



WILLISTOWN TOWNSHIP

FINANCIAL STATEMENTS
WITH
REQUIRED SUPPLEMENTARY INFORMATION
AND
OTHER SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
December 31, 2013

WILLISTOWN TOWNSHIP

Index

December 31, 2013

	<i>PAGE</i>
Organization	1
Independent Auditor's Report	2 - 4
Management Discussion and Analysis	5 - 14
<i>FINANCIAL STATEMENTS</i>	
Government Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to Governmental Activities In the Statement of Activities	20
Statement of Net Position - Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements	26 - 43

WILLISTOWN TOWNSHIP

Index

December 31, 2013

	<i>PAGE</i>
<i>REQUIRED SUPPLEMENTARY INFORMATION:</i>	
Budgetary Comparison Schedule – General Fund	44
Budgetary Comparison Schedule – Open Space Fund	45
Budgetary Comparison Schedule – Capital Reserve Fund	46
Notes to Required Supplementary Information – Budgetary Comparison Schedules	47
Schedule of Pension Funding Progress	48
<i>OTHER SUPPLEMENTARY INFORMATION:</i>	
Budgetary Comparison Schedule – Valley Forge Sewer Fund	49
Budgetary Comparison Schedule – Penns Preserve Sewer Fund	50
Budgetary Comparison Schedule – Low Pressure Sewer Fund	51
Budgetary Comparison Schedule – Combined Sewer Funds	52

TOWNSHIP OF WILLISTOWN, PENNSYLVANIA
PRINCIPAL OFFICIALS
as of December 31, 2013

BOARD OF SUPERVISORS

Robert T. Lange	Chairman
William R. Shoemaker	Vice-Chairman
Norman S. MacQueen	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, Pennsylvania**

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, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Willistown Township's basic financial statements as listed in the foregoing index.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willistown Township, Pennsylvania, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress presented on pages 5 through 14 and 44 through 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Willistown Township, Pennsylvania's basic financial statements. The budgetary comparison schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. The budgetary comparison schedules are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are 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 August 7, 2014 on our consideration of Willistown Township, Pennsylvania's, internal control over financial reporting and on our tests 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, Pennsylvania's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Smart Devine". The signature is written in a cursive, flowing style.

Smart Devine
Philadelphia, Pennsylvania
August 7, 2014

**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, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- During 2013, Willistown Township issued General Obligation Bonds in the aggregate principal amount of seven million three hundred twenty-five thousand dollars (\$7,325,000) to (1) currently refund the Township's General Obligation Bonds, Series of 2001 and its General Obligation Note, Series of 2008; (2) fund the general capital and sewer infrastructure improvement programs and (3) pay the costs of issuing the Bonds. The bonds will be repaid over 20 years with varying maturities at an average rate of 2.76%.
- The assets of Willistown Township exceeded its liabilities at the close of the 2013 fiscal year by \$22,651,368 which represents the Township's net position. Of this amount, 54% or \$12,274,536 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 \$2,859,847 in 2013.
- As of December 31, 2013, the Township's combined ending fund balance for its governmental funds amounted to \$13,236,408 an increase of \$1,613,626 compared to the prior year. Approximately 53% of the total governmental fund balance, or \$6,929,621, 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 15 and 16, 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 17, 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 15 with the Statement of Net Position and on page 16 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 18 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 \$12,274,536 at December 31, 2013 may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains a "Aa1" 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, 2013, the Township's assets exceeded its liabilities by \$22,651,368.

