewer Fund operating expenses. UGTMA has agreed, pursuant to the service agreement, to treat and dispose of the sewage received from the sewage collection system.

Additionally, the government reports the following fund types:

- The *Pension Trust Fund* accounts for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.
- The *Agency Fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

In applying the “susceptible to accrual concept” under the modified accrual basis, 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 government considers property and earned income tax revenue to be available if collected within 30 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Revenue Recognition

Property tax and earned income tax receivables collected after 30 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The Measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,” certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the *accrual basis of accounting*. These funds account for operations that are financed primarily by user charges. The *economic resource focus* concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

Proprietary Funds (continued)

Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds. These funds distinguish 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 fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees. Operating expenses for the Township's enterprise funds include sewer disposal, supplies and administration costs. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

C. Assets, liabilities, and net position or fund balance

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. Assets, liabilities, and net position or fund balance (continued)

1. Deposits and investments (continued)

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the Township, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion on interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2013, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Other taxes levied in 2013 were Real Estate Transfer Taxes.

3. Capital assets

Capital assets, which include property, land and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. *Assets, liabilities, and net position or fund balance (continued)*

3. *Capital assets (continued)*

The costs 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, inclusive of ancillary costs.

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

Building and improvement	10-50 years
Machinery and equipment	5-15 years
Vehicles	5-10 years
Land improvements	10-45 years
Infrastructure	10-70 years

4. *Compensated absences*

It is the Township's policy to permit certain employees to accumulate earned but unused vacation and comp time. The accumulation is subject to terms discussed in the collective bargaining agreements. Vacation and comp time is accrued when earned.

5. *Long-term obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Issuance costs are expensed as incurred.

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. Assets, liabilities, and net position or fund balance (continued)

6. Net position and fund balance

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose. Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. *Assets, liabilities, and net position or fund balance (continued)*

6. *Net position and fund balance (continued)*

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Supervisors or (b) a body (a budget, finance committee, or Township Manager and Finance Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify for reporting in this category.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. *Assets, liabilities, and net position or fund balance (continued)*

7. *Deferred Outflows/Inflows of Resources (continued)*

In addition to liabilities, the statement of financial position will sometimes 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 so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements do not report any unavailable revenues.

8. *Use of estimates in the preparation of financial statements*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year. All annual appropriations lapse at year end.

Upon preparation of proposed budget, the Supervisors give public notice by advertisement in at least one newspaper of general circulation in the Township that the proposed budget will be available for public inspection. After the budget has been available for public inspection for 20 days, the Supervisors adopt the budget not later than the 31st day of December.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (continued)

The Supervisors may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Board of Supervisors adopted four resolutions during 2013 amending the 2013 budget.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Supervisors may take specific action to reserve or designate fund equity.

During the month of January, following any municipal election, the Supervisors may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

B. Excess of expenditures over appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations in the general government category in the general fund by \$58,312.

C. Deficit fund balance

As of December 31, 2013, an accumulated deficit fund balance of \$3,841,396 exists in the Towamencin Township Infrastructure Fund. The deficit will be eliminated when the assets are transferred to the Township.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government’s policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. At December 31, 2013, the carrying amount of the Township’s deposits was \$3,948,414 and the bank balance was \$3,956,551. Of the bank balance, \$632,511 was covered by federal depository insurance and \$3,324,040 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository’s agent was not in the Township’s name.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net position value of \$1 per share, is rated by a nationally recognized statistical rating organization. These funds are considered cash equivalents and are included above.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township’s investment policy and through state limitations as discussed in Note I, C, 1.

As of December 31, 2013, the Township had the following investments and maturities:

	<u>Maturity Dates</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
			<u>< 1 year</u>	<u>1-5 years</u>
GOVERNMENTAL FUNDS				
Externally Pooled Investments	2014	\$ 77,433	\$ 77,433	\$ -
Total Governmental Funds		<u>\$ 77,433</u>	<u>\$ 77,433</u>	<u>\$ -</u>
FIDUCIARY FUNDS				
Cash and short term investments	n/a	\$ 1,677,062	\$ -	\$ -
Certificates of deposit	2014-2018	751,554	527,652	223,902
Corporate bonds	2017-2020	203,815	-	203,815
Common stocks	n/a	155,000	-	-
Mutual Funds-equity	n/a	8,863,027	-	-
Total Fiduciary Funds		<u>\$ 11,650,458</u>	<u>\$ 527,652</u>	<u>\$ 427,717</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

A. *Deposits and investments* (continued)

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note C. The government has a formal investment policy for credit risk. The government's investments in the external investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

