



WILLISTOWN TOWNSHIP
BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION

YEAR ENDED
December 31, 2012

WILLISTOWN TOWNSHIP

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December 31, 2012

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TOWNSHIP OF WILLISTOWN, PENNSYLVANIA
PRINCIPAL OFFICIALS
as of December 31, 2012

BOARD OF SUPERVISORS

Norman S. MacQueen

Chairman

William R. Shoemaker

Vice-Chairman

Robert T. Lange

Member

OTHER MANAGEMENT OFFICIALS

David R. Burman

Township Manager

John M. Narcise

Chief of Police

INDEPENDENT AUDITOR'S REPORT

To The Board of Supervisors Willistown Township

Report on the Financial Statements

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 Willistown Township, Chester County, Pennsylvania as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Willistown Township's basic financial statements as listed in the foregoing index. The prior year summarized comparative information has been derived from the Township's 2011 financial statements and, in our report dated August 27, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willistown Township, as of December 31, 2012, and the respective changes in

**To The Board of Supervisors
Willistown Township**

financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress presented on pages 4 through 13 and 43 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 on our consideration of Willistown Township's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willistown Township's internal control over financial reporting and compliance.



**Hanna, McGlone & Co. P.C.
King of Prussia, Pennsylvania
June 25, 2013**

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

This discussion and analysis of Willistown Township, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2012. Please read it in conjunction with the Township's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- During 2012, Willistown Township issued General Obligation Bonds, Series 2012, in the amount of \$9,405,000 for the purpose of refunding the 2007 General Obligation Bonds and to pay the costs of issuing the bonds. The total amount of bonds outstanding at December 31, 2012 was \$10,652,719.
- The assets of Willistown Township exceeded its liabilities at the close of the 2012 fiscal year by \$19,791,522 which represents the Township's net position. Of this amount, 49% or \$9,717,731 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$1,775,933 in 2012.
- As of December 31, 2012, the Township's combined ending fund balance for its governmental funds amounted to \$11,622,782 an increase of \$1,771,875 compared to the prior year. Approximately 43% of the total governmental fund balance, or \$5,026,629, is available for spending at the Township's discretion (unrestricted & unassigned fund balance).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 14 and 15, respectively, provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. For governmental activities, the governmental fund statements, which begin on page 16, explain how services were financed in the short term as well as what remains for future spending. For business-type activities, the proprietary fund statements report these activities by fund with the sewer fund being the only business-type activity operated by the Township. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the Township as a whole begins on page 14 with the Statement of Net Position and on page 15 with the Statement of Activities.

WILLISTOWN TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

These statements provide information that will help the reader determine if the Township is financially better or worse as a result of the year's activities. 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 the changes in net position during the year. The reader can think of the Township's net position (the difference between assets and liabilities) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, we divide the Township into two types of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the police, general administration, public works and parks and recreation. Property taxes, earned income tax, intergovernmental revenues and franchise fees finance most of these activities.
- **Business-type Activities** – The Township charges a fee to customers to cover all of the cost of certain services it provides. The Township's sewer funds are reported here.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds provides detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors establishes many other funds to help it control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Township's two types of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds: Most of the Township's basic services are reported in 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 spending. These funds are reported using an accounting method called **modified** accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation on page 17 of this report.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Proprietary Funds: When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise fund (a component of proprietary funds) is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as Pension Plans) are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Government-wide

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's total activities.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, and additions or improvements to the storm drainage, and the sewer collection system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets in the amount of \$9,717,731 at December 31, 2012 may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains a "Aa" rating from Moody's for its current debt issuances. This is Moody's second highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2012, the Township's assets exceeded its liabilities by \$19,791,522.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

*Table 1
Summarized Schedule of Net Position
December 31, 2012 and 2011*

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 12,086,366	\$ 2,210,918	\$ 14,297,284	\$ 10,308,213	\$ 1,836,414	\$ 12,144,627
Noncurrent Assets	\$ 13,980,305	\$ 3,363,715	\$ 17,344,020	\$ 14,005,144	\$ 3,562,694	\$ 17,567,838
Total Assets	\$ 26,066,671	\$ 5,574,633	\$ 31,641,304	\$ 24,313,357	\$ 5,399,108	\$ 29,712,465
Current Liabilities	\$ 564,309	\$ 499,274	\$ 1,063,583	\$ 720,746	\$ 508,247	\$ 1,228,993
Long-Term Liabilities	\$ 9,822,608	\$ 950,506	\$ 10,773,114	\$ 9,284,697	\$ 1,169,577	\$ 10,454,274
Total Liabilities	\$ 10,386,917	\$ 1,449,780	\$ 11,836,697	\$ 10,005,443	\$ 1,677,824	\$ 11,683,267
Deferred Inflow of Resources	\$ 13,085	\$ 0	\$ 13,085	\$ 13,609	\$ 0	\$ 13,609
Total Deferred Inflows	\$ 13,085	\$ 0	\$ 13,085	\$ 13,609	\$ 0	\$ 13,609
Net Investment						
In Capital Assets	\$ 4,376,311	\$ 2,196,996	\$ 6,573,307	\$ 4,743,967	\$ 2,186,911	\$ 6,930,878
Restricted	\$ 3,500,484	\$ 0	\$ 3,500,484	\$ 2,886,832	\$ 0	\$ 2,886,832
Unrestricted	\$ 7,789,874	\$ 1,927,857	\$ 9,717,731	\$ 6,663,506	\$ 1,534,373	\$ 8,197,879
Total Net Position	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522	\$ 14,294,305	\$ 3,721,284	\$ 18,015,589

*Table 2
Changes in Net Position
Years Ended December 31, 2012 and 2011*

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 347,135	\$ 1,746,518	\$ 2,093,653	\$ 218,990	\$ 1,719,239	\$ 1,938,229
Operating Grants & Contributions	\$ 659,061	\$ 81,650	\$ 740,711	\$ 831,352	\$ 6,756	\$ 838,108
General Revenues						
Real Estate Taxes	\$ 347,724	\$ 0	\$ 347,724	\$ 346,208	\$ 0	\$ 346,208
Local Service Tax	\$ 192,170	\$ 0	\$ 192,170	\$ 261,695	\$ 0	\$ 261,695
Transfer Taxes	\$ 717,259	\$ 0	\$ 717,259	\$ 424,313	\$ 0	\$ 424,313
Earned Income Tax	\$ 6,155,965	\$ 0	\$ 6,155,965	\$ 5,038,078	\$ 0	\$ 5,038,078
Investment Earnings	\$ 100,338	\$ 2,160	\$ 102,498	\$ 39,946	\$ 2,896	\$ 42,842
Transfer - Net	\$ (548,581)	\$ 0	\$ (548,581)	\$ (590,416)	\$ 0	\$ (590,416)
Other	\$ 372,883	\$ 0	\$ 372,883	\$ 284,399	\$ 0	\$ 284,399
Total Revenues	\$ 8,343,954	\$ 1,830,328	\$ 10,174,282	\$ 6,854,565	\$ 1,728,891	\$ 8,583,456

The Schedule continues on the next page.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

*Table 2, Continued
Changes in Net Position
Years Ended December 31, 2012 and 2011*

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Total Revenues from Previous Page	\$ 8,343,954	\$ 1,830,328	\$ 10,174,282	\$ 6,854,565	\$ 1,728,891	\$ 8,583,456
Expenses:						
General Government	\$ 2,381,359	\$ 0	\$ 2,381,359	\$ 2,523,034	\$ 0	\$ 2,523,034
Public Safety	\$ 3,130,048	\$ 0	\$ 3,130,048	\$ 3,210,011	\$ 0	\$ 3,210,011
Public Works	\$ 785,046	\$ 0	\$ 785,046	\$ 835,815	\$ 0	\$ 835,815
Health and Welfare	\$ 2,500	\$ 0	\$ 2,500	\$ 8,800	\$ 0	\$ 8,800
Parks and Recreation	\$ 290,937	\$ 0	\$ 290,937	\$ 301,048	\$ 0	\$ 301,048
Interest Expense	\$ 381,700	\$ 0	\$ 381,700	\$ 395,444	\$ 0	\$ 395,444
Sewer Operations	\$ 0	\$ 1,426,759	\$ 1,426,759	\$ 0	\$ 1,196,946	\$ 1,196,946
Total Expenses	\$ 6,971,590	\$ 1,426,759	\$ 8,398,349	\$ 7,274,152	\$ 1,196,946	\$ 8,471,098
Change in Net Position	\$ 1,372,364	\$ 403,569	\$ 1,775,933	\$ (419,587)	\$ 531,945	\$ 112,358
Net Position - Beginning of Year	\$ 14,294,305	\$ 3,721,284	\$ 18,015,589	\$ 14,713,892	\$ 3,189,339	\$ 17,903,231
Net Position - End of Year	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522	\$ 14,294,305	\$ 3,721,284	\$ 18,015,589

Governmental Activities

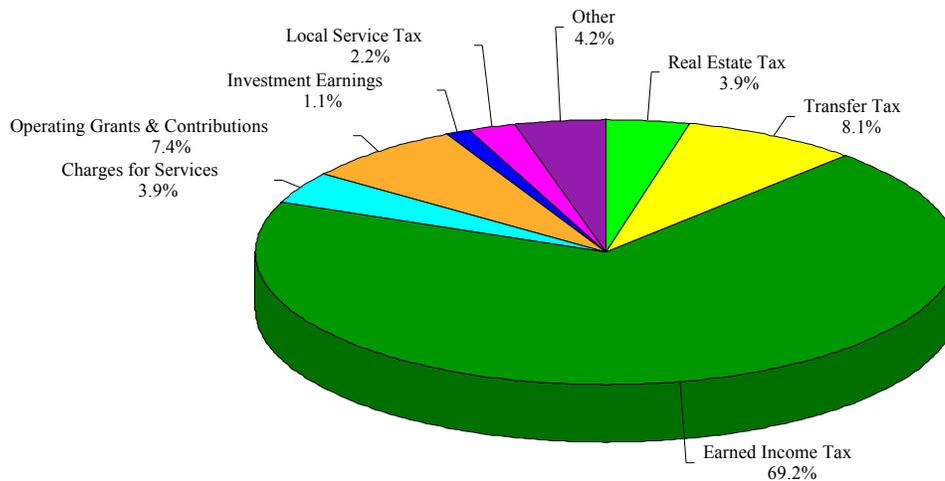
As shown in Table 1, the 2012 net position increase of \$1,775,933 is primarily reflected through an increase in current assets.

As shown in Table 2, governmental revenues exceeded governmental expenses by \$1,372,364 in 2012 resulting in an overall increase in net position. Total governmental revenues increased in 2012 by \$1,489,389 which is primarily attributable to an increase in earned income and transfer taxes.