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

*Table 1
Summarized Schedule of Net Position
December 31*

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 15,021,351	\$ 5,476,115	\$ 20,497,466	\$ 12,086,366	\$ 2,210,918	\$ 14,297,284
Noncurrent Assets	\$ 16,469,043	\$ 5,532,483	\$ 22,001,526	\$ 13,980,305	\$ 3,363,715	\$ 17,344,020
Total Assets	\$ 31,490,394	\$ 11,008,598	\$ 42,498,992	\$ 26,066,671	\$ 5,574,633	\$ 31,641,304
Current Liabilities	\$ 883,893	\$ 827,346	\$ 1,711,239	\$ 564,309	\$ 499,274	\$ 1,063,583
Long-Term Liabilities	\$ 11,050,804	\$ 5,723,019	\$ 16,773,823	\$ 9,822,608	\$ 950,506	\$ 10,773,114
Total Liabilities	\$ 11,934,697	\$ 6,550,365	\$ 18,485,062	\$ 10,386,917	\$ 1,449,780	\$ 11,836,697
Deferred Inflow of Resources	\$ 1,362,562	\$ 0	\$ 1,362,562	\$ 13,085	\$ 0	\$ 13,085
Total Deferred Inflows	\$ 1,362,562	\$ 0	\$ 1,362,562	\$ 13,085	\$ 0	\$ 13,085
Net Investment						
In Capital Assets	\$ 5,688,236	\$ 2,803,796	\$ 8,492,032	\$ 4,376,311	\$ 2,196,996	\$ 6,573,307
Restricted	\$ 1,884,800	\$ 0	\$ 1,884,800	\$ 3,500,484	\$ 0	\$ 3,500,484
Unrestricted	\$ 10,620,099	\$ 1,654,437	\$ 12,274,536	\$ 7,789,874	\$ 1,927,857	\$ 9,717,731
Total Net Position	\$ 18,193,135	\$ 4,458,233	\$ 22,651,368	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522

*Table 2
Changes in Net Position
Years Ended December 31*

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 385,396	\$ 1,724,763	\$ 2,110,159	\$ 347,135	\$ 1,746,518	\$ 2,093,653
Operating Grants & Contributions	\$ 676,157	\$ 0	\$ 676,157	\$ 659,061	\$ 81,650	\$ 740,711
General Revenues						
Real Estate Taxes	\$ 339,310	\$ 0	\$ 339,310	\$ 347,724	\$ 0	\$ 347,724
Local Service Tax	\$ 299,195	\$ 0	\$ 299,195	\$ 192,170	\$ 0	\$ 192,170
Transfer Taxes	\$ 636,271	\$ 0	\$ 636,271	\$ 717,259	\$ 0	\$ 717,259
Earned Income Tax	\$ 7,246,654	\$ 0	\$ 7,246,654	\$ 6,155,965	\$ 0	\$ 6,155,965
Investment Earnings	\$ 137,726	\$ 11,152	\$ 148,878	\$ 100,338	\$ 2,160	\$ 102,498
Transfer - Net	\$ (559,906)	\$ 0	\$ (559,906)	\$ (548,581)	\$ 0	\$ (548,581)
Other	\$ 322,208	\$ 0	\$ 322,208	\$ 372,883	\$ 0	\$ 372,883
Total Revenues	\$ 9,483,011	\$ 1,735,915	\$ 11,218,926	\$ 8,343,954	\$ 1,830,328	\$ 10,174,282

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*

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Total Revenues from Previous Page	\$ 9,483,011	\$ 1,735,915	\$ 11,218,926	\$ 8,343,954	\$ 1,830,328	\$ 10,174,282
Expenses:						
General Government	\$ 1,414,449	\$ 0	\$ 1,414,449	\$ 2,381,359	\$ 0	\$ 2,381,359
Public Safety	\$ 4,009,354	\$ 0	\$ 4,009,354	\$ 3,130,048	\$ 0	\$ 3,130,048
Public Works	\$ 970,074	\$ 0	\$ 970,074	\$ 785,046	\$ 0	\$ 785,046
Health and Welfare	\$ -	\$ 0	\$ -	\$ 2,500	\$ 0	\$ 2,500
Culture and Recreation	\$ 314,835	\$ 0	\$ 314,835	\$ 290,937	\$ 0	\$ 290,937
Interest Expense	\$ 247,832	\$ 0	\$ 247,832	\$ 381,700	\$ 0	\$ 381,700
Sewer Operations	\$ 0	\$ 1,402,535	\$ 1,402,535	\$ 0	\$ 1,426,759	\$ 1,426,759
Total Expenses	\$ 6,956,544	\$ 1,402,535	\$ 8,359,079	\$ 6,971,590	\$ 1,426,759	\$ 8,398,349
Change in Net Position	\$ 2,526,467	\$ 333,380	\$ 2,859,847	\$ 1,372,364	\$ 403,569	\$ 1,775,933
Net Position - Beginning of Year	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522	\$ 14,294,305	\$ 3,721,284	\$ 18,015,589
Net Position - End of Year	\$ 18,193,135	\$ 4,458,233	\$ 22,651,369	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522