B. *Receivables*

Receivables as of year-end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Debt Service</u>	<u>Traffic Impact</u>	<u>Infrastructure Authority</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:								
Taxes	\$ 225,485	\$ -	\$ 13,590	\$ -	\$ -	\$ 8,252	\$ -	\$ 247,327
Accounts	150,569	356,696	-	10,700	18,351	74,270	2,533	613,119
Contributions	-	-	-	-	-	-	-	-
Total Receivables	<u>\$ 376,054</u>	<u>\$ 356,696</u>	<u>\$ 13,590</u>	<u>\$ 10,700</u>	<u>\$ 18,351</u>	<u>\$ 82,522</u>	<u>\$ 2,533</u>	<u>\$ 860,446</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital assets activity for the year ended December 31, 2013 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Government-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,959,269	\$ -	\$ -	\$ 4,959,269
Construction in progress	<u>9,501,456</u>	<u>-</u>	<u>(9,501,456)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>14,460,725</u>	<u>-</u>	<u>(9,501,456)</u>	<u>4,959,269</u>
Capital assets, being depreciated:				
Land improvements	5,980,643	-	-	5,980,643
Buildings and improvements	7,073,148	5,860	-	7,079,008
Machinery and equipment	2,026,889	74,658	(28,533)	2,073,014
Vehicles	1,693,687	443,929	(274,941)	1,862,675
Infrastructure	<u>50,225,536</u>	<u>9,501,456</u>	<u>-</u>	<u>59,726,992</u>
Total capital assets, being depreciated	<u>66,999,903</u>	<u>10,025,903</u>	<u>(303,474)</u>	<u>76,722,332</u>
Less accumulated depreciation for:				
Land improvements	1,179,125	132,142	-	1,311,267
Buildings and improvements	2,000,138	146,876	-	2,147,014
Machinery and equipment	1,468,249	125,460	(28,533)	1,565,176
Vehicles	1,350,160	159,792	(272,203)	1,237,749
Infrastructure	<u>17,395,635</u>	<u>1,785,846</u>	<u>-</u>	<u>19,181,481</u>
Total accumulated depreciation	<u>23,393,307</u>	<u>2,350,116</u>	<u>(300,736)</u>	<u>25,442,687</u>
Total capital assets, being depreciated, net	<u>43,606,596</u>	<u>7,675,787</u>	<u>(2,738)</u>	<u>51,279,645</u>
Governmental activities capital assets, net	<u>\$ 58,067,321</u>	<u>\$ 7,675,787</u>	<u>\$ (9,504,194)</u>	<u>\$ 56,238,914</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 36,372	\$ -	\$ -	\$ 36,372
Total capital assets, being depreciated	<u>36,372</u>	<u>-</u>	<u>-</u>	<u>36,372</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>36,372</u>	<u>-</u>	<u>-</u>	<u>36,372</u>
Total accumulated depreciation	<u>36,372</u>	<u>-</u>	<u>-</u>	<u>36,372</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. *Capital assets (continued)*

Depreciation expense was charged to function/programs of the Township as follows:

Governmental activities:	
Administrative	\$ 188,138
Police and emergency services	82,076
Public works, including depreciation of general infrastructure except park systems	1,945,661
Parks, including depreciation related to park systems	<u>134,241</u>
Total depreciation expense - governmental activities	<u>\$ 2,350,116</u>
Business-type activities:	
Sewer	<u>\$ -</u>
Total depreciation expense - business-type activities	<u>\$ -</u>

D. *Interfund receivables, payables, and transfers*

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
Infrastructure Authority	\$ -	\$ 3,913,601
Traffic Impact	<u>3,913,601</u>	<u>-</u>
Total	<u>\$ 3,913,601</u>	<u>\$ 3,913,601</u>

Interfund balances are primarily the result of:

(1) Reimbursement of Expenses

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 427,925	\$ 1,027,600
Debt Service	1,125,629	705,357
Infrastructure Authority	705,357	-
Traffic Impact	-	1,868
Non major	412,000	333,161
Sewer	13,947	660,925
Sewer Capital	480,600	175,000
Sewer Note	<u>-</u>	<u>261,547</u>
Total	<u>\$ 3,165,458</u>	<u>\$ 3,165,458</u>

Interfund transfers are primarily the result of:

(1) Reimbursement of Expenses

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Long term debt

General Obligation Notes and Bonds

The government issues general obligation notes and bonds to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes and bonds have been issued for the governmental activities only. The original amount of notes and bonds issued was \$26,427,000. In 2013, the government issued a guaranteed sewer note to be used for capital expenditures in the sewer fund. The original amount of the notes issued was \$2,500,000.

General obligation notes and bonds are direct obligations and pledge the full faith and credit of the government. These notes and bonds are generally issued as 20-30 year serial notes and bonds with varying amounts of principal maturing each year.

General obligation notes and bonds and guaranteed sewer notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>
Governmental activities	1.2% to 5.0%	<u>\$ 19,757,000</u>
Business activities	1.0% to 4.0%	<u>\$ 2,500,000</u>

Interest Rate Management: The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs to participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

Terms: The significant terms of the interest rate swap was as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Type of Note</u>	<u>Rate in effect at year end</u>	<u>Market Value</u>
GO Note	2000	2020	\$ 3,570,000	Variable	0.998%	\$ 468,696
GO Note	2002	2031	4,295,000	Variable	0.998%	563,879
GO Note	2012	2032	2,942,000	Fixed	2.486%	535,495
Guaranteed Sewer Notes	2013	2033	2,500,000	Variable	0.998%	328,218

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Long term debt (continued)

Interest Rate Risk: The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

Basis Risk: The Township does not have a basis risk.