The following graph illustrates the Township's revenue sources, with Earned Income Tax providing the major funding for our governmental activities, accounting for 70% of total governmental revenues. The next major revenue source is Transfer Tax, accounting for 8% of governmental revenues. Due to new home construction in the Township, transfer taxes in Willistown increased nearly \$300,000. Real estate and local service taxes collectively provide 6% of governmental revenues. The Township relies on all of these revenues to provide the quality of life to citizens and businesses to which the Board of Supervisors has always been committed.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

G o v e r n m e n t a l A c t i v i t i e s



Business-Type Activities

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenues are not specific to an individual program, but to the fund as a whole.

As shown in Table 2, revenues exceed expenses by \$403,569 in 2012 resulting in an overall increase in net position which helped maintain the strong financial condition of the Township.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to demonstrate and ensure 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, unassigned 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, 2012, the Township's governmental funds reported combined ending balances of \$11,622,782, an increase of \$1,771,875 from the prior year. Approximately \$5 million of the

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

governmental fund balance constitutes unrestricted & unassigned fund balance of the governmental funds, which is available for spending at the Township's discretion. The Township has restricted and assigned \$6.6 million of the governmental fund balance, which means that it is not available for new spending because it has already been designated or restricted for: 1) open space acquisition, 2) capital improvements or 3) a variety of other purposes.

The Township maintains a General Fund which serves as the chief operating fund of the Township. As of December 31, 2012 the total fund balance of the General Fund was \$5,026,629, all of which is unassigned. The Township had budgeted to break even for the year, meaning no change in fund balance, but the General Fund balance increased by \$1,071,206 in fiscal year 2012. Key factors for this increase are as follows:

- Revenue from Earned Income Taxes generated \$300,000 more than expected.
- Although the Township had taken a conservative approach to its 2012 revenue estimates, the completion of Phase I of Toll Brothers' Applebrook Meadows Development generated increases in transfer taxes and permit fees of nearly \$300,000 and \$100,000, respectively.
- Intergovernmental revenues were \$125,000 more than expected.
- The Township's efforts to decrease spending during 2012 resulted in more than \$200,000 of savings across all departments.

The Township maintains a Capital Reserve Fund to account for major capital acquisitions and construction separately from the ongoing activities. As of December 31, 2012, the fund balance totaled \$1,949,823.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The primary Special Revenue Fund includes the Liquid Fuels Fund. Revenue sources for these funds include special assessments, grants from the Commonwealth of Pennsylvania, and interest earnings. During 2012, the Township received \$270,864 from the Commonwealth of Pennsylvania to pay for roadway repairs and maintenance.

The financial statements for the governmental funds can be found on pages 16 and 18 of this report.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Proprietary Funds

The Township's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,927,857. The total increase in unrestricted net position was \$393,484. Factors contributing to the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

The financial statements for the proprietary funds can be found on pages 20 through 22 of this report.

Fiduciary Funds

The Township maintains Pension Trust Funds and Agency Funds to account for assets held by the Township in a trustee capacity. The Pension Trust Funds' assets held pertain to the Police and Municipal Pension Plans. The Agency Funds are custodial in nature and account for the escrow accounts held by the Township.

The financial statements for the fiduciary funds can be found on pages 23 and 24 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the Township's budget and actual results can be found on pages 43 through 46. Sewer Fund budget comparisons can be found on pages 48 through 51.

For 2012, there were no revisions to the General Fund budget.

As of December 31, 2012, the total fund balance of the General Fund was \$5,026,629, all of which is unassigned. As discussed on the previous page, the General Fund balance increased by \$1,071,206 in fiscal year 2012.

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, 2012 amounts to \$17,344,020, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure.

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Long-term Debt

During 2012, the Township issued General Obligation Bonds, Series 2012, in the amount of \$9,405,000. The debt issuance was used to retire the outstanding 2007 General Obligation Bonds and to pay for the cost of issuance. At December 31, 2012, the Township had \$10,652,719 in total bonds outstanding (all of which is non-electoral debt) versus \$10,589,583 last year – an increase of \$63,136. Please see Note 5 of the basic financial statements for more information regarding the Township's long term debt.

Willistown Township maintains an "Aa1" rating from Moody's for its current debt issuances.

State statutes limit the amount of general obligation non-electoral debt a governmental entity may issue to 250% of its average borrowing base (average adjusted revenues over the past three years). The current non-electoral debt limitation for Willistown Township is \$20,638,674 which is significantly more than the Township's associated outstanding debt of \$10,652,719.

Additional information about the Township's long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Township continues to maintain a diversified revenue base to mitigate potential short-term fluctuations in any one source.
- The Township maintains a conservative approach to its revenue estimates, despite the future approval and completion of Phases I and II of the Toll Brothers' Applebrook Meadows Development. Other new housing development is relatively static, with some exceptions. The number of real estate sales in the Township directly impacts the real estate transfer tax, but has nominal impact on real estate property tax revenue.
- Contractual requirements of the Collective Bargaining Agreement with the Willistown Police Association, along with the evolving market for health and benefits in the United States, continue to place a significant financial burden on the Township.
- The real estate tax millage of 0.28 mills remains unchanged.
- The Township's largest source of revenue in the General Fund is the Earned Income Tax, which showed signs of growth during 2012, after years of sluggish performance.
- The Earned Income Tax in the General Fund is levied at a rate of 0.875% on both residents and non-residents. All employers within the Township are required to withhold the earned income tax and submit it to the Township's earned income tax collector. The Township's earned income tax collector must transmit receipts from non-residents to the employees' place of residence. When the employees' place of residence does not impose the earned income tax, Willistown retains those receipts. The Township administration remains concerned that one or more jurisdictions not currently imposing the earned income tax may explore that option, particularly during these difficult economic times. This could result in a reduction in earned income tax revenues for Willistown Township. Likewise, the Township administration remains concerned that the Great Valley School District may explore implementation of the earned income tax, which would result

**WILLISTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

in a 50% reduction in earned income tax revenues to the Township. The Township administration will continue to monitor related events for any potential impact on Willistown's finances.

All of these factors were considered in preparing the Township's budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Willistown Township's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Open Records Officer, Willistown Township, 40 Lloyd Ave., Suite 204-206, Malvern, PA 19355.

In addition, general information relating to Willistown Township can be found on its website, <http://www.willistown.pa.us>.

Basic Financial Statements

WILLISTOWN TOWNSHIP
STATEMENT OF NET POSITION (WITH COMPARATIVE TOTALS FOR 2011)

				December 31	
		Governmental Activities	Business-Type Activities	2012	2011
ASSETS					
CURRENT ASSETS	Cash (Notes 1 and 2)	\$ 9,984,171	\$ 1,550,777	\$ 11,534,948	\$ 9,843,493
	Investments (Note 2)	915,688	0	915,688	757,462
	Receivables (Note 1)				
	Real Estate & Transfer	69,238	0	69,238	57,959
	Local Service & Earned Income Tax	439,471	0	439,471	144,760
	Due From Other Funds (Note 4)	612,576	0	612,576	599,828
	Other	65,222	0	65,222	86,020
	Sewer	0	660,141	660,141	655,105
	Total Current Assets	12,086,366	2,210,918	14,297,284	12,144,627
NONCURRENT ASSETS (NOTES 1 and 3)	Land	11,532,389	0	11,532,389	11,532,389
	Construction in Progress	390,416	0	390,416	253,122
	Depreciable Capital Assets	3,930,398	4,531,669	8,462,067	8,323,627
		15,853,203	4,531,669	20,384,872	20,109,139
	Less: Accumulated Depreciation	(1,872,898)	(1,167,954)	(3,040,852)	(2,541,301)
	Total Noncurrent Assets	13,980,305	3,363,715	17,344,020	17,567,838
TOTAL ASSETS		\$ 26,066,671	\$ 5,574,633	\$ 31,641,304	\$ 29,712,465
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES	Accounts Payable	\$ 143,802	\$ 0	\$ 143,802	\$ 99,671
	Accrued Interest Payable	11,541	0	11,541	16,990
	Due to Other Funds (Note 4)	310,052	283,061	593,113	640,187
	Capital Lease (Note 6)	41,376	0	41,376	23,139
	Bonds and Notes Payable (Note 5)	57,538	216,213	273,751	449,006
	Total Current Liabilities	564,309	499,274	1,063,583	1,228,993
LONG-TERM LIABILITIES	Deferred Revenue	9,730	0	9,730	18,016
	Capital Lease (Note 6)	60,445	0	60,445	24,238
	Bonds and Notes Payable (Note 5)	9,444,635	950,506	10,395,141	10,140,577
	Other Post Employment Benefits Accrual (Note 8)	307,798	0	307,798	271,443
	Total Long-Term Liabilities	9,822,608	950,506	10,773,114	10,454,274
TOTAL LIABILITIES		10,386,917	1,449,780	11,836,697	11,683,267
DEFERRED INFLOW OF RESOURCES (NOTE 1)	Deferral on Current Refunding	13,085	0	13,085	13,609
	Total Deferred Inflow of Resources	13,085	0	13,085	13,609
NET POSITION (NOTE 1)	Net Investment in Capital Assets	4,376,311	2,196,996	6,573,307	6,930,878
	Restricted for:				
	State Highways and Streets	336,633	0	336,633	275,221
	Open Space Acquisitions	3,163,851	0	3,163,851	2,611,611
	Unrestricted	7,789,874	1,927,857	9,717,731	8,197,879
	Total Net Position	15,666,669	4,124,853	19,791,522	18,015,589
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		\$ 26,066,671	\$ 5,574,633	\$ 31,641,304	\$ 29,712,465

The accompanying notes are an integral part of these financial statements.