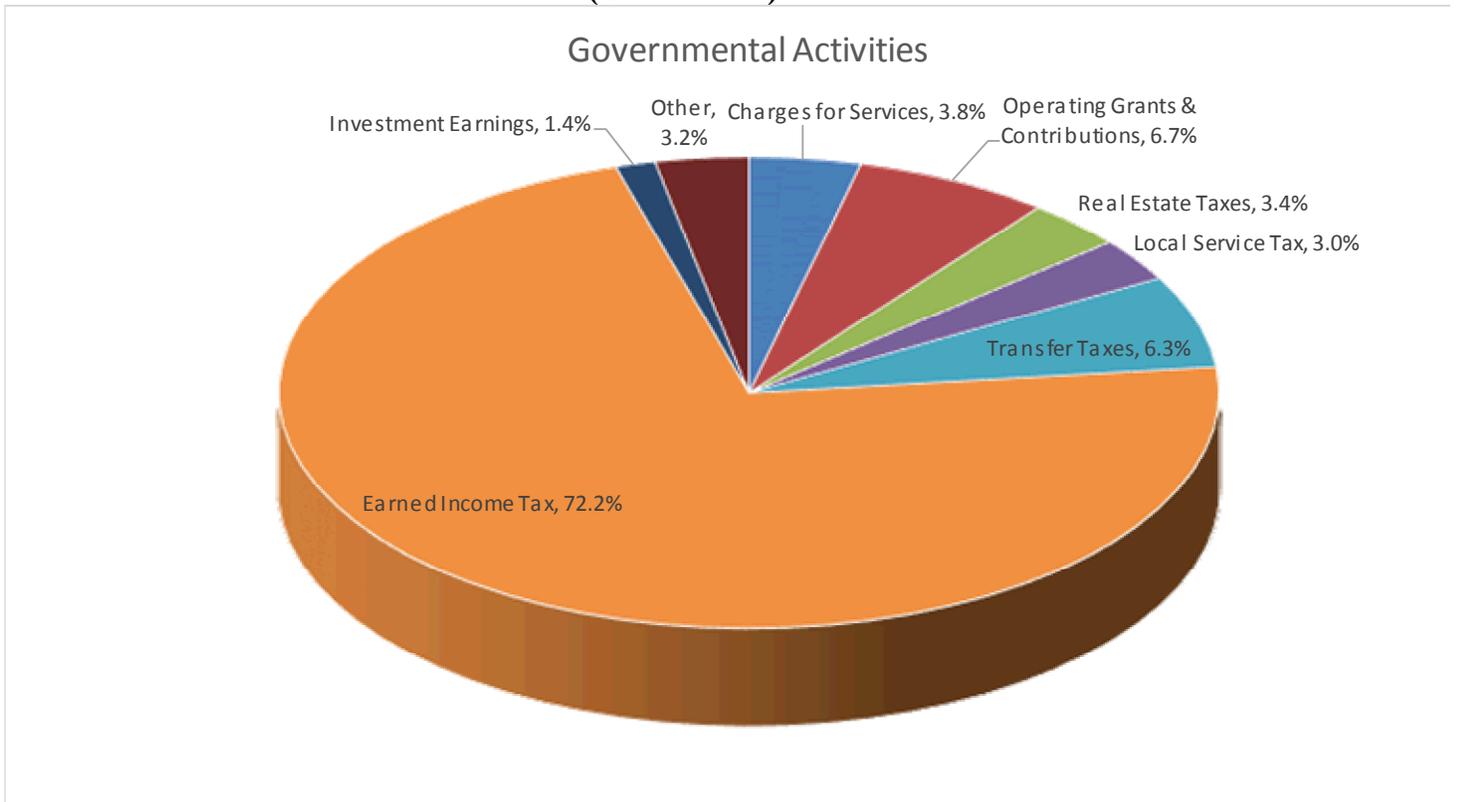
Governmental Activities

As shown in Table 1, the 2013 net position increase of \$2,526,467 is primarily reflected through an increase in current assets.

As shown in Table 2, governmental revenues exceeded governmental expenses by \$2,526,467 in 2013 resulting in an overall increase in net position. Total governmental revenues increased in 2013 by \$1,139,057 which is primarily attributable to an increase in earned income taxes.

The following graph illustrates the Township's revenue sources, with Earned Income Tax providing the major funding for our governmental activities, accounting for 72% of total governmental revenues. The next major revenue source is Grants, accounting for 7% of governmental revenues. 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)**



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 \$333,380 in 2013 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, 2013, the Township's governmental funds reported combined ending balances of \$13,236,408, an increase of \$1,613,626 from the prior year. Approximately \$7 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 \$6.3 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, 2013 the total fund balance of the General Fund was \$6,977,510, of which \$6,929,621 is unassigned. The Township had budgeted a loss of \$220,000, but the General Fund balance increased by \$1,950,881 in fiscal year 2013. Key factors for this increase are as follows:

- Revenue from Earned Income Taxes was significantly higher than expected, due in large part to the impact of Act 32 and the county-wide collection of earned income tax
- The Township's efforts to control spending during 2013 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, 2013, the fund balance totaled \$3,075,691.

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 2013, the Township received \$260,121 from the Commonwealth of Pennsylvania to pay for roadway repairs and maintenance.

The financial statements for the governmental funds can be found on pages 17 and 19 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 \$1,654,437. The total decrease in unrestricted net position was \$273,420. 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 21 through 23 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 24 and 25 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the Township's budget and actual results can be found on pages 44 through 47. Sewer Fund budget comparisons can be found on pages 49 through 52.