Credit Risk: The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2013, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

Termination Risk: The Township is obligated to pay any Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA. In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment. The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2013, is shown in the table on the previous page. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Long term debt (continued)

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

Market Access Risk: The Township does not have this risk.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2013, are as follows:

<u>Governmental Activities</u>			
Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,085,000	\$ 513,788	\$ 1,598,788
2015	1,122,000	492,350	1,614,350
2016	1,170,000	470,196	1,640,196
2017	1,214,000	446,945	1,660,945
2018	1,261,000	422,757	1,683,757
2019-2023	7,055,000	1,629,480	8,684,480
2024-2028	5,226,000	478,432	5,704,432
2029-2032	1,624,000	64,551	1,688,551
	<u>\$ 19,757,000</u>	<u>\$ 4,518,499</u>	<u>\$ 24,275,499</u>

<u>Business Type Activities</u>			
Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 62,150	\$ 62,150
2015	100,000	62,150	162,150
2016	103,000	59,664	162,664
2017	106,000	57,103	163,103
2018	109,000	54,468	163,468
2019-2023	594,000	230,129	824,129
2024-2028	690,000	151,646	841,646
2029-2032	798,000	60,559	858,559
	<u>\$ 2,500,000</u>	<u>\$ 737,869</u>	<u>\$ 3,237,869</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Long term debt (continued)

Capital Leases

Certain equipment has been acquired under capital lease obligations to third-party lessor. The liabilities incurred through such arrangements are accounted for in the entity-wide statements as capital leases payable.

The following is an analysis of the leased assets included in property and equipment as of December 31, 2013:

Vehicles and equipment	\$ 1,174,386
Less: accumulated depreciation	<u>(518,008)</u>
	<u>\$ 656,378</u>

The following is a schedule of the future minimum lease payments required under the lease obligation with their present value as of December 31, 2013:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 150,369	\$ 9,768	\$ 160,137
2015	153,846	6,291	160,137
2016	62,912	2,733	65,645
2017	<u>64,466</u>	<u>1,381</u>	<u>65,847</u>
Total value of minimum lease payments	<u>\$ 431,593</u>	<u>\$ 20,173</u>	451,766
Less: amount representing interest			<u>(20,173)</u>
Present value of minimum lease payments			<u>\$ 431,593</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Notes and bonds payable	\$ 20,797,000	\$ -	\$ 1,040,000	\$ 19,757,000	\$ 1,085,000
Discount on debt	(13,280)	949	-	(12,331)	-
Capital leases	168,617	428,276	165,300	431,593	150,369
OPEB obligation	776,174	377,888	112,738	1,041,324	-
Compensated absences	<u>26,516</u>	<u>5,301</u>	<u>-</u>	<u>31,817</u>	<u>-</u>
Long-term liabilities	<u>\$ 21,755,027</u>	<u>\$ 812,414</u>	<u>\$ 1,318,038</u>	<u>\$ 21,249,403</u>	<u>\$ 1,235,369</u>
Business Type activities:					
Notes payable	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information

A. *Risk management*

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

The Township participates in a public entity risk pool (Delaware Valley Insurance Trust – DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' 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 insurance expense for the year ended December 31, 2013 was \$73,816. The Township also paid a \$1,490 deductible for coverage in 2013. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2013 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$49,650.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2013 was \$114,276. The Trust declared a dividend in 2013. Towamencin Township's share of the dividend distribution was \$15,152. During 2013, the Township received an additional sum of \$3,905 resulting from an audit of the 2012 payroll. At December 31, 2013, there were no additional assessments due or anticipated. Instead, an audit of the reported 2013 payroll will be performed during the first quarter of 2014.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool. The insurance expense for the year ended December 31, 2013 was \$627,181 for medical coverage and \$64,677 for dental coverage.

The Township continues to carry insurance for all other risks of loss, except unemployment compensation. The Township is a reimbursable employer under section 1202.2(a) of the Pennsylvania Unemployment Compensation Law. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

In anticipation of infrastructure improvements, properties have been acquired along Sumneytown Pike and Forty Foot Road. One property acquisition is still in the process of being resolving just compensation. The condemnation proceeded to a Board of View, which awarded an additional sum of approximately \$10,000. The Condemnee appealed the matter to the Court of Common Pleas of Montgomery County and has submitted appraisal reports claiming additional damages in the amount of \$985,000. It is unlikely that the parties will be able to resolve this dispute so it is therefore anticipated that this case will proceed to trial some time in 2015. No definitive opinion can be expressed regarding the likelihood of the outcome at trial.

The Infrastructure Authority, pursuant to a Reimbursement Agreement with PennDOT, was obligated to pay 10% of the estimated just compensation and any additional compensation as these acquisitions either amicably or by condemnation were completed. At this point, legal counsel is unable to estimate the amount of additional costs to be incurred by the Infrastructure Authority for legal fees, appraisal fees, engineers fees, land planners fees, etc. for all of the Infrastructure Authority's acquisitions relating to this project.

C. Employee retirement systems and pension plans

The Township offers two single-employer defined benefit plans to its employees. The Towamencin Township Police Pension Plan (the "Police Pension Plan") and the Non-Uniformed Employees' Pension Plan (the "Non-Uniformed Pension Plan") are public-employee defined benefit retirement systems managed and administered by the Township's Board of Supervisors to provide benefits for police and non-uniformed employees.

Membership of each plan consisted of the following at January 1, 2013, the date of the latest actuarial valuation:

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

C. *Employee retirement systems and pension plans (continued)*

	<u>Police</u>	Non <u>Uniform</u>
Retirees and beneficiaries currently receiving	15	12
Terminated employees entitled to benefits not yet receiving them	-	7
Active employees	<u>21</u>	<u>22</u>
 Total membership	 <u><u>36</u></u>	 <u><u>41</u></u>

Towamencin Township Police Pension Plan

Plan Description

The Police Pension Plan provides retirement benefits, as well as death and disability benefits, to full-time police employees who receive an honorable discharge or to their beneficiaries. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50 percent of their average gross W-2 compensation received during the last 36 months of employment. If a police employee leaves covered employment after completing 12 years of total service, for reason other than being terminated for conviction of a felony or crime, that employee will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. Such pension or retirement benefits shall be paid on the date the employee reaches retirement age.