WILLISTOWN TOWNSHIP
STATEMENT OF ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2011)

<i>For the Years Ended December 31</i>	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2012	2011
GOVERNMENTAL ACTIVITIES								
General Government	\$ 2,381,359	\$ 37,631	\$ 254,546	\$ 0	\$ (2,089,182)	\$ 0	\$ (2,089,182)	\$ (2,162,343)
Public Safety	3,130,048	275,037	132,651	0	(2,722,360)	0	(2,722,360)	(2,826,577)
Public Works	785,046	20,047	270,864	0	(494,135)	0	(494,135)	(553,848)
Health and Welfare	2,500	0	0	0	(2,500)	0	(2,500)	(8,800)
Parks and Recreation	290,937	14,420	1,000	0	(275,517)	0	(275,517)	(276,798)
Interest Expense	381,700	0	0	0	(381,700)	0	(381,700)	(395,444)
<i>Total Governmental Activities</i>	<u>6,971,590</u>	<u>347,135</u>	<u>659,061</u>	<u>0</u>	<u>(5,965,394)</u>	<u>0</u>	<u>(5,965,395)</u>	<u>(6,223,810)</u>
BUSINESS TYPE ACTIVITIES								
Sewer	<u>1,426,759</u>	<u>1,746,518</u>	<u>0</u>	<u>81,650</u>	<u>0</u>	<u>401,409</u>	<u>401,409</u>	<u>529,049</u>
<i>Total Business Type Activities</i>	<u>1,426,759</u>	<u>1,746,518</u>	<u>0</u>	<u>81,650</u>	<u>0</u>	<u>401,409</u>	<u>401,409</u>	<u>529,049</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,398,349</u>	<u>\$ 2,093,653</u>	<u>\$ 659,061</u>	<u>\$ 81,650</u>	<u>(5,965,394)</u>	<u>401,409</u>	<u>(5,563,985)</u>	<u>(5,694,761)</u>
GENERAL REVENUES								
Taxes:								
Real Estate					347,724	0	347,724	346,208
Local Service Tax					192,170	0	192,170	261,695
Transfer Taxes					717,259	0	717,259	424,313
Earned Income					6,155,965	0	6,155,965	5,038,078
Franchise Fees					233,891	0	233,891	222,096
Fines and Forfeits					57,659	0	57,659	44,947
Investment Earnings					100,338	2,160	102,498	42,842
Gain on Sale of Capital Assets					2,150	0	2,150	6,896
Miscellaneous					79,183	0	79,183	10,460
Transfers - Net					(548,581)	0	(548,581)	(590,416)
Total General Revenues and Transfers					<u>7,337,758</u>	<u>2,160</u>	<u>7,339,918</u>	<u>5,807,119</u>
CHANGE IN NET POSITION (Note 1)					<u>1,372,364</u>	<u>403,569</u>	<u>1,775,933</u>	<u>112,358</u>
NET POSITION, BEGINNING OF YEAR (Note 1)					<u>14,294,305</u>	<u>3,721,284</u>	<u>18,015,589</u>	<u>17,903,231</u>
NET POSITION, END OF YEAR					<u>\$ 15,666,669</u>	<u>\$ 4,124,853</u>	<u>\$ 19,791,522</u>	<u>\$ 18,015,589</u>

WILLISTOWN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2011)
DECEMBER 31

	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds	Totals	
					2012	2011
ASSETS						
Cash	\$ 4,136,854	\$ 3,110,540	\$ 1,958,534	\$ 778,243	\$ 9,984,171	\$ 8,678,542
Investments	0	0	0	915,688	915,688	757,462
Taxes Receivable	395,890	53,311	0	0	449,201	162,777
Other Accounts Receivable	124,730	0	0	0	124,730	96,222
Due From Other Funds	602,576	0	10,000	0	612,576	583,470
TOTAL ASSETS	\$ 5,260,050	\$ 3,163,851	\$ 1,968,534	\$ 1,693,931	\$ 12,086,366	\$ 10,278,473
LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Accounts Payable	\$ 125,091	\$ 0	\$ 18,711	\$ 0	\$ 143,802	\$ 58,671
Due to Other Funds	98,600	0	0	211,452	310,052	350,879
Deferred Revenue	9,730	0	0	0	9,730	18,016
<i>Total Liabilities</i>	233,421	0	18,711	211,452	463,584	427,566
<i>Fund Balances</i>						
Restricted For:						
Public Highways and Streets	0	0	0	336,633	336,633	275,221
Open Space Acquisitions	0	3,163,851	0	0	3,163,851	2,611,611
Assigned For:						
General Government	0	0	0	239,666	239,666	250,759
Other Post Employment Benefits	0	0	0	903,300	903,300	757,462
Capital Purchases	0	0	1,949,823	0	1,949,823	1,998,799
Park and Recreation	0	0	0	2,880	2,880	1,632
Unassigned	5,026,629	0	0	0	5,026,629	3,955,423
<i>Total Fund Balances</i>	5,026,629	3,163,851	1,949,823	1,482,479	11,622,782	9,850,907
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,260,050	\$ 3,163,851	\$ 1,968,534	\$ 1,693,931	\$ 12,086,366	\$ 10,278,473

WILLISTOWN TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2011)

	December 31	
	2012	2011
TOTAL GOVERNMENTAL FUND BALANCES (Page 16)	\$ 11,622,782	\$ 9,850,907
Amounts reported for governmental activities in the Statements of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,980,305	14,005,144
Prepaid expense items are not financial resources and therefore are not reported in the funds.	0	29,741
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds & Notes Payable	(9,502,173)	(9,213,800)
Capital Lease Obligations	(101,821)	(47,377)
Other Post Employment Benefits Liability	(307,798)	(271,443)
Deferral on Bond Refunding	(13,085)	(13,609)
Accounts Payable on Capital Assets	0	(28,268)
Accrued Interest Payable	(11,541)	(16,990)
NET POSITION OF GOVERNMENTAL ACTIVITIES (Page 14)	\$ <u>15,666,669</u>	\$ <u>14,294,305</u>

WILLISTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (WITH COMPARATIVE TOTALS FOR 2011)

<i>For the Years Ended December 31</i>					TOTALS		
					2012	2011	
	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds			
REVENUES	Real Estate Taxes	\$ 347,724	\$ 0	\$ 0	\$ 0	\$ 347,724	\$ 346,208
	Local Service Tax	192,170	0	0	0	192,170	261,695
	Real Estate Transfer Tax	717,259	0	0	0	717,259	424,313
	Earned Income Tax	5,392,262	763,702	0	0	6,155,964	5,038,078
	Fines, Forfeitures, and Other Costs	57,659	0	0	0	57,659	44,947
	Cable Franchise Fees	233,891	0	0	0	233,891	222,096
	Interest, Dividends, and Rents	7,142	4,336	3,069	21,548	36,095	47,550
	Intergovernmental Revenues	387,197	0	0	271,864	659,061	831,352
	Park and Recreation Fees	14,420	0	0	0	14,420	23,436
	Charges for Services	332,714	0	0	0	332,714	195,554
	Miscellaneous	107,298	0	0	182	107,480	10,460
	Total Revenues	7,789,736	768,038	3,069	293,594	8,854,437	7,445,689
EXPENDITURES	General Government	2,173,493	19,257	0	31,580	2,224,330	2,468,821
	Public Safety	2,914,852	0	0	0	2,914,852	3,080,872
	Health and Welfare	2,500	0	0	0	2,500	8,800
	Public Works	510,343	0	0	210,309	720,652	938,508
	Culture and Recreation	222,619	0	0	805	223,424	254,571
	Capital Outlay	223,840	5,400	51,045	0	280,285	511,476
	Debt Service						
	Principal Payment	37,800	0	0	0	37,800	231,900
	Interest and Other Charges	5,390	382,283	0	0	387,673	396,280
	Total Expenditures	6,090,837	406,940	51,045	242,694	6,791,516	7,891,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		1,698,899	361,098	(47,976)	50,900	2,062,921	(445,539)
OTHER FINANCING SOURCES (USES)	Transfers In	113,738	0	0	196,000	309,738	223,578
	Transfers Out	(743,581)	0	(1,000)	(113,738)	(858,319)	(813,994)
	Retirement of 2007 General Obligation Bonds	0	(9,095,000)	0	0	(9,095,000)	0
	Proceeds from 2012 General Obligation Bonds	0	9,405,000	0	0	9,405,000	0
	Issuance Costs for 2012 General Obligation Bonds	0	(118,858)	0	0	(118,858)	0
	Gain on Sale of Fixed Assets	2,150	0	0	0	2,150	6,896
	Realized and Unrealized						
	Gain (Loss) on Investments	0	0	0	64,243	64,243	(7,604)
	Total Other Financing Sources (Uses)	(627,693)	191,142	(1,000)	146,505	(291,046)	(591,124)
NET CHANGE IN FUND BALANCES		1,071,206	552,240	(48,976)	197,405	1,771,875	(1,036,663)
FUND BALANCES, BEGINNING OF YEAR		3,955,423	2,611,611	1,998,799	1,285,074	9,850,907	10,887,570
FUND BALANCES, END OF YEAR		\$ 5,026,629	\$ 3,163,851	\$ 1,949,823	\$ 1,482,479	\$ 11,622,782	\$ 9,850,907

WILLISTOWN TOWNSHIP

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(WITH COMPARATIVE TOTALS FOR 2011)**

<i>For the Years Ended December 31</i>	2012	2011
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (Page 18)	\$ 1,771,875	\$ (1,036,663)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	113,000	607,131
Depreciation Expense	(261,648)	(250,326)
Repayment of debt principal or long term liabilities is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		
Bond Principal Payments	37,800	231,900
Capital Lease Principal Payments	38,127	22,090
Note Payable Principal Payments	13,593	0
Other Post Employment Benefits (Net)	(36,355)	(42,742)
Amortization of Deferral Charges	523	523
Retirement of 2007 General Obligation Bonds	9,095,000	0
Proceeds from 2012 General Obligation Bonds	(9,405,000)	0
Write-off of accounts receivable	0	18,447
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Prepaid Expenses	0	29,741
Accrued Interest Expense - Prior Year	16,990	17,302
Accrued Interest Expense - Current Year	(11,541)	(16,990)
CHANGE IN NET POSITION - GOVERNMENTAL FUNDS (Page 15)	\$ <u>1,372,364</u>	\$ <u>(419,587)</u>

WILLISTOWN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2011)

		December 31	
		2012	2011
ASSETS			
CURRENT ASSETS	Cash and Cash Equivalents (Notes 1 & 2)	\$ 1,550,777	\$ 1,164,951
	Due from Other Funds (Note 4)	0	16,358
	Accounts Receivable (Note 1)	660,141	655,105
	Total Current Assets	2,210,918	1,836,414
PROPERTY, PLANT & EQUIPMENT	Sewer Collection System (Note 3)	4,531,669	4,531,669
	Less: Accumulated Depreciation	(1,167,954)	(968,975)
	Net Property, Plant & Equipment	3,363,715	3,562,694
TOTAL ASSETS		\$ 5,574,633	\$ 5,399,108
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES	Accounts Payable	\$ 0	\$ 12,733
	Bonds & Notes Payable (Note 5)	216,213	206,206
	Due to Other Funds (Note 4)	283,061	289,308
	Total Current Liabilities	499,274	508,247
NONCURRENT LIABILITIES	Bonds & Notes Payable (Note 5)	950,506	1,169,577
	Total Noncurrent Liabilities	950,506	1,169,577
TOTAL LIABILITIES		1,449,780	1,677,824
NET POSITION (NOTE 1)	Net Investment in Capital Assets	2,196,996	2,186,911
	Unrestricted	1,927,857	1,534,373
	Total Net Position	4,124,853	3,721,284
TOTAL LIABILITIES AND NET POSITION		\$ 5,574,633	\$ 5,399,108

WILLISTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND
(WITH COMPARATIVE TOTALS FOR 2011)