For 2013, there were no revisions to the General Fund budget.

As of December 31, 2013, the total fund balance of the General Fund was \$6,977,510, of which \$6,929,621 is unassigned and \$47,889 is nonspendable. As discussed on the previous page, the General Fund balance increased by \$1,950,881 in fiscal year 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's combined book value for its capital assets in its governmental and business-type activities as of December 31, 2013 amounts to \$22,001,526, net of accumulated depreciation. This 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 2013, Willistown Township issued General Obligation Bonds in the aggregate principal amount of seven million three hundred twenty-five thousand dollars (\$7,325,000) to (1) currently refund the Township's General Obligation Bonds, Series of 2001 and its General Obligation Note, Series of 2008; (2) fund the general capital and sewer infrastructure improvement programs and (3) pay the costs of issuing the Bonds. The bonds will be repaid over 20 years with varying maturities at an average rate of 2.76%.

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 \$16,445,000.

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. The Township anticipates completion of the Toll Brothers' Applebrook Meadows Phase III project during 2014. 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 benefits and implementation of the Affordable Care Act, 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 continued to show signs of growth during 2013.
- 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 County-Wide 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 remains concerned that one or more jurisdictions not currently imposing the earned income tax may explore that option. 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

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

implementation of the earned income tax, which would result 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 2013 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>.