The authorities under which obligations to contribute to the Police Pension Plan by the plan members, employer or other contributing entities are established or may be amended include Act 600 and Act 205 of the Commonwealth of Pennsylvania and Towamencin Township Ordinances. The plan does not issue a stand-alone financial report.

Funding Policy

As a condition of participation each member may contribute to the Plan up to five percent of earnings. For 2013, the rate of member contributions was 5 percent. If an actuarial study shows that the condition of the Plan is such that payments may be reduced below the minimum percentages or eliminated, the Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Plan by participants.

The Police Pension Plan also is funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Summary of Significant Accounting Policies and Plan Position Matters

Basis of Accounting

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

Method Used to Value Investments

Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Towamencin Township Non-Uniformed Employee Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan provides retirement benefits to full-time non-uniformed employees of the Township or to their beneficiaries. All benefits vest after 10 years of credited service. Employees who retire at or after age 65 and with 10 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to two percent of their average compensation received during the last 36 months of employment multiplied by total years of service, not to exceed 25 years. Employees with 15 years of credited service may retire at or after age 60 and receive a reduced benefit. If an employee leaves covered employment after completing five years of total service, for reasons other than retirement or death, the participant will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. The plan does not issue a stand-alone financial report.

The authority under which obligations to contribute to the Plan by the plan members, employer and other contributing entities are established or may be amended includes Act 205 of the Commonwealth of Pennsylvania and Towamencin Ordinances.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Funding Policy

The Non-Uniformed Employees' Pension Plan is funded by contributions from Towamencin Township and annual payments received from the Commonwealth of Pennsylvania relating to monies received from taxes for the purposes of pension, retirement or disability benefits for employees. No mandatory employee contributions are required to participate in the Non-Uniform Pension Plan.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Funded Status and Funding Progress Non-Uniform and Police Pension Plans

The funded status of each plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

		Actuarial		Unfunded	Actuarial	Liability
	Actuarial	Accrued	Percentage	Actuarial	Projected	as a
	Value of	Liability		Accrued	Annual	Percentage
	<u>Net Assets</u>	<u>Obligation</u>	<u>Funded</u>	<u>Liability</u>	<u>Covered</u>	<u>of Payroll</u>
					<u>Payroll</u>	
Police Pension Plan	\$ 6,576,414	\$ 10,210,046	64.4%	\$ 3,633,632	\$ 1,965,658	184.9%
Non Uniform Plan	1,866,029	2,473,449	75.4%	607,420	1,165,397	52.1%

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Contributions Required and Contributions Made

The Police and Non-Uniform Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. Both Pension Plans use a method defined by Act 205 to amortize the unfunded liability over a defined period.

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	<u>Non Uniform</u>	<u>Police</u>
Annual required contribution	\$ 154,148	\$ 752,594
Interest on net pension obligation	(1,646)	(4,598)
Adjustments to annual required contribution	<u>2,256</u>	<u>9,996</u>
Annual pension cost	154,758	757,992
Contributions made	<u>(154,148)</u>	<u>(752,594)</u>
Increase (decrease) in net pension obligation	610	5,398
Net pension obligation (asset) at beginning of year	<u>(19,641)</u>	<u>(50,845)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (19,031)</u></u>	<u><u>\$ (45,447)</u></u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the following assumptions:

	<u>Non Uniform</u>	<u>Police</u>
Date of Actuarial valuation	1/1/2013	1/1/2013
Investment rate of return	8.0%	8.0%
Projected salary increases due to inflation	5%	5%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	17	8

Three Year Trend Information

NON-UNIFORM

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 144,536	72.4%	\$ (20,100)
12/31/2012	146,748	98.2%	(19,641)
12/31/2013	154,758	94.5%	(19,031)

POLICE

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 712,710	99.5%	\$ (54,060)
12/31/2012	722,550	99.6%	(50,845)
12/31/2013	757,992	99.3%	(45,447)

D. Deferred compensation plan

The Township offers a deferred compensation plan for its employees. The plan, which is designed under the provisions of Internal Revenue Code Section 457, permits employees to make voluntary contributions from their salary which are excluded from federal taxable income until future years, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The contributions are invested with an outside trustee and are held for the exclusive benefit of participants or their beneficiaries and are therefore not included in the accompanying combined balance sheets of the Township. The Township contributed \$6,327 to the plan during the year ended December 31, 2013.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-Retirement Benefits

Description of the Plan

Through police contract, The Township agrees that it will pay seventy five (75%) percent of the premium costs of the healthcare insurance coverage plans then being offered to the active full-time Police Officers (50% for officers hired on or after October 15, 2012), for each superannuated retired Officer, providing said retired Officer and spouse with continued hospitalization, major medical, surgical, drug and vision care as set forth in the healthcare plan then in effect for full-time Police Officers, subject to the certain conditions. The plan does not issue a stand-alone financial report.