<i>For the Years Ended December 31</i>		2012	%	2011	%	Variance	
						Over (Under)	%
OPERATING							
REVENUES AND EXPENSES	Sewer Charges	\$ 1,746,518	100.0	\$ 1,719,239	100.0	27,279	1.6
	Sewage Treatment	(545,381)	(31.2)	(536,312)	(31.2)	(9,069)	(1.7)
	Operations & Maintenance	(602,803)	(34.5)	(385,363)	(22.4)	(217,440)	(56.4)
	General and Administrative	(11,704)	(0.7)	(10,680)	(0.6)	(1,024)	(9.6)
NET OPERATING INCOME BEFORE DEPRECIATION		586,630	33.6	786,884	45.8	(200,254)	25.4
	Depreciation & Amortization (Note 1)	198,979	11.4	194,672	11.3	4,307	0.0
NET INCOME FROM OPERATIONS		387,651	22.2	592,212	34.5	(204,561)	(34.5)
NON-OPERATING							
INCOME (EXPENSE)	Investment Income	2,160	0.1	2,896	0.2	(736)	(25.4)
	Interest Expense	(67,892)	(3.9)	(69,919)	(4.1)	2,027	2.9
	<i>Total Non-Operating Income (Expense) - Net</i>	<i>(65,732)</i>	<i>(3.8)</i>	<i>(67,023)</i>	<i>(3.9)</i>	<i>1,291</i>	<i>(1.9)</i>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS		321,919	18.4	525,189	30.6	(203,270)	(38.7)
CAPITAL CONTRIBUTIONS AND TRANSFERS							
	Tapping Fee Income	81,650	4.7	6,756	0.4	74,894	1,108.6
	<i>Total Capital Contributions and Transfers</i>	<i>81,650</i>	<i>4.7</i>	<i>6,756</i>	<i>0.4</i>	<i>74,894</i>	<i>1,108.6</i>
CHANGE IN NET POSITION (Note 1)		403,569	23.1	531,945	31.0	(128,376)	(24.1)
NET POSITION, BEGINNING OF YEAR (Note 1)		3,721,284		3,189,339			
NET POSITION, END OF YEAR		\$ 4,124,853		\$ 3,721,284			

WILLISTOWN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUND (WITH COMPARATIVE TOTALS FOR 2011)

<i>Cash Flows From:</i>		<i>December 31</i>	
		<i>2012</i>	<i>2011</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$ 1,741,483	\$ 1,783,146
	Cash Payments to Employees for Services	(152,531)	(86,030)
	Cash Payments to Vendors for Goods and Services	(1,020,091)	(884,194)
	<i>Net Cash Provided by Operating Activities</i>	568,861	812,922
NONCAPITAL AND RELATED FINANCING ACTIVITIES	Interfund Transfers - Transfer In	10,111	63,045
	<i>Net Cash Provided by Noncapital and Related Financing Activities</i>	10,111	63,045
CAPITAL AND RELATED FINANCING ACTIVITIES	Tapping Fee Income	81,650	6,756
	Purchases of Capital Assets	0	(102,369)
	Debt Principal Payments	(209,064)	(197,826)
	Interest Paid	(67,892)	(69,919)
	<i>Net Cash Used by Capital and Related Financing Activities</i>	(195,306)	(363,358)
INVESTING ACTIVITIES	Investment Earnings	2,160	2,896
	<i>Net Cash Provided by Investing Activities</i>	2,160	2,896
	<i>Net Increase In Cash and Cash Equivalents</i>	385,826	515,505
	<i>Cash and Cash Equivalents-Beginning</i>	1,164,951	649,446
	<i>Cash and Cash Equivalents-Ending</i>	\$ 1,550,777	\$ 1,164,951
 <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>			
	Operating Income	\$ 387,651	\$ 592,212
	Adjustment for Noncash Charges to Operations:		
	Depreciation and Amortization	198,979	194,672
	Changes in Assets and Liabilities		
	(Increase) Decrease in Accounts Receivable	(5,036)	63,907
	Decrease in Accounts Payable	(12,733)	(37,869)
	<i>Net Cash Provided by Operating Activities</i>	\$ 568,861	\$ 812,922

WILLISTOWN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

		Pension Trust Funds	Agency Funds
ASSETS	Cash and Cash Equivalents	\$ 3,404	\$ 197,151
	Due From Developers	0	73,498
	Due From Other Funds	0	106,600
	Investments	9,482,032	0
	TOTAL ASSETS	<u>9,485,436</u>	<u>377,249</u>
LIABILITIES	Payroll Taxes Payable	2,983	13,389
	Due to Other Funds	0	126,063
	Escrow Deposits	0	237,797
	TOTAL LIABILITIES	<u>2,983</u>	<u>\$ 377,249</u>
NET POSITION	Net Position - Restricted for Pension Benefits	<u>\$ 9,482,453</u>	

WILLISTOWN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

<i>For the Year Ended December 31</i>		Police Pension Trust Fund	Municipal Pension Trust Fund	2012 Total
ADDITIONS	<i>Contributions:</i>			
	Employer	\$ 362,623	\$ 57,157	\$ 419,780
	Commonwealth of Pennsylvania	185,958	0	185,958
	Plan Members	92,382	12,800	105,182
	<i>Total Contributions</i>	640,963	69,957	710,920
	<i>Investments:</i>			
	Investment Earnings	239,052	0	239,052
	Realized and Unrealized Gain on Sale of Investments	783,139	66,213	849,352
	<i>Net Investment Income</i>	1,022,191	66,213	1,088,404
	Total Additions	1,663,154	136,170	1,799,324
DEDUCTIONS	Benefits	410,165	186,182	596,347
	Administrative Expenses	30,183	0	30,183
	Total Deductions	440,348	186,182	626,530
CHANGE IN NET POSITION		1,222,806	(50,012)	1,172,794
NET POSITION, BEGINNING OF YEAR		7,653,586	656,073	8,309,659
NET POSITION, END OF YEAR		\$ 8,876,392	\$ 606,061	\$ 9,482,453

1. Summary of Significant Accounting Policies **Reporting Entity.** Willistown Township (“Township” or “Willistown”), is a second class township consisting of approximately 18 square miles, located in the eastern part of Chester County, Pennsylvania, five miles east of West Chester and approximately twenty miles from Philadelphia. Originally settled by Lenape Indians, Willistown was part of the 50,000 acre Welsh Tract surveyed by William Penn in 1684 and became a township in year 1704. The Township is governed by a three member Board of Supervisors and operates under the Willistown Township Administrative Code.

In accordance with the Governmental Accounting Standards Board (“GASB”), the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Township is financially accountable. Willistown has also considered all other potential organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township’s financial statements to be misleading or incomplete. Based on the criteria set forth by the GASB, there are no other organizations or agencies which should be included in these basic financial statements.

The 2011 comparative total information was derived from the Township's 2011 Audit Report dated August 27, 2012 in which an unqualified opinion was expressed.

Basis of Presentation, Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. In general, the effect of interfund activity has been eliminated from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

On the government-wide statement of net position and the statement of activities, information is presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

For the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flows.

Revenues, expenses, gains, losses, assets, and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset mostly by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead, as general revenues.

Continued on next page.

**1. Summary of
Significant
Accounting
Policies
(Continued)**

Fund Financial Statements. The accounting system of the Township is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, revenues, and expenditures.

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

In the fund financial statements, the funds are presented using the **modified-accrual** basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. "Measurable" means that the amounts can be estimated or otherwise determined. The term "available" is limited to collection within 60 days of the fiscal year end. Expenses are recorded at the time liabilities are incurred.

Their reported fund balances (net current position) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Licenses, permits, fines and forfeitures, and miscellaneous revenues are generally recorded as revenues when received in cash since they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Township has the following major governmental funds:

- **General Fund** - The Township's primary operating fund which accounts for all financial resources except those that are legally or administratively required to be accounted for in another fund.
- **Capital Reserve Fund** - Accounts for accumulated excess funds which are used at the discretion of the Board of Supervisors.
- **Open Space Fund** - Accounts for financial resources to be used for the acquisition of land, parkland, natural resource protection and open space for the benefit of the public.

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1. Summary of Significant Accounting Policies (Continued)

The Township aggregates all nonmajor funds and reports the total in a separate column. Other governmental funds that the Township considers nonmajor funds are as follows:

- **State Highway Fund** – Required by state law to account for receipts from the State Motor License Fund and the transfer of funds to the General Fund to cover allowable highway related expenditures.
- **Bartram’s Bridge** – Accounts for the costs associated with the preservation of the old covered bridge that is shared between the Township and Newtown Square.
- **Police Hospitalization Fund** – Accounts for the postretirement health benefits incurred on behalf of the retired police officers.
- **Life Insurance Fund** – Accounts for the interest earned from monies received when life insurance policies on municipal employees are canceled.

Proprietary Funds – Account for operations that are organized to be self-supporting through user charges. Enterprise Funds fall under the umbrella of Proprietary Funds which account for operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods and services are financed or recovered through user charges. The Township maintains one Enterprise Fund:

- **Sewer Fund** – Accounts for transactions related to the billing and collection of the sanitary sewer rents and expenditures related to the collection of the treatment of waste water.

Like the government wide financial statements, proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and goods in connection with the proprietary fund's principal operations.

The principal operating revenues of the Township’s Enterprise Fund are charges to customers for sewer rents. Operating expenses for enterprise funds include the related treatment expense along with maintenance and administrative charges. Debt service payments and investment income are treated as nonoperating income and included under capital and related financing and investment activities in the Statement of Cash Flows.

Fiduciary Funds – Account for assets held by the Township in their capacity as trustee or as an agent for individuals, private organizations, other governments, and other funds. The Township includes the following as fiduciary funds:

- **Police Pension Fund** – Accounts for the pension plan contributions and payment of retirement benefits for its police officers.
- **Municipal Pension Fund** – Accounts for the pension plan contributions and payment of retirement benefits for its non-uniformed employees.
- **Agency Funds** - These funds are custodial in nature (assets equal liabilities), do not have a measurement focus, and therefore, do not report operations. The Township’s Agency Funds include the Master Escrow Fund, Agency Escrow Fund, and Payroll Fund.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

Fund Balances. In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies its governmental fund balances into specifically defined classifications: restricted, committed, assigned, or unassigned. The Township permits funds to be expended in the following order: Committed, Assigned, and Unassigned.

The following is an explanation of the various classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact. As of December 31, 2012, there were no nonspendable balances.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes the Township's right to assess, levy, or charge fees to be used for a specific purpose. Legal enforceability means that the Township can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Township. Committed amounts cannot be used for any other purpose unless the Township removes those constraints by taking the same type of action (e.g., legislation, resolution, ordinance). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Township. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. The Board of Supervisors of Willistown has the ability to commit funds for the Township. As of December 31, 2012, there were no committed balances.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., a budget or finance committee) or official to which the Township has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Township itself.

Appropriated Assigned Fund Balance is an appropriation of existing fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Budgets. Pursuant to the Township’s Administrative Code, the following budget procedures are followed:

- Budgets are legally adopted on an annual basis and are required for all funds except Trust and Agency Funds.
- The Manager shall prepare an operating budget and submit it to the Board, not less than 45 days before the close of each fiscal year.
- After adopting the proposed operating budget, two public hearings are held to permit public input.
- The Board is required to adopt a final operating budget ordinance after the public hearing and before the end of the current fiscal year.
- All annual appropriations lapse at the end of each fiscal year. However, at any time, the Board may authorize supplemental appropriations for operating expenditures if the Township Manager certifies that additional revenues are available for such purpose.
- The Board may make supplemental appropriations to meet an emergency and may issue temporary notes, in accordance with the Local Government Unit Debt Act, for such purpose.