WILLISTOWN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	\$ 10,494,642	\$ 4,275,633	\$ 14,770,275
Investments (Note 2)	1,073,238	0	1,073,238
Prepaid Expenses	47,889	0	47,889
Receivables (Note 1)			
Real Estate & Transfer	34,330	0	34,330
Local Service & Earned Income Tax	1,517,756	0	1,517,756
Grant Receivable	1,350,000	0	1,350,000
Due From Other Funds (Note 4)	411,744	343,665	755,409
Other	91,752	0	91,752
Sewer	0	856,817	856,817
Capital Assets (Notes 1 and 3)			
Land	13,420,766	0	13,420,766
Construction in Progress	937,848	652,859	1,590,707
Depreciable Capital Assets, Net of Depreciation	2,110,429	4,879,624	6,990,053
Total Capital Assets	16,469,043	5,532,483	22,001,526
TOTAL ASSETS	\$ 31,490,394	\$ 11,008,598	\$ 42,498,992
LIABILITIES AND NET POSITION			
Accounts Payable & Accrued Liabilities	\$ 467,394	\$ 271,299	\$ 738,693
Accrued Interest Payable	11,541	0	11,541
Due to Other Funds (Note 4)	328,370	326,447	654,817
Capital Lease - Current (Note 6)	17,953	0	17,953
Notes Payable - Current (Note 5)	3,235	0	3,235
Bonds Payable - Current (Note 5)	55,400	229,600	285,000
Capital Lease - Long Term (Note 6)	43,499	0	43,499
Bonds Payable - Long Term (Note 5)	10,660,720	5,723,019	16,383,739
Other Post Employment Benefits Accrual (Note 8)	346,585	0	346,585
TOTAL LIABILITIES	11,934,697	6,550,365	18,485,062
DEFERRED INFLOW OF RESOURCES			
Deferral on Current Refunding (Note 1)	1,362,562	0	1,362,562
Total Deferred Inflow of Resources	1,362,562	0	1,362,562
NET POSITION			
Net Investment in Capital Assets	5,688,236	2,803,796	8,492,032
Restricted for:			
State Highways and Streets	205,465	0	205,465
Open Space Acquisitions	1,679,335	0	1,679,335
Unrestricted	10,620,099	1,654,437	12,274,536
Total Net Position	18,193,135	4,458,233	22,651,368
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 31,490,394	\$ 11,008,598	\$ 42,498,992

WILLISTOWN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

<i>Functions/Programs</i>	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,414,450	\$ 57,504	\$ 244,236	\$ 0	\$ (1,112,710)	\$ 0	\$ (1,112,710)
Public Safety	4,009,354	287,308	151,800	0	(3,570,246)	0	(3,570,246)
Public Works	970,074	20,427	265,121	0	(684,526)	0	(684,526)
Culture and Recreation	314,835	20,157	15,000	0	(279,678)	0	(279,678)
Interest Expense	247,832	0	0	0	(247,832)	0	(247,832)
<i>Total Governmental Activities</i>	6,956,544	385,396	676,157	0	(5,894,991)	0	(5,894,992)
BUSINESS TYPE ACTIVITIES							
Sewer	1,402,535	1,724,763	0	0	0	322,228	322,228
<i>Total Business Type Activities</i>	1,402,535	1,724,763	0	0	0	322,228	322,228
TOTAL PRIMARY GOVERNMENT	\$ 8,359,079	\$ 2,110,159	\$ 676,157	\$ 0	(5,894,991)	322,228	(5,572,763)
GENERAL REVENUES							
Taxes:							
Real Estate					339,310	0	339,310
Local Service Tax					299,195	0	299,195
Transfer Taxes					636,271	0	636,271
Earned Income					7,246,654	0	7,246,654
Franchise Fees					253,035	0	253,035
Fines and Forfeits					48,716	0	48,716
Investment Earnings					137,726	11,152	148,878
Gain on Sale of Capital Assets					10,553	0	10,553
Miscellaneous					9,904	0	9,904
Transfers - Net					(559,906)	0	(559,906)
Total General Revenues and Transfers					8,421,458	11,152	8,432,610
CHANGE IN NET POSITION					2,526,467	333,380	2,859,847
NET POSITION, BEGINNING OF YEAR					15,666,669	4,124,853	19,791,522
NET POSITION, END OF YEAR					\$ 18,193,135	\$ 4,458,233	\$ 22,651,369