Such coverage shall only be provided to those Officers who have retired after completing twenty five (25) years of continuous service and have achieved fifty (50) years of age. The Township shall pay for the continued coverage and bill the retiree or spouse for twenty five (25%) percent of the premium cost. If the retiree or spouse shall fail or neglect to reimburse the twenty five (25%) percent premium cost to the Township within thirty (30) days of submission, the Township shall be relieved of further obligation to pay insurance for any superannuated retiree or spouse. Any superannuated retired Officer who shall elect not to participate in this post-retirement medical insurance program or, who having once participated therein, shall elect to discontinue participation in the program, for any reason whatsoever, including non-payment as described above, shall not be permitted to resume participation in the program. Officers retiring on or after January 1, 2012 shall be able to withdraw from their Township provided health insurance coverage during those periods where they are covered by other health insurance. Upon 30 day notice, or at the time upon a COBRA qualifying event, the employee, with eligible spouse and dependents, may enroll in the Township health insurance plans. The Township's duty to continue to pay seventy five (75%) percent of the premium costs for a superannuated retiree and spouse shall terminate upon the retirees eligibility for Medicare and Medicaid, or death of retiree, except that the Township shall continue to pay seventy five (75%) percent of the premium costs for surviving spouse until eligible for Medicare or Medicaid.

In the event that a police officer retires upon disability, the retiree, spouse, and any non-spouse dependents may also continue to participate in the health care insurance coverage offered through the Township until the disabled officer reaches normal retirement age. The Township shall pay the full premium costs for the coverage until the officer reaches normal retirement age. At that point, he or she will be eligible for the same health insurance benefits as retired officers.

The Township also agrees to provide each retiring Officer who shall serve full term to superannuation, without cost to the Officer, life insurance coverage in the sum of Five Thousand (\$5,000) dollars, for the remainder of his or her life.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-Retirement Benefits (continued)

In the event that an officer retires upon disability, the Township agrees to provide him or her \$50,000 of life insurance coverage until age 50. The amount of life insurance is then reduced to \$5,000 for the remainder of his or her life.

Membership of each plan consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits not yet receiving them	-
Active employees	23
Total membership	35

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The Township is accounting for these expenditures on a “pay-as-you-go” basis. Currently there are 13 retirees receiving health and/or life insurance benefits. The annual cost of these benefits in 2013 was \$112,738.

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Actuarial Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2012	\$ -	\$ 3,165,816	0.0%	\$ 3,165,816	\$ 2,062,606	153.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-Retirement Benefits (continued)

The schedule of funding progress, presented as *required supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Township's net OPEB obligation:

Annual required contribution	\$ 342,676
Interest on net OPEB obligation	39,595
Adjustments to annual required contribution	<u>(4,383)</u>
Annual OPEB cost	377,888
Contributions made	<u>(112,738)</u>
Increase (decrease) in net OPEB obligation	265,150
Net OPEB obligation (asset) at beginning of year	<u>776,174</u>
Net OPEB obligation (asset) at end of year	<u>\$ 1,041,324</u>

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2012 actuarial valuation using the following assumptions:

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-Retirement Benefits (continued)

Date of Actuarial valuation	1/1/2012
Investment rate of return	4.5%
Projected salary increases due to inflation	5%
Cost method	Entry Age Normal
Amortization method	Level dollar-open
Remaining amortization period	30

Healthcare trend rate: 7.5% in 2012, decreasing .5% per year to 5.5% in 2017
Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later.

Three Year Trend Information

Fiscal Year	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation (Asset)
12/31/2011	\$ 255,606	41.9%	\$ 601,136
12/31/2012	284,095	38.4%	776,174
12/31/2013	377,888	29.8%	1,041,324

F. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2013, \$778,327 represents the balance of these monies held in escrow.

G. Upper Gwynedd-Towamencin Municipal Authority

Sanitary Sewer Lease

Upper Gwynedd-Towamencin Municipal Authority (the Authority) is a public corporation organized on June 12, 1964, under the enabling state legislation. The townships of Upper Gwynedd and Towamencin have entered into a joint venture, the purpose of which is to borrow money to finance the construction or acquisition of needed sewer facilities consisting of a sewage treatment plant and collection system. Under agreements with the Townships, the Authority operates the treatment plants which are financed by the operating service charges paid by the Townships pursuant to the 1991 service agreement. The collections system, located within their respective geographic boundaries is leased to the Townships pursuant to the 1991 leases.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other Information (Continued)

G. Upper Gwynedd-Towamencin Municipal Authority (continued)

The construction of the facilities is being financed primarily by tapping fees, capital contributions and the sale of the bonds. Also, in 1991, the Authority issued Guaranteed Sewer Revenue Bonds. The construction of the facilities is being financed primarily by tapping fees, capital contributions and the sale of the bonds. The Authority's debt service requirements are being provided for by the payments of lease rentals and capital service charges from the Townships. The term of the lease is from October 1, 1991 to October 1, 2014.

Basic Minimal Annual Rentals

Towamencin Township's lease rentals are as follows:

<u>Year</u>
2014 \$ 39,785

Capital Service Charges

In addition, the Authority has entered into service agreements for the construction and operation of the plant. The service agreement provides for the payment of a capital service charge computed annually and payable by the Townships to the trustee in semiannual installments. The annual capital service charge for each year shall be the basic amount shown in the following schedule adjusted in accordance with the agreement, subject to limitations, however the net amount of any reduction shall not, in any year, exceed the basic amount. In 2013, the Township paid \$716,808. The final 2014 capital service charge will be funded with funds in the debt service reserve fund.

Operating Service Charges

An operating service charge based on the Authority's operating budget is payable in quarterly installments. The charge is subject to adjustment after the close of each year when actual amounts are available. The Township paid \$1,648,354 in operating service charges in 2013.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. Other Information (Continued)

G. Upper Gwynedd-Towamencin Municipal Authority (continued)

Bonded Debt

\$10,306,356 Guaranteed Sewer Revenue Bonds, Series of 1991, consisting of Current Interest Bonds of \$8,190,000 and Capital Appreciation Bonds of \$2,116,356. The Capital Appreciation Bonds have a maturity value of \$965,000.