Cash and Cash Equivalents. Cash and cash equivalents include demand deposits, money market funds, and all highly liquid investments with an original maturity date of ninety days or less unless they are included as a component of an investment account. Cash equivalents are stated at cost, which approximates market.

Investments. Investments are reported at fair market value in accordance with quoted market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Accounts Receivable. The Township has determined that all receivables are fully collectible and no allowance for doubtful accounts has been established. The Township files a lien with the county against any property for which current real estate taxes are not paid by December 31.

Interfund Balances. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds”.

Capital Assets. Capital assets consist of land, buildings, improvements, machinery and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial cost of \$10,000 or more or infrastructure construction of \$25,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost except for donated capital assets which are recorded at their fair value at the time of the donation. In the fund financial statements, all capital assets are recorded as capital outlay expenditures of the governmental fund upon acquisition.

1. Summary of Significant Accounting Policies Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized.

(Continued) Depreciation is recorded using the straight-line method over the following estimated useful lives:

Infrastructure	20 Years
Buildings and Equipment	7 - 40 Years
Sewer Collection System	40 Years
Machinery and Equipment	5 - 10 Years
Automobiles	5 - 7 Years
Computer Hardware & Software	3 - 5 Years

The Township is exempt from retroactively reporting its infrastructure assets (streets, roads, bridges, etc.) and has not included any such amount in these financial statements. However, in the governmental fund financial statements, capital outlays are reported as expenditures.

Compensated Absences. The Township provides its non-uniform employees with vacation and sick time based on certain eligibility requirements and years of service. Employees are allowed to carryover and/or elect to be paid (at their regular rate) up to six unused vacation days. Upon retirement, death or termination, the Township will pay for all unused vacation. No Township provision exists for the payment of unused sick time upon termination of employment.

A separate vacation and sick time policy exists for the unionized police force in which unused vacation time is either paid to the officer at the end of the anniversary year or unused time can carryover, up to three months, to the next year. An officer forfeits any unused vacation time if not used by the end of the carryover period. Officers are allowed to carryover five unused personal days per year to be exclusively used for sick leave, with a maximum accumulation of thirty days, but no provision exists for payment of unused personal days. As of December 31, 2012, the Township's liability for compensated absences amounted to \$27,601.

Real Estate Tax. Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2012 assessment amounted to 0.28 mills. The tax calendar follows:

Initial Billing	March 1
Discount Period	March 1 - April 30
Face Period	May 1 - June 30
Penalty Period	July 1 - December 31
Lien Date	December 31

Local Earned Income Tax. In 1980, the Township imposed an earned income tax in the amount of 0.875% on all residents and nonresidents. In 1999, the Township increased the earned income tax by 0.125% designated as an element to be used for preservation and protection of open space, farmlands, parklands, and natural historic and scenic resources. The 0.125% element of earned income tax is payable only by residents of Willistown.

Franchise Fees. Willistown Township is engaged in a franchise fee arrangement with Verizon and Comcast for cable television services provided. Comcast remits 5% of their gross revenue to Willistown, while Verizon remits 4% of gross revenue. Total franchise fee income received for 2012 amounted to \$233,891.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

Sewer Rates. In accordance with Ordinance 4 of 2007, residential and commercial customers are billed on a quarterly basis (January, April, July, October) with bills dated on the first day of the month following the end of the applicable calendar quarter. The Township is divided into four sewer districts, each with its own sewer rate. Ordinance 4 of 2009 and Resolution 24 of 2009 govern residential and commercial sewer billing rates. All sewer customers are entitled to a quarterly base consumption allowance of 10,000 gallons, and are surcharged \$5.00 per 1,000 gallons in excess of the base consumption amount.

Net Position/Fund Balance. Net position represents the difference between assets and liabilities and deferred inflows and outflows in the government-wide financial statements and proprietary and fiduciary fund financial statements. Net Investment in Capital Assets represents capital assets, reduced by any outstanding debt obligations and deferred inflows of resources related to the acquisition, construction or improvement of those assets and increases by balances of deferred outflows of resources related to those assets. Net position is reported as restricted when limitations are imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net Position consists of net assets that do not meet the definition of “restricted” or “Net Investment in Capital Assets”.

In the governmental fund financial statements, fund balance represents assets less liabilities. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB No. 62 – In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB’s authoritative language certain accounting and financial reporting guidance which will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The implementation did not impact these financial statements.

GASB No. 63 – In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows and inflows of resources, and also, amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Township reports the difference between the reacquisition price and the net carrying amount of old debt on refunding of debt as a deferred inflow of resources. This deferred inflow is amortized to interest expense using the straight line method over the life of the new bond issue. The unamortized deferral as of December 31, 2012 amounted to \$13,085. The December 31, 2011 Statement of Net Position has been restated for comparative purposes.

1. Summary of Significant Accounting Policies (Continued)

GASB No. 65 – In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Accordingly, debt issue costs do not meet the definition of a deferred outflow of resources since the costs are not applicable to a future period and costs associated with the issuance of debt should be expensed in the period the debt issuance occurs. GASB 65 is effective for periods beginning after December 31, 2012, however, the Township has chosen to implement the standard early which is recommended by GASB.

In accordance with GASB 65, all periods presented must reflect debt issue costs as a period expense, and accordingly, the net position as of December 31, 2011 has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
January 1, 2011, Net Position, As Originally Reported	\$ 14,904,711	\$ 3,198,006	\$ 18,102,717
Elimination of Unamortized Debt Financing Costs	(190,819)	(8,667)	(199,486)
January 1, 2011, Net Position, As Restated	14,713,892	3,189,339	17,903,231
2011 Change in Net Position, As Originally Reported	(426,654)	531,445	104,791
Elimination of Amortization Expense-Debt Financing Costs	7,067	500	7,567
2011 Change in Net Position, As Restated	(419,587)	531,945	112,358
December 31, 2011, Net Position, As Restated	\$ 14,294,305	\$ 3,721,284	\$ 18,015,589

2. Deposits and Investments

Deposits. In accordance with Section 708 of the Pennsylvania Second Class Township Code, the Township is required to deposit funds in banking institutions, located in the Commonwealth that are either insured with the Federal Deposit Insurance Corporation (“FDIC”) or with the National Credit Union Share Insurance Fund (“NCUSIF”). Willistown maintains its deposits at two financial institutions, only one of the institutions provides FDIC coverage of \$250,000 per depositor.

Deposits in excess of FDIC limits are secured by way of state law which requires all deposits in financial institutions in excess of federal insurance limits be fully collateralized by obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Pennsylvania Act 72 of 1971, as amended, permits banking institutions to satisfy this collateralization requirement by pooling securities pledged as collateral for public funds on deposit.

Procurement Cards (“P-Cards”). The Township utilizes a purchasing card program offered by the Pennsylvania Local Government Investment Trust (“PLGIT”) in which employees use a debit card with certain credit limits to make purchases. Based on the levels of purchases made, the Township will receive a refund of a portion of its expenses based on certain thresholds. All employees receive a P-Card program manual and a Code of Conduct Policy.

A PLGIT account, designated in the Township’s name, is used to operate this program. 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 their objective is to maintain a stable net asset value of \$1 per share.

Continued on next page.

2. Deposits and Investments
(Continued)

PLGIT is also rated by a nationally recognized statistical rating organization and is subject to an independent annual audit, however there is no assurance that the net asset value will not vary from the \$1 per share. Additionally, since PLGIT is not a bank, it cannot use Act 72 to collateralize investments of its participants. The Township's PLGIT account has been included with cash and cash equivalents in these financial statements.

At December 31, 2012, the bank balance of all Township funds on deposit with both financial institutions, including Trust and Fiduciary Funds totaled \$12,067,772, of which, \$250,000 was covered by FDIC and \$11,816,382 was covered under Pennsylvania Act 72. The \$1,390 balance in the PLGIT money market account at December 31, 2012 was not covered by FDIC or PA Act 72.

Investments. State law authorizes funds of the Township to be invested in (1) United States Treasury Bills, (2) direct obligations of the United States and certain federal agencies, (3) cash accounts which are insured by the FDIC or by the NCUSIF, (4) money market funds that only trade in investments listed in items (1) through (3), or (5) certificates of deposit that are FDIC or NCUSIF insured.

Investments held as of December 31, 2012 follow:

	Governmental	Fiduciary
Cash	\$ 34,331	\$ 3,262
Certificates of Deposit	238,916	0
Fixed Income Mutual Funds	64,480	2,574,372
Stocks and Stock Mutual Funds	577,961	6,904,398
Total	\$ 915,688	\$ 9,482,032

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a financial institution failure, the Township's deposits or investments may not be returned. As of December 31, 2012, 99% of the balances shown as cash were held by TD Bank. Of the total investments held by the Township in the Governmental and Fiduciary Funds at December 31, 2012, 85% was held by Vanguard, 9% was held by Wells Fargo, and 6% was held by Nationwide.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. With respect to the Township's fixed income mutual funds, 83% is invested in intermediate term bonds with an average maturity date ranging from five to ten years, and 17% is invested in short term bonds with an average maturity date ranging from one to three years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. Government are not considered to have a credit risk attribute. As of December 31, 2012, the Township invested in cash, certificates of deposit, fixed income mutual funds, stocks and stock mutual funds all of which do not contain a credit rating.

The Township does not have a formal policy that addresses custodial credit risk, interest rate risk, or credit risk, however, the Township adheres to Commonwealth of Pennsylvania statutes and prudent business practices.

3. Capital Assets

Capital assets activity for the year ended December 31, 2012 follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital Assets - Not Depreciated					
Land	\$11,532,389	\$0	\$0	\$0	\$11,532,389
Police Building - In Progress	253,122	27,231	0	110,063	390,416
Total Capital Assets - Not Depreciated	11,785,511	27,231	0	110,063	11,922,805
Capital Assets - Depreciated					
Buildings & Improvements	1,250,170	0	0	(430,708)	819,462
Infrastructure	0	0	0	203,859	203,859
Park Buildings and Equipment	673,967	0	(9,132)	240,003	904,838
Automobiles	885,616	83,787	0	(13,413)	955,990
Machinery and Equipment	687,257	80,169	0	(106,802)	660,624
Office Equipment	363,639	24,988	0	(3,002)	385,625
Total Capital Assets - Depreciated	3,860,649	188,944	(9,132)	(110,063)	3,930,398
Less: Accumulated Depreciation For:					
Buildings & Improvements	235,057	21,786	0	(66,603)	190,240
Infrastructure	0	10,193	0	5,946	16,139
Park Buildings and Equipment	94,794	32,521	0	164,168	291,483
Automobiles	604,507	114,816	0	10,847	730,170
Machinery and Equipment	421,260	58,175	0	(113,844)	365,591
Office Equipment	255,632	24,157	0	(514)	279,275
Total Accumulated Depreciation	1,611,250	261,648	0	0	1,872,898
Total Net Capital Assets - Depreciated	2,249,399	(72,704)	(9,132)	(110,063)	2,057,500
Total Net Capital Assets - Governmental Activities	\$14,034,910	(\$45,473)	(\$9,132)	\$0	\$13,980,305
Business-Type Activities:	Beginning Balance	Additions	Deletions	Ending Balance	
Capital Assets - Depreciated					
Sewer Collection System	\$4,531,669	\$0	\$0	\$4,531,669	
Total Capital Assets - Depreciated	4,531,669	0	0	4,531,669	
Less: Accumulated Depreciation	968,975	198,979	0	1,167,954	
Total Net Capital Assets - Business-Type Activities	\$3,562,694	(\$198,979)	\$0	\$3,363,715	

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

Governmental Activities	Amount
General Government	\$77,900
Public Works	90,938
Police	92,810
Total Depreciation Expense - Governmental Activities	\$261,648

All of the depreciation expense in business-type activities was charged to the sewer fund.