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

WILLISTOWN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 5,265,158	\$ 1,534,712	\$ 3,037,498	\$ 657,274	\$ 10,494,642
Investments	0	0	0	1,073,238	1,073,238
Taxes Receivable	1,407,462	144,623	0	0	1,552,085
Other Accounts Receivable	91,752	0	0	0	91,752
Prepaid Expenses	47,889	0	0	0	47,889
Due From Other Funds	330,744	0	81,000	0	411,744
TOTAL ASSETS	\$ 7,143,005	\$ 1,679,335	\$ 3,118,498	\$ 1,730,512	\$ 13,671,350
LIABILITIES AND FUND BALANCES					
<i>Liabilities</i>					
Accounts Payable & Accrued Liabilities	\$ 91,384	\$ 0	\$ 0	\$ 15,188	\$ 106,572
Due to Other Funds	74,111	0	42,807	211,452	328,370
<i>Total Liabilities</i>	165,495	0	42,807	226,640	434,942
<i>Fund Balances</i>					
Nonspendable:	47,889	0	0	0	47,889
Restricted For:					
Public Highways and Streets	0	0	0	205,465	205,465
Open Space Acquisitions	0	1,679,335	0	0	1,679,335
Assigned For:					
General Government	0	0	0	237,557	237,557
Other Post Employment Benefits	0	0	0	1,060,850	1,060,850
Capital Purchases	0	0	3,075,691	0	3,075,691
Unassigned	6,929,621	0	0	0	6,929,621
<i>Total Fund Balances</i>	6,977,510	1,679,335	3,075,691	1,503,872	13,236,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,143,005	\$ 1,679,335	\$ 3,118,498	\$ 1,730,512	\$ 13,671,350

***WILLISTOWN TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013***

TOTAL GOVERNMENTAL FUND BALANCES **\$ 13,236,408**

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. **16,469,043**

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	(10,719,355)
Capital Lease Obligations	(61,452)
Other Post Employment Benefits Liability	(346,585)
Deferral on Bond Refunding	(12,562)
Accounts Payable on Capital Assets	(360,821)
Accrued Interest Payable	<u>(11,541)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 18,193,135**

WILLISTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

		General	Open Space	Capital Reserve	Nonmajor Governmental Funds	Total
REVENUES	Real Estate Taxes	\$ 339,310	\$ 0	\$ 0	\$ 0	\$ 339,310
	Local Service Tax	299,195	0	0	0	299,195
	Real Estate Transfer Tax	636,271	0	0	0	636,271
	Earned Income Tax	6,556,993	689,661	0	0	7,246,654
	Fines, Forfeitures, and Other Costs	48,716	0	0	0	48,716
	Cable Franchise Fees	253,035	0	0	0	253,035
	Interest, Dividends, and Rents	5,120	2,292	3,925	17,522	28,859
	Intergovernmental Revenues	396,036	0	0	280,121	676,157
	Park and Recreation Fees	20,157	0	0	0	20,157
	Charges for Services	365,239	0	0	0	365,239
	Miscellaneous	9,804	0	0	100	9,904
	Total Revenues	8,929,876	691,953	3,925	297,743	9,923,497
EXPENDITURES	General Government	1,313,700	28,000	0	7,583	1,349,283
	Public Safety	3,833,132	0	0	0	3,833,132
	Public Works	709,963	0	0	114,497	824,460
	Culture and Recreation	261,105	0	0	21,834	282,939
	Capital Outlay	184,479	1,896,977	168,648	285,702	2,535,806
	Debt Service					
	Principal Payment	81,000	5,000	50,400	0	136,400
	Interest and Other Charges	1,863	246,492	17,962	0	266,317
	Total Expenditures	6,385,242	2,176,469	237,010	429,616	9,228,337
	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,544,634	(1,484,516)	(233,085)	(131,873)	695,160
OTHER FINANCING SOURCES (USES)	Transfers In	145,524	0	0	189,924	335,448
	Transfers Out	(749,830)	0	0	(145,524)	(895,354)
	Issuance Costs for 2013 General Obligation Bonds	0	0	(7,567)	0	(7,567)
	Proceeds from 2013 General Obligation Bonds	0	0	1,318,500	0	1,318,500
	Bond Premium from 2013 General Obligation Bonds	0	0	48,020	0	48,020
	Proceeds from Sale of Fixed Assets	10,553	0	0	0	10,553
	Realized and Unrealized Gain on Investments	0	0	0	108,866	108,866
	Total Other Financing Sources (Uses)	(593,753)	0	1,358,953	153,266	918,466
NET CHANGE IN FUND BALANCES		1,950,881	(1,484,516)	1,125,868	21,393	1,613,626
FUND BALANCES, BEGINNING OF YEAR		5,026,629	3,163,851	1,949,823	1,482,479	11,622,782
FUND BALANCES, END OF YEAR		\$ 6,977,510	\$ 1,679,335	\$ 3,075,691	\$ 1,503,872	\$ 13,236,408