The Townships guarantee payment of bonds in proportion to their shares of the reserved capacity of the treatment plant to total treatment capacity.

Bonds payable are reported in the financial statements of the Authority were \$960,702.

Copies of the complete financial statements are available at the Authority office located at 2225 Kriebel Road, Lansdale, PA.

H. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through date of this report, which is the date the statements were available for release. In January of 2014, the Township obtained a Tax Anticipation Note in the amount of \$500,000 at a fixed rate of interest of 1.35% until July 12, 2014 at which time the Note is expected to be paid in full.

In March of 2014, Towamencin Township Infrastructure Authority advance refunded the 2006 Guaranteed Revenue Bonds. The new 2014 Guaranteed Revenues Notes had an aggregate principal amount of \$9,055,000 bearing interest at a fixed rate of 2.5% and will mature on May 1, 2026.

No additional subsequent events are required to be recognized or disclosed.

**REQUIRED
SUPPLEMENTAL INFORMATION**

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS – PENSION FUNDS

DECEMBER 31, 2013

POLICE PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

	Actuarial	Actuarial	Percentage	Unfunded	Actuarial	Liability
	Value of	Accrued		Actuarial	Projected	as a
	<u>Net Assets</u>	<u>Liability</u>	<u>Funded</u>	<u>Accrued</u>	<u>Covered</u>	<u>Percentage</u>
		<u>Obligation</u>		<u>Liability</u>	<u>Payroll</u>	<u>of Payroll</u>
1/1/2009	\$ 4,597,518	\$ 9,029,320	50.9%	\$ 4,431,802	\$ 1,863,598	237.8%
1/1/2011	5,765,660	9,462,402	60.9%	3,696,742	1,880,679	196.6%
1/1/2013	6,576,414	10,210,046	64.4%	3,633,632	1,965,658	184.9%

NON-UNIFORMED PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

	Actuarial	Actuarial	Percentage	Unfunded	Actuarial	Liability
	Value of	Accrued		Actuarial	Projected	as a
	<u>Net Assets</u>	<u>Liability</u>	<u>Funded</u>	<u>Accrued</u>	<u>Covered</u>	<u>Percentage</u>
		<u>Obligation</u>		<u>Liability</u>	<u>Payroll</u>	<u>of Payroll</u>
1/1/2009	\$ 1,410,607	\$ 1,899,003	74.3%	\$ 488,396	\$ 1,237,600	39.5%
1/1/2011	1,742,276	2,237,759	77.9%	495,483	1,128,623	43.9%
1/1/2013	1,866,029	2,473,449	75.4%	607,420	1,165,397	52.1%

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS- PENSION PLAN

DECEMBER 31, 2013

POLICE PENSION PLAN

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar <u>Year</u>	Annual Required <u>Contribution</u>	Contributions from <u>Employer</u>	Percentage Contributed
2008	\$ 433,436	\$ 433,436	100%
2009	503,689	503,689	100%
2010	511,140	511,140	100%
2011	709,293	709,293	100%
2012	719,334	719,334	100%
2013	752,594	752,594	100%

NON-UNIFORMED PENSION PLAN

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar <u>Year</u>	Annual Required <u>Contribution</u>	Contributions from <u>Employer</u>	Percentage Contributed
2008	\$ 93,008	\$ 93,008	100%
2009	95,638	95,638	100%
2010	104,702	104,702	100%
2011	144,065	144,065	100%
2012	146,288	146,288	100%
2013	154,148	154,148	100%

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
OPEB PLAN

DECEMBER 31, 2013

POST RETIREMENT BENEFIT PLAN

SCHEDULE OF FUNDING PROGRESS

Valuation <u>Date</u>	Actuarial Value of <u>Net Assets</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Actuarial Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
1/1/2009 \$	-	\$ 2,981,465	0.0%	\$ 2,981,465	\$ 1,863,599	160.0%
1/1/2012	-	3,165,816	0.0%	3,165,816	2,062,606	153.5%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar <u>Year</u>	Required <u>Contribution</u>	from <u>Employer</u>	Percentage <u>Contributed</u>
2009	\$ 304,289	\$ 63,594	21%
2010	301,831	66,321	22%
2011	299,726	107,219	36%
2012	342,676	109,057	32%
2013	342,676	112,738	33%

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2013

	Special Revenue Funds						
	Street Light	Fire Tax	Park & Recreation	Pool	Fischer's Park	Highway Aid	Total
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 35	\$ 30,978	\$ 127,426	\$ 14,204	\$ 106,319	\$ 18,089	\$ 297,051
Accounts receivable	66	-	-	-	-	-	66
Taxes receivable	-	1,179	7,073	-	-	-	8,252
	-	1,179	7,073	-	-	-	8,252
TOTAL ASSETS	\$ 101	\$ 32,157	\$ 134,499	\$ 14,204	\$ 106,319	\$ 18,089	\$ 305,369
<u>LIABILITIES</u>							
Accounts payable and accrued wages	\$ -	\$ 26,875	\$ 4,708	\$ 450	\$ 1,170	\$ -	\$ 33,203
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	-	26,875	4,708	450	1,170	-	33,203
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable revenue - property taxes	-	946	5,684	-	-	-	6,630
Total Deferred Inflows of Resources	-	946	5,684	-	-	-	6,630
<u>FUND BALANCES</u>							
Restricted for:							
Streets and highways	-	-	-	-	-	18,089	18,089
Fire	-	4,336	-	-	-	-	4,336
Street lights	101	-	-	-	-	-	101
Park and recreation	-	-	124,107	-	-	-	124,107
Capital projects	-	-	-	-	105,149	-	105,149
Committed for:							
Public Art	-	-	-	-	-	-	-
Pool	-	-	-	13,754	-	-	13,754
Assigned for:							
Capital projects	-	-	-	-	-	-	-
Total Fund Balances	101	4,336	124,107	13,754	105,149	18,089	265,536
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 101	\$ 32,157	\$ 134,499	\$ 14,204	\$ 106,319	\$ 18,089	\$ 305,369