4. Interfund Receivables, Payables and Transfers

Balances due to/from other funds at December 31, 2012 consist of the following (certain amounts are netted for presentation purposes in the fund balance sheets and statements of net assets):

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$602,576	\$98,600
Liquid Fuel Fund	0	199,064
Police Hospitalization Fund	0	12,388
Capital Reserve Fund	10,000	0
Sewer Fund	0	283,061
Fiduciary Funds	106,600	126,063
Total	\$719,176	\$719,176

Interfund balances generally result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The composition of interfund transfers included in the basic financial statements is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$113,738	\$743,581
Bartram's Bridge Fund	1,000	0
Capital Reserve Fund	0	1,000
Police Hospitalization Fund	195,000	113,738
Fiduciary Funds	934,193	385,612
Total	\$1,243,931	\$1,243,931

For governmental recording purposes, activity that occurs within the fiduciary funds is not recorded on the government wide financial statements. Therefore, amounts reported above as due to/from the fiduciary funds are not included on the Statement of Net Position shown on page 14.

5. Long-Term Debt

On September 15, 2001, General Obligation Bonds (GOB), Series 2001, in the amount of \$2,365,000 were issued for the purpose of currently refunding the 1991 General Obligation Bonds which were originally issued for the purpose of constructing the police building, installing sewer lines and to pay for the issuance of the bonds.

On May 1, 2007, General Obligation Bonds, Series 2007, in the amount of \$10,000,000, were issued for multiple purposes to include currently refunding the Open Space portion of the 2001 General Obligation Note, currently refunding the 2004 General Obligation Note, to acquire land in the Township to be used for open space, to acquire conservation easements in the Township, and to pay the cost of issuing the bonds. The 2007 Series was refunded on October 22, 2012 with the issuance of the 2012 General Obligation Bonds.

On April 30, 2008, a General Obligation Note (GON), Series 2008, in the amount of \$945,000 was issued for the purpose of currently refunding the sewer portion of the 2001 General Obligation Note and to pay the costs of issuing the note. Interest on the note is payable at an annual fixed rate of 4.8%.

On October 22, 2012, General Obligation Bonds, Series 2012, in the amount of \$9,405,000 were issued for the purpose of currently refunding the 2007 General Obligation Bonds and to pay the costs of issuing the bonds.

Continued on next page.

5. Long-Term Debt
(Continued)

General Obligation Notes and Bonds outstanding at December 31, 2012 and a summary of the activity for the year ended December 31, 2012 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOB - Series of 2001	\$ 660,000	\$ 0	\$ (210,000)	\$ 450,000	\$ 220,000
GOB - Series of 2007	9,095,000	0	(9,095,000)	0	0
GON - Series of 2008	834,583	0	(36,864)	797,719	35,813
GOB - Series of 2012	0	9,405,000	0	9,405,000	5,000
	<u>10,589,583</u>	<u>9,405,000</u>	<u>(9,341,864)</u>	<u>10,652,719</u>	<u>\$ 260,813</u>
Less: Current Portion	(449,006)	(260,813)	449,006	(260,813)	
Bonds Payable - Long Term	<u>\$ 10,140,577</u>	<u>\$ 9,144,187</u>	<u>\$ (8,892,858)</u>	<u>\$ 10,391,906</u>	

A summary of the annual debt service requirements on all outstanding General Obligation Bonds and Notes follows:

Year	GOB Series 2001		GON Series 2008		GOB Series 2012	
	Principal	Interest Rate	Principal	Interest Rate	Principal	Interest Rate
2013	\$220,000	4.55%	\$35,813	4.80%	\$5,000	1.00%
2014	\$230,000	4.65%	\$37,596	4.80%	\$5,000	1.00%
2015	\$0		\$39,467	4.80%	\$320,000	1.00%
2016	\$0		\$41,336	4.80%	\$320,000	2.00%
2017	\$0		\$43,488	4.80%	\$330,000	3.00%
2018-2022	\$0		\$252,063	4.80%	\$1,760,000	2.00%
2023-2027	\$0		\$321,378	4.80%	\$1,950,000	2.05% - 2.45%
2028-2032	\$0		\$26,578	4.80%	\$2,190,000	2.45% - 2.80%
2033-2037	\$0		\$0		\$2,525,000	3.00% - 3.30%
Total	\$450,000		\$797,719		\$9,405,000	

In addition to the General Obligation Notes and Bonds outstanding, the Township also has two sixty month automobile loans payable. Monthly principal payments of \$543 and \$535, respectively, are payable with 0% interest commencing on April 30, 2009. The vehicles serve as security for the loans. The balance of the loans outstanding totaled \$8,149 and \$8,024, respectively.

Scheduled future principal and interest maturities with respect to all long term debt obligations at December 31, 2012 follow:

Year	Bond Principal	Bond Interest	Total Bond Requirements	Auto Loan	Total Debt Service
2013	\$260,813	\$306,786	\$567,599	\$12,938	\$580,537
2014	\$272,596	\$283,141	\$555,737	\$3,235	\$558,972
2015	\$359,467	\$270,525	\$629,992	\$0	\$629,992
2016	\$361,336	\$265,455	\$626,791	\$0	\$626,791
2017	\$373,488	\$256,903	\$630,391	\$0	\$630,391
2018-2022	\$2,012,063	\$1,131,293	\$3,143,356	\$0	\$3,143,356
2023-2027	\$2,271,378	\$873,659	\$3,145,037	\$0	\$3,145,037
2028-2032	\$2,216,578	\$580,614	\$2,797,192	\$0	\$2,797,192
2033-2037	\$2,525,000	\$247,909	\$2,772,909	\$0	\$2,772,909
Total	\$10,652,719	\$4,216,285	\$14,869,004	\$16,173	\$14,885,177

6. Leases

Capital Leases. A capital lease transfers substantially all of the benefits and risks of ownership of leased property to the lessee. As of December 31, 2012, machinery and equipment and vehicles owned by way of capital leases and included within the statement of net position is accounted for as follows:

	2012
Capitalized Cost	\$ 208,516
Less: Accumulated Amortization	60,598
Capitalized Cost - Net	\$ 147,918
Lease Amortization Included in Depreciation Expense	\$ 20,569

Future minimum payments under the capital leases together with the present value, calculated based on the Township's incremental borrowing rate at the date of inception of the leases follow:

Year Ending December 31	Total
2013	\$ 45,511
2014	\$ 20,122
2015	\$ 20,122
2016	\$ 20,122
2017	\$ 4,644
Total Minimum Lease Payments	110,521
Less: Amount Representing Interest	8,700
Present Value of Future Minimum Rental	101,821
Less: Current Portion	41,376
Total Noncurrent	\$ 60,445

Operating Leases. For the year ended December 31, 2012, rent expense for the Township's operating leases is as follows:

	2012
Office Space located at 40 Lloyd Avenue, Malvern, PA, commencing September 1, 2010. On July 14, 2011, the lease was renewed for two years with base annual rent of \$85,176 and \$87,060 for the years ended August 31, 2012 and 2013, respectively.	\$ 85,804
Two Copier leases; thirty-nine and forty-eight month terms commencing May and December 2009 with monthly payments of \$277 and \$263, respectively.	\$ 6,479
Postage Meter; sixty-three month term commencing December 2009 with monthly payment of \$160.	\$ 1,920
Telephone Lease; sixty month term commencing September 2010 with monthly payments of \$695.	\$ 8,340

Aggregate future minimum lease payments under the aforementioned leases follow:

Years Ending December 31	Amount
2013	\$ 70,169
2014	10,260
2015	6,040
Total	\$ 86,469

7. Pension Plans

The Township contributes to two retirement plans. The first is a single-employer defined benefit plan for the uniformed employees (police) and the second is a 403(b) plan for the non-uniformed employees (civilian) both of which are reported in the Statement of Net Position and Statement of Changes in Net Position of Fiduciary Funds. The plans are governed by the Willistown Township Board of Supervisors, who as trustees, have responsibility for the exclusive management of the funds and the power to invest monies therein subject to the terms, conditions, limitations and restrictions imposed by law upon fiduciaries.

A table of key information about the plans is listed below:

	Police	Non-Uniform
Covered Employees	All full-time sworn police officers.	Any full time employee working at least 35 hours per week or any salaried person who works at least 20 hours per week, excluding police officers.
Vesting Period	100% after 12 years of service.	100% after 5 years of service.
Normal Retirement Date	The first day after 25 years of service and the date on which the member attains age 50.	The first day of the month coincident with or next following the date on which the member completes 10 years of service or the date which the member attains 65, whichever is later.
Annual Retirement Benefit	A monthly benefit equal to 50% of the member's average applicable compensation. In addition, each member who has completed 26 years of service or more shall receive an additional \$1,200.	A distribution of the vested value of the member's account as of retirement date.
Early Retirement Date	The first day after 20 years of service.	The first day after 10 years of service.
Early Retirement Benefit	The actuarial equivalent of the vested retirement benefit reduced to reflect that it will commence on the early retirement date versus the normal retirement date.	A distribution of the vested value of the member's account as of the early retirement date plus vested contributions made after that date.
Provision for Disability	Any member who retires due to total and permanent disability shall receive a benefit equal to 65% of the member's salary at the time the disability was incurred offset by any social security benefits received.	Any member who retires due to total disability shall receive a distribution of the entire value of the member's account as of the disability retirement date.
Cost of Living Adjustments	Available to all members who retire after 1/1/97 provided that the certain maximum percentage increases are not exceeded.	N/A
Pre-Retirement Death Benefits	A benefit of 100% of the member's salary at the time of death is paid to the surviving spouse until death, then to surviving children until age 18 or age 23 if in college.	A benefit of 100% of the member's account, valued at the end of the month during which death occurred will be paid to the designated beneficiary.
Post-Retirement Death Benefits	The form of benefit payment in force for such member at the time death occurs.	The form of benefit payment in force for such member at the time death occurs.
Employee Contributions	Members are required to make a contribution of 5% of their salary.	Members may elect to make a voluntary contribution of up to 10% of salary.