WILLISTOWN TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,613,626**

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	2,424,765
Depreciation Expense	(296,848)

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	136,400
Capital Lease Principal Payments	53,307
Other Post Employment Benefits (Net)	(38,786)
Amortization of Deferral Charges	523
Proceeds from 2013 General Obligation Bonds	(1,318,500)
Bond Premium from 2013 General Obligation Bonds	<u>(48,020)</u>

CHANGE IN NET POSITION - GOVERNMENTAL FUNDS **\$ 2,526,467**

WILLISTOWN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUND

		December 31 2013
ASSETS		
CURRENT ASSETS	Cash and Cash Equivalents	\$ 4,275,633
	Due from Other Funds	343,665
	Accounts Receivable	856,817
	Total Current Assets	5,476,115
<hr/>		
PROPERTY, PLANT & EQUIPMENT	Sewer Collection System	6,989,673
	Less: Accumulated Depreciation	(1,457,190)
	Net Property, Plant & Equipment	5,532,483
<hr/>		
TOTAL ASSETS		\$ 11,008,598
<hr/>		
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES	Accounts Payable	\$ 271,299
	Bonds Payable	229,600
	Due to Other Funds	326,447
	Total Current Liabilities	827,346
NONCURRENT LIABILITIES	Bonds Payable	5,723,019
	Total Noncurrent Liabilities	5,723,019
TOTAL LIABILITIES		6,550,365
NET POSITION	Net Investment in Capital Assets	2,803,796
	Unrestricted	1,654,437
	Total Net Position	4,458,233
TOTAL LIABILITIES AND NET POSITION		\$ 11,008,598

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

WILLISTOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2013

		2013
OPERATING		
REVENUES AND	Sewer Charges	\$ 1,724,763
EXPENSES	Sewage Treatment	(460,100)
	Operations & Maintenance	(491,570)
	General and Administrative	(93,612)
	Depreciation & Amortization	(289,236)
NET INCOME FROM OPERATIONS		390,245
<hr/>		
NON-OPERATING	Bond Issuance Costs	(39,791)
INCOME (EXPENSE)	Investment Income	11,152
	Interest Expense	(28,226)
	<i>Total Non-Operating Expense - Net</i>	<i>(56,865)</i>
CHANGE IN NET POSITION		333,380
NET POSITION, BEGINNING OF YEAR		4,124,853
NET POSITION, END OF YEAR		\$ 4,458,233