Capital Projects Funds					Total Nonmajor Governmental Funds
General Capital	Public Art	Park Capital	TT Authority	Total	
\$ 74,811	\$ 120,267	\$ 39,951	\$ 3,050	\$ 238,079	\$ 535,130
74,204	-	-	-	74,204	74,270
-	-	-	-	-	8,252
<u>\$ 149,015</u>	<u>\$ 120,267</u>	<u>\$ 39,951</u>	<u>\$ 3,050</u>	<u>\$ 312,283</u>	<u>\$ 617,652</u>
\$ 6,428	\$ -	\$ 8,800	\$ -	\$ 15,228	\$ 48,431
-	-	-	-	-	-
<u>6,428</u>	<u>-</u>	<u>8,800</u>	<u>-</u>	<u>15,228</u>	<u>48,431</u>
-	-	-	-	-	6,630
-	-	-	-	-	<u>6,630</u>
-	-	-	-	-	18,089
-	-	-	-	-	4,336
-	-	-	-	-	101
-	-	-	-	-	124,107
-	-	-	-	-	105,149
-	120,267	-	-	120,267	120,267
-	-	-	-	-	13,754
<u>142,587</u>	<u>-</u>	<u>31,151</u>	<u>3,050</u>	<u>176,788</u>	<u>176,788</u>
<u>142,587</u>	<u>120,267</u>	<u>31,151</u>	<u>3,050</u>	<u>297,055</u>	<u>562,591</u>
<u>\$ 149,015</u>	<u>\$ 120,267</u>	<u>\$ 39,951</u>	<u>\$ 3,050</u>	<u>\$ 312,283</u>	<u>\$ 617,652</u>

TOWAMENCIN TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

	Special Revenue Funds						
	Street Light	Fire Tax	Park & Recreation	Pool	Fischer's Park	Highway Aid	Total
Revenues							
Property taxes	\$ 732	\$ 52,004	\$ 312,078	\$ -	\$ -	\$ -	\$ 364,814
Investment income and rent	-	-	121	-	171	49	341
Intergovernmental revenue	-	150,557	-	-	120,000	350,317	620,874
Charges for services	-	-	12,293	155,237	-	-	167,530
Miscellaneous	-	-	13,506	3,715	100,251	-	117,472
Total Revenues	<u>732</u>	<u>202,561</u>	<u>337,998</u>	<u>158,952</u>	<u>220,422</u>	<u>350,366</u>	<u>1,271,031</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	318,126	-	-	-	-	318,126
Highways and roads	766	-	-	-	-	355,881	356,647
Culture and recreation	-	-	169,031	216,034	857,654	-	1,242,719
Total Expenditures	<u>766</u>	<u>318,126</u>	<u>169,031</u>	<u>216,034</u>	<u>857,654</u>	<u>355,881</u>	<u>1,917,492</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(34)</u>	<u>(115,565)</u>	<u>168,967</u>	<u>(57,082)</u>	<u>(637,232)</u>	<u>(5,515)</u>	<u>(646,461)</u>
Other Financing Sources (Uses)							
Proceeds from debt issuance	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-
Transfers in	-	112,000	-	60,000	-	-	172,000
Transfers out	-	-	(140,000)	-	-	-	(140,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>112,000</u>	<u>(140,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
Net Change in Fund Balance	(34)	(3,565)	28,967	2,918	(637,232)	(5,515)	(614,461)
Fund Balance - Beginning	<u>135</u>	<u>7,901</u>	<u>95,140</u>	<u>10,836</u>	<u>742,381</u>	<u>23,604</u>	<u>879,997</u>
Fund Balance - Ending	<u>\$ 101</u>	<u>\$ 4,336</u>	<u>\$ 124,107</u>	<u>\$ 13,754</u>	<u>\$ 105,149</u>	<u>\$ 18,089</u>	<u>\$ 265,536</u>