Valuation. Investments are reported at fair value as determined by the investment managers. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions. Pennsylvania Act 205 of 1984 requires that annual contributions amount to no less than the minimum municipal obligation (“MMO”) which is based upon the plan's biennial actuarial valuation. MMO includes normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial liability, less estimated member contributions, and a credit equal to 10% of any excess of the actuarial value of assets over the actuarial accrued liability.

Continued on next page.

7. Pension Plans (Continued)

The Commonwealth dictates an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth contribution must be funded by the employer in accordance with Act 205. Administrative costs for the Township's pension plans are paid from the pension plans.

Annual Pension Cost and Net Pension Obligation. The Township's annual required contribution for 2012 was determined as part of the January 1, 2011 valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions include (1) 7.5% investment rate of return, (2) projected salary increases of 5% per year, (3) inflationary adjustments of 3% per year, (4) amortization method is level dollar with the remaining amortization period at 13 years – closed period. An asset valuation method is used to smooth the effect of market fluctuations.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Information on the Township's annual pension cost ("APC") and percentage of APC contributed for the uniformed and non-uniformed pension plans for the prior three years is presented below. Additional trend information can also be found on page 47 of these financial statements.

Year	Uniform		Non-Uniform	
	Annual Pension Cost	Percentage Contribution	Annual Pension Cost	Percentage Contribution
2012	\$ 548,581	100%	\$ 68,521	100%
2011	\$ 590,703	100%	\$ 68,521	100%
2010	\$ 294,821	100%	\$ 67,877	100%

Funded Status and Funding Progress. Effective with the January 1, 2011 valuation, the Township reduced its investment rate of return assumption to 7.5%. As of January 1, 2011, the most recent actuarial valuation date, the actuarial value of plan assets amounted to \$7,768,466, the actuarial accrued liability for benefits amounted to \$10,368,453, and the actuarial value of assets as a percentage of that actuarial accrued liability was 75%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,715,778, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 152%.

8. Post-employment Benefits Other Than Pension Benefits

Plan Description. The Township offers a single-employer defined benefit healthcare plan providing medical, dental, and vision insurance benefits through the Township's group health insurance plan to eligible police officers. Additionally, certain eligible Township employees and former police chiefs are also covered by the plan and are allowed to continue the same coverage they received prior to retirement for the remainder of their lives including Medicare supplement payments that are due after age 65. The plan does not issue a publicly available financial report.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2012, the Township contributed \$195,000 to prefund benefits for the police officers. The Township does not require any funding from members receiving benefits. Health insurance premiums for all members receiving benefits amounted to \$126,126 for the year ended December 31, 2012.

Continued on next page.

8. Post-employment Benefits Other Than Pension Benefits
(Continued)

Annual OPEB Cost and Net OPEB Obligation. The Township’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the Annual Required Contribution of the employer (“ARC”), 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 not to exceed thirty years.

The following table shows the components of the Township’s annual OPEB cost for the year and the amount actually contributed to the plan:

Description	Police	Administration	Combined Total
Annual Required Contribution	\$ 162,481	\$ 0	\$ 162,481
Interest on OPEB Obligation	0	0	0
Annual OPEB Cost	162,481	0	162,481
Contributions Made	(102,514)	(23,612)	(126,126)
Increase in Net OPEB Obligation	59,967	(23,612)	36,355
Net OPEB Obligation - Beginning of Year	231,135	40,308	271,443
Net OPEB Obligation - End of Year	\$ 291,102	\$ 16,696	\$ 307,798

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Year	Annual OPEB Cost	Actual Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 162,481	\$ 126,126	78%	\$ 36,355
2011	\$ 170,940	\$ 128,198	75%	\$ 42,742
2010	\$ 170,940	\$ 58,132	34%	\$ 112,808

Funded Status and Funding Progress. As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,143,762, and the actuarial value of assets amounted to \$758,988, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,384,774. The covered payroll (annual payroll of active employees covered by the plan) was \$1,752,334, and the ratio of the UAAL to the covered payroll was 105%. As of December 31, 2012, assets assigned to cover the OPEB liability amounted to \$915,688.

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. In accordance with the provisions of *GASB 45*, the Township is required to perform a valuation of the plan every three years.

8. Post-employment Benefits Other Than Pension Benefits
(Continued)

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

For the January 1, 2012 actuarial valuation, the following assumptions were made:

- Retirement age for active employees – Employees were assumed to retire immediately upon attainment of age 53 and the completion of 28 years of service.
- Marital Status – 90% of both male and female members were assumed to be married throughout retirement.
- Mortality – Life expectancies for pre and post-retirement were based on the RP-2000 Healthy Annuitant Mortality Table for males and females with generational mortality using Scale AA. The female spouse is assumed to be three years younger than the male spouse for future retirees.
- Healthcare Cost Trend – Healthcare insurance premiums are expected to increase at a rate of 8% in the second year and gradually decrease by 1% per year to an ultimate rate of 5%.
- Health Insurance Premiums – The 2012 health insurance single rate premiums were used as the basis for calculating the present value of total benefits to be paid.
- Payroll Growth Rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.
- Liability - The amount for actuarial value of the assets, which was \$758,988 was assumed to have been set aside to offset the GASB 45 liability.

Based on the historical and expected returns of the Township's investment portfolio, a discount rate of 8% was used. In addition, the valuation uses the entry age normal cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2012, was thirty years.

The Township also provides life insurance benefits to its non-uniform employees in which the total benefit amounts to \$10,000. The premiums are fully paid by the Township and continue until the employee's death or until the employee terminates employment with the Township. These post-retirement life insurance benefits are recognized as expenditures when due.

9. Sewage Treatment Agreements

Valley Forge Sewage Treatment Agreement. The Township joined with several other municipalities on November 1, 1970 to form the Valley Forge Sewer Authority ("VFSA") for the construction and operation of sanitary sewer collection. VFSA provides sewage treatment services to all or portions of the member municipalities and the area served by the Township. VFSA's normal operating costs are allocated among the participants based upon their proportionate share of sewage in relation to the total amount of sewage treated by VFSA. The agreement calls for quarterly estimated payments based on the estimated operating expenses. Any amounts advanced in excess of actual costs incurred are refundable and likewise, any amounts underpaid are due. VFSA's charges to the Township for treatment operating costs are expensed as incurred and totaled \$401,413 for the year ended December 31, 2012.

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9. Sewage Treatment Agreements (Continued)

Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Township's payments to VFSA for capital construction and plant upgrades are capitalized and depreciated over a period of 40 years.

Valley Creek Trunk Sewer Agreement. Pursuant to the Township's agreement with VFSA for sanitary sewer collection, the Township must convey sewage through trunk lines and interceptors ("Valley Creek Trunk Line") owned and operated by Tredyffrin Township Municipal Authority. On November 1, 1970, the Township entered into an agreement with Tredyffrin Township Municipal Authority permitting the Township to dispose of its sewage through the Valley Creek Trunk Line and providing that the Township will be assessed its share of operating costs based on the Township's proportionate volume of sewage compared to the total amount of sewage from all municipalities participating in the VFSA. Treatment costs and capital contributions for future capital improvements charged by Valley Creek Trunk Line amounted to \$133,532 for the year ended December 31, 2012.

The agreement calls for quarterly estimated payments based on budgeted operating expenses prepared by the Tredyffrin Township's engineers. Amounts advanced in excess of actual costs incurred are refundable and likewise, amounts are due.

10. Risk Management and Commitments

Risk Management. The Township is subject to various risks of loss arising from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Township purchases commercial insurance. No settlements have exceeded coverage during the year ended December 31, 2012.

Litigation. The Township is involved in certain claims and legal actions which arise in the ordinary course of business. In the opinion of management and legal counsel, there are no such matters pending that are expected to be material in relation to the Township's financial condition or results of operations.

11. Other Information

GASB has issued the following Statement which will become effective in future years:

Statement No. 67, "Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25". This statement establishes new reporting requirements for pension funds which include enhanced note disclosures, required supplementary information (RSI), and reporting the net pension liability on the Statement of Net Position. This will become effective for the Township in year 2014.

Management has not yet determined the effect of this Statement on the financial statements.

Required Supplementary Information

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Taxes			
	Real Estate	\$ 338,004	\$ 347,724	\$ 9,720
	Transfer Taxes	400,000	717,259	317,259
	Earned Income	5,100,000	5,392,262	292,262
	Local Service Tax	200,000	192,170	(7,830)
	Cable Franchise Fees	245,000	233,891	(11,109)
	Fines and Forfeits	39,500	57,659	18,159
	Investment Income / Rental Income	6,750	7,142	392
	Intergovernmental Revenues	263,465	387,197	123,732
	Park and Recreation Fees	35,000	14,420	(20,580)
	Charges for Services	223,095	332,714	109,619
	Miscellaneous	42,764	107,298	64,534
	Total Revenues	6,893,578	7,789,736	896,158
EXPENDITURES				
	Current:			
	General Government	2,191,635	2,185,121	(6,514)
	Public Safety	2,941,474	2,821,524	(119,950)
	Planning and Zoning	275,364	234,527	(40,837)
	Health and Welfare	8,800	2,500	(6,300)
	Public Works	564,301	550,538	(13,763)
	Library/Parks/Recreation	281,421	253,437	(27,984)
	Debt Service	43,290	43,190	(100)
	Total Expenditures	6,306,285	6,090,837	(215,448)
EXCESS OF REVENUES OVER EXPENDITURES		587,293	1,698,899	1,111,606
OTHER FINANCING SOURCES (USES)				
	Proceeds from Sale of Fixed Assets	25,000	2,150	(22,850)
	Transfers In	143,053	113,738	(29,315)
	Transfers Out	(755,346)	(743,581)	11,765
	Total Other Financing (Uses), Net	(587,293)	(627,693)	(40,400)
NET CHANGE IN FUND BALANCE		\$ 0	1,071,206	\$ 1,071,206
FUND BALANCE, BEGINNING OF YEAR			3,955,423	
FUND BALANCE, END OF YEAR			\$ 5,026,629	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPEN SPACE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Earned Income Tax	\$ 650,000	\$ 763,702	\$ 113,702
	Investment Income	10,000	4,336	(5,664)
	<i>Total Revenues</i>	660,000	768,038	108,038
EXPENDITURES				
	General Government	16,013	24,657	8,644
	Debt Service:			
	Principal Retirement	205,000	0	(205,000)
	Interest	382,283	382,283	0
	<i>Total Expenditures</i>	603,296	406,940	(196,356)
EXCESS OF REVENUES OVER EXPENDITURES		56,704	361,098	304,394
OTHER FINANCING SOURCES (USES)				
	Retirement of 2007 General Obligation Bonds	0	(9,095,000)	(9,095,000)
	Proceeds from 2012 General Obligation Bonds	0	9,405,000	9,405,000
	Cost of Issuance	0	(118,858)	(118,858)
	<i>Total Other Financing Sources - Net</i>	0	191,142	191,142
NET CHANGE IN FUND BALANCE		\$ 56,704	552,240	\$ 495,536
FUND BALANCE, BEGINNING OF YEAR			2,611,611	
FUND BALANCE, END OF YEAR			\$ 3,163,851	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Investment Income	\$ 6,000	\$ 3,069	\$ (2,931)
<i>Total Revenues</i>	<u>6,000</u>	<u>3,069</u>	<u>(2,931)</u>
EXPENDITURES			
Capital Purchases	0	51,045	51,045
<i>Total Expenditures</i>	<u>0</u>	<u>51,045</u>	<u>51,045</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES			
	<u>6,000</u>	<u>(47,976)</u>	<u>(53,976)</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(7,975)	(1,000)	(6,975)
<i>Total Other Financing (Uses), Net</i>	<u>(7,975)</u>	<u>(1,000)</u>	<u>(6,975)</u>
NET CHANGE IN FUND BALANCE			
	\$ <u>(1,975)</u>	(48,976)	\$ <u>(47,001)</u>
FUND BALANCE, BEGINNING OF YEAR			
		<u>1,998,799</u>	
FUND BALANCE, END OF YEAR			
		\$ <u><u>1,949,823</u></u>	

WILLISTOWN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2012

The budgets presented in the required supplementary information are presented on the budgetary basis which is the modified accrual basis of accounting. The budgets presented are in greater detail than the legal level budgets passed by the Township. During 2012, actual expenditures were less than appropriations for the fund listed below. The excess amount was not deemed to be a material violation.

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
CAPITAL RESERVE				
	Capital Purchases	\$ 0	\$ 51,045	\$ 51,045

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS - UNIFORM AND NON-UNIFORM PLANS
TWELVE YEARS ENDED DECEMBER 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
Uniform Pension Plan						
2001	6,382,475	4,285,796	2,096,679	148.92%	1,109,759	188.93%
2003	4,673,574	5,425,141	(751,567)	86.15%	1,092,207	-68.81%
2005	5,508,409	6,173,467	(665,058)	89.23%	1,335,085	-49.81%
2007	6,477,737	7,427,140	(949,403)	87.22%	1,387,189	-68.44%
2009	5,378,982	8,534,586	(3,155,604)	63.03%	1,504,015	-209.81%
2011	7,768,466	10,368,453	(2,599,987)	74.92%	1,715,778	-151.53%
Non-Uniform Pension Plan						
2001	477,525	477,525	0	100.00%	528,114	0.00%
2003	401,580	401,580	0	100.00%	531,892	0.00%
2005	598,781	598,781	0	100.00%	715,943	0.00%
2007	761,206	761,206	0	100.00%	776,243	0.00%
2009	496,779	496,779	0	100.00%	928,574	0.00%
2011	656,074	656,074	0	100.00%	1,042,512	0.00%

Other Supplementary Information

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - VALLEY FORGE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,456,400	\$ 1,555,305	\$ 98,905
	Total Revenues	<u>1,456,400</u>	<u>1,555,305</u>	<u>98,905</u>
OPERATING EXPENSES	Sewage Treatment	882,395	545,381	(337,014)
	Operations and Maintenance	171,912	276,488	104,576
	General and Administrative	73,695	11,704	(61,991)
	Total Operating Expenses	<u>1,128,002</u>	<u>833,573</u>	<u>(294,429)</u>
NET OPERATING INCOME BEFORE DEPRECIATION		<u>328,398</u>	<u>721,732</u>	<u>393,334</u>
	Depreciation & Amortization	0	198,979	(198,979)
NET INCOME FROM OPERATIONS		<u>328,398</u>	<u>522,753</u>	<u>194,355</u>
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	77,339	77,339
	Investment Income	1,700	1,835	135
	Interfund Transfers - Net	0	(90,468)	(90,468)
	Interest Expense	(64,580)	(67,892)	(3,312)
	Total Non-Operating Income (Expense), Net	<u>(62,880)</u>	<u>(79,186)</u>	<u>(16,306)</u>
CHANGE IN NET POSITION		\$ <u>265,518</u>	\$ <u>443,567</u>	\$ <u>178,049</u>
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	Capital Expenditures	\$ (1,600,790)	\$ 0	\$ 1,600,790
	Bond Proceeds	1,600,790	0	(1,600,790)
	Principal Retirement	<u>(206,206)</u>	<u>(209,064)</u>	<u>(2,858)</u>
	Total Other Budgeted Items	<u>(206,206)</u>	<u>(209,064)</u>	<u>(2,858)</u>
NET CHANGE IN FUND BALANCE		\$ <u>59,312</u>		

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - PENNS PRESERVE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 117,120	\$ 120,494	\$ 3,374
	<i>Total Revenues</i>	117,120	120,494	3,374
OPERATING EXPENSES	Operations and Maintenance	122,732	126,475	3,743
	General and Administrative	10,331	0	(10,331)
	<i>Total Operating Expenses</i>	133,063	126,475	(6,588)
NET LOSS FROM OPERATIONS		(15,943)	(5,981)	9,962
NON-OPERATING INCOME (EXPENSE)	Investment Income	500	287	(213)
	<i>Total Non-Operating Income (Expense), Net</i>	500	287	(213)
CHANGE IN NET POSITION		\$ (15,443)	\$ (5,694)	\$ 9,749

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - LOW PRESSURE SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 75,000	\$ 70,719	\$ (4,281)
	Total Revenues	<u>75,000</u>	<u>70,719</u>	<u>(4,281)</u>
OPERATING EXPENSES	Operations and Maintenance	70,500	199,840	129,340
	Total Operating Expenses	<u>70,500</u>	<u>199,840</u>	<u>129,340</u>
NET INCOME (LOSS) FROM OPERATIONS		<u>4,500</u>	<u>(129,121)</u>	<u>(133,621)</u>
NON-OPERATING INCOME (EXPENSE)	Investment Income	75	38	(37)
	Tapping Fee Income	0	4,311	4,311
	Interfund Transfers - Net	0	90,468	90,468
	Total Non-Operating Income (Expense), Net	<u>75</u>	<u>94,817</u>	<u>94,742</u>
CHANGE IN NET POSITION		\$ <u>4,575</u>	\$ <u>(34,304)</u>	\$ <u>(38,879)</u>

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - COMBINED SEWER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Charges for Services	\$ 1,648,520	\$ 1,746,518	\$ 97,998
	Total Revenues	1,648,520	1,746,518	97,998
OPERATING EXPENSES	Sewage Treatment	882,395	545,381	(337,014)
	Operations and Maintenance	365,144	602,803	237,659
	General and Administrative	84,026	11,704	(72,322)
	Total Operating Expenses	1,331,565	1,159,888	171,677
NET OPERATING INCOME BEFORE DEPRECIATION		316,955	586,630	269,675
	Depreciation & Amortization	0	198,979	198,979
NET INCOME FROM OPERATIONS		316,955	387,651	70,696
NON-OPERATING INCOME (EXPENSE)	Tapping Fee Income	0	81,650	81,650
	Investment Income	2,275	2,160	(115)
	Interest Expense	(64,580)	(67,892)	(3,312)
	Total Non-Operating Income (Expense), Net	(62,305)	15,918	78,223
CHANGE IN NET POSITION		\$ <u>254,650</u>	\$ <u>403,569</u>	\$ <u>148,919</u>
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	Capital Expenditures	\$ (1,600,790)	\$ 0	\$ 1,600,790
	Bond Proceeds	1,600,790	0	(1,600,790)
	Principal Retirement	(206,206)	(209,064)	(2,858)
	Total Other Budgeted Items	(206,206)	\$ <u>(209,064)</u>	\$ <u>(2,858)</u>

WILLISTOWN TOWNSHIP
SCHEDULE OF OPEN SPACE ACQUISITIONS
and CONTRIBUTIONS TO WILLISTOWN CONSERVATION TRUST

Open Space Acquisitions			Cost			Funding Sources				
Date Purchased	Seller	Description / Location	Purchase Price	Other Costs	Total Cost	Note Proceeds	Grants	Financing Notes	Cash	Total
7/13/2001	Okehocking Associates	Lots 1, 2, 3, & 5 of Okehocking	\$ 4,000,000	\$ 42,062	\$ 4,042,062	\$ 4,042,062	\$ -	\$ -	\$ -	\$ 4,042,062
10/30/2003	Okehocking Associates	Parcels A-1 & A-2, Newtown Square, PA	\$ 3,233,794	\$ 36,672	\$ 3,270,466	\$ -	\$ 1,000,000 (1)	\$ 733,794	\$ 1,536,672	\$ 3,270,466
12/8/2003	Bryn Mawr Hospital	Lot 2 - Paoli Pike and Line Road, Malvern, PA	\$ 800,000	\$ 10,486	\$ 810,486	\$ -	\$ -	\$ -	\$ 810,486	\$ 810,486
3/30/2006	Okehocking Associates	Parcel B - 10 acres North Side of West Chester Pike	\$ 1,500,000	\$ 16,787	\$ 1,516,787	\$ -	\$ 1,435,000 (2)	\$ -	\$ 81,787	\$ 1,516,787
7/30/2007	Okehocking Associates	Northeast corner of Route 3, Newtown Square, PA	\$ 1,500,000	\$ 25,563	\$ 1,525,563	\$ -	\$ 1,000,000 (4)	\$ -	\$ 525,563	\$ 1,525,563
5/28/2009	Ricardo Navarro Jr.	28 Duffryn Avenue, Malvern PA	\$ 352,000	\$ 15,025	\$ 367,025	\$ -	\$ -	\$ -	\$ 367,025	\$ 367,025
Total			\$ 11,385,794	\$ 146,595	\$ 11,532,389	\$ 4,042,062	\$ 3,435,000	\$ 733,794	\$ 3,321,533	\$ 11,532,389

Contributions to Willistown Conservation Trust			Cost		Funding Sources				
Date Purchased	Seller	Description / Location	Total Cost	Willistown Contribution	Note Proceeds	Grants	Financing Notes	Cash	Total
12/17/2004	Estate of Almira R. Scott	Lot #1 - Kirkwood Farm	\$ 5,013,570	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000
3/9/2005	Estate of Almira R. Scott	Lot #1 - Kirkwood Farm	\$ -	\$ 500,000	\$ -	\$ 500,000 (3)	\$ -	\$ -	\$ 500,000
6/23/2005	Delchester Group, Inc.	Kirkwood Farm - Parcel #2	\$ 1,003,984	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000	\$ 650,000
Total			\$ 6,017,554	\$ 3,650,000	\$ 2,500,000	\$ 500,000	\$ -	\$ 650,000	\$ 3,650,000

(1) - Grants funds were received from Chester County in the amount of \$1,000,000.

(2) - Grants funds were received from DCNR and Chester County in the amounts of \$935,000 and \$500,000, respectively.

(3) - Grants funds were received from Chester County in the amount of \$500,000.

(4) - Grants funds were received from Chester County (\$225,000); Willistown Conservation Trust (\$275,000); and DCNR (\$500,000).