Capital Projects Funds

General Capital	Public Art	Park Capital	TT Authority	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,814
-	80	49	1	130	471
-	-	-	-	-	620,874
-	-	-	-	-	167,530
-	-	84,100	3,400	87,500	204,972
<u>-</u>	<u>80</u>	<u>84,149</u>	<u>3,401</u>	<u>87,630</u>	<u>1,358,661</u>
590,337	-	-	-	590,337	590,337
-	-	-	-	-	318,126
-	-	-	-	-	356,647
-	-	1,245	-	1,245	1,243,964
<u>590,337</u>	<u>-</u>	<u>1,245</u>	<u>-</u>	<u>591,582</u>	<u>2,509,074</u>
<u>(590,337)</u>	<u>80</u>	<u>82,904</u>	<u>3,401</u>	<u>(503,952)</u>	<u>(1,150,413)</u>
428,276	-	-	-	428,276	428,276
55,056	-	-	-	55,056	55,056
160,000	-	80,000	-	240,000	412,000
-	-	(193,161)	-	(193,161)	(333,161)
<u>643,332</u>	<u>-</u>	<u>(113,161)</u>	<u>-</u>	<u>530,171</u>	<u>562,171</u>
52,995	80	(30,257)	3,401	26,219	(588,242)
<u>89,592</u>	<u>120,187</u>	<u>61,408</u>	<u>(351)</u>	<u>270,836</u>	<u>1,150,833</u>
<u>\$ 142,587</u>	<u>\$ 120,267</u>	<u>\$ 31,151</u>	<u>\$ 3,050</u>	<u>\$ 297,055</u>	<u>\$ 562,591</u>

TOWAMENCIN TOWNSHIP

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS

December 31, 2013

	Pension Trust Funds			Agency Funds	Total
	Nonuniform Pension	Police Pension	Total	General Escrow	Fiduciary Funds
<u>ASSETS</u>					
Cash	\$ 183,667	\$ 715,068	\$ 898,735	\$ 778,327	\$ 1,677,062
Receivables	-	1,476	1,476	1,057	2,533
Investments					
Certificates of deposit	118,463	633,091	751,554	-	751,554
Corporate Bonds	42,781	161,034	203,815	-	203,815
Mutual Funds-equity	37,500	117,500	155,000	-	155,000
Common stocks	1,985,666	6,877,361	8,863,027	-	8,863,027
Total investments	<u>2,184,410</u>	<u>7,788,986</u>	<u>9,973,396</u>	<u>-</u>	<u>9,973,396</u>
 TOTAL ASSETS	<u>\$ 2,368,077</u>	<u>\$ 8,505,530</u>	<u>\$ 10,873,607</u>	<u>\$ 779,384</u>	<u>\$ 11,652,991</u>
 <u>LIABILITIES</u>					
Payables	\$ 1,476	\$ 295	\$ 1,771	\$ -	\$ 1,771
Escrow Payable	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>779,384</u>	<u>779,384</u>
 TOTAL LIABILITIES	<u>1,476</u>	<u>295</u>	<u>1,771</u>	<u>779,384</u>	<u>781,155</u>
 <u>NET POSITION</u>					
Restricted for:					
Pension benefits	<u>\$ 2,366,601</u>	<u>\$ 8,505,235</u>	<u>\$ 10,871,836</u>	<u>\$ -</u>	<u>\$ 10,871,836</u>
 TOTAL NET POSITION	<u>\$ 2,366,601</u>	<u>\$ 8,505,235</u>	<u>\$ 10,871,836</u>	<u>\$ -</u>	<u>\$ 10,871,836</u>

TOWAMENCIN TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2013

	<u>Pension Trust Funds</u>			<u>Total Fiduciary Funds</u>
	<u>Nonuniform Pension</u>	<u>Police Pension</u>	<u>Total</u>	
Additions				
Contributions				
Member contributions	\$ -	\$ 109,360	\$ 109,360	\$ 109,360
Employer contributions	69,987	584,272	654,259	654,259
State contributions	84,161	168,322	252,483	252,483
Total Contributions	<u>154,148</u>	<u>861,954</u>	<u>1,016,102</u>	<u>1,016,102</u>
Investment Earnings				
Net appreciation (depreciation) in fair value of investments	283,550	1,531,797	1,815,347	1,815,347
Investment earnings	198,318	150,788	349,106	349,106
Total Investment Earnings	481,868	1,682,585	2,164,453	2,164,453
Less investment expense	(13,084)	(43,291)	(56,375)	(56,375)
Net Investment Earnings	<u>468,784</u>	<u>1,639,294</u>	<u>2,108,078</u>	<u>2,108,078</u>
Total Additions	<u>622,932</u>	<u>2,501,248</u>	<u>3,124,180</u>	<u>3,124,180</u>
Deductions				
Benefits	117,948	601,362	719,310	719,310
Miscellaneous expense	2,701	13,949	16,650	16,650
Actuary fees	5,850	7,180	13,030	13,030
Total Deductions	<u>126,499</u>	<u>622,491</u>	<u>748,990</u>	<u>748,990</u>
Change in Net Assets	496,433	1,878,757	2,375,190	2,375,190
Net Position restricted for Pensions:				
Beginning of Year	<u>1,870,168</u>	<u>6,626,478</u>	<u>8,496,646</u>	<u>8,496,646</u>
End of Year	<u>\$ 2,366,601</u>	<u>\$ 8,505,235</u>	<u>\$ 10,871,836</u>	<u>\$ 10,871,836</u>

TOWAMENCIN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN POSITION
AND LIABILITIES - AGENCY FUNDS

December 31, 2013

	<u>Balance</u> <u>January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2013</u>
<u>ESCROWS</u>				
ASSETS				
Cash and Investments	\$ 1,250,646	\$ 33,216	\$ (505,535)	\$ 778,327
Receivables	7,290	-	(6,233)	1,057
	<u>\$ 1,257,936</u>	<u>\$ 33,216</u>	<u>\$ (511,768)</u>	<u>\$ 779,384</u>
LIABILITIES				
Escrow Payable	<u>\$ 1,257,936</u>	<u>\$ 33,216</u>	<u>\$ (511,768)</u>	<u>\$ 779,384</u>