WILLISTOWN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

<i>Cash Flows From:</i>		<i>Year Ended December 31</i>	<i>2013</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$	1,528,087
	Cash Payments to Employees for Services		(144,811)
	Cash Payments to Vendors for Goods and Services		(629,172)
	<i>Net Cash Provided by Operating Activities</i>		
NONCAPITAL AND RELATED FINANCING ACTIVITIES	Interfund Transfers - Transfer In		18,618
	Interfund Transfers - Transfer Out		(318,897)
	<i>Net Cash Used in Noncapital and Related Financing Activities</i>		
CAPITAL AND RELATED FINANCING ACTIVITIES	Purchases of Capital Assets		(2,458,004)
	Bond Proceeds		6,006,500
	Bond Principal Payments		(1,396,319)
	Bond Premium		175,719
	Bond Issuance Costs		(39,791)
	Interest Paid		(28,226)
<i>Net Cash Provided by Capital and Related Financing Activities</i>			2,259,879
INVESTING ACTIVITIES	Investment Earnings		11,152
<i>Net Cash Provided by Investing Activities</i>			11,152
<i>Net Increase in Cash and Cash Equivalents</i>		\$	2,724,856
<i>Cash and Cash Equivalents-Beginning of Year</i>			1,550,777
<i>Cash and Cash Equivalents-Ending of Year</i>		\$	4,275,633
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
	Operating Income	\$	390,245
	Adjustment for Noncash Charges to Operations:		
	Depreciation and Amortization		289,236
	Changes in Assets and Liabilities		
	Increase in Accounts Receivable		(196,676)
	Decrease in Accounts Payable		271,299
<i>Net Cash Provided by Operating Activities</i>		\$	754,104

WILLISTOWN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

		Pension Trust Funds	Escrow Funds
ASSETS	Cash and Cash Equivalents	\$ 58,355	\$ 220,159
	Due From Developers	0	68,151
	Due From Other Funds	0	6,600
	Investments	11,820,850	0
	TOTAL ASSETS	<u>11,879,205</u>	<u>294,910</u>
LIABILITIES	Payroll Taxes Payable	32,815	15,194
	Due to Other Funds	0	107,193
	Escrow Deposits	0	172,523
	TOTAL LIABILITIES	<u>32,815</u>	<u>\$ 294,910</u>
NET POSITION	Net Position - Restricted for Pension Benefits	<u>\$ 11,846,390</u>	

WILLISTOWN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2013

		Police Pension Trust Fund	Municipal Pension Trust Fund	Total
ADDITIONS	<i>Contributions:</i>			
	Employer	\$ 361,804	\$ 63,437	\$ 425,241
	Commonwealth of Pennsylvania	198,102	0	198,102
	Plan Members	98,892	6,288	105,180
	<i>Total Contributions</i>	658,798	69,725	728,523
	<i>Investments:</i>			
	Investment Earnings	331,791	0	331,791
	Realized and Unrealized Gain on Sale of Investments	1,595,321	121,614	1,716,935
	<i>Net Investment Income</i>	1,927,112	121,614	2,048,726
	Total Additions	2,585,910	191,339	2,777,249
DEDUCTIONS	Benefits	347,538	33,994	381,532
	Administrative Expenses	31,780	0	31,780
	Total Deductions	379,318	33,994	413,312
CHANGE IN NET POSITION		2,206,592	157,345	2,363,937
NET POSITION, BEGINNING OF YEAR		8,876,392	606,061	9,482,453
NET POSITION, END OF YEAR		\$ 11,082,984	\$ 763,406	\$ 11,846,390

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.

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.

Continued on next page.

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. Investment income and interest payments are treated as nonoperating income and expenses and are 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)

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.

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investments, it is at least possible that changes in risks in the near term could materially affect investment balances.

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 Transactions. In connection with financing its operations, the Township conducts interfund transactions. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2013, appropriate interfund receivables or payables have been established.

Prepaid Items. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide statements and fund financial statements.

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.

Continued on next page.

1. Summary of Significant Accounting Policies (Continued)

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.

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. Interest incurred during the construction phase is included as a part of the capitalized value of the assets constructed. Capitalized interest for the current year amounted to \$99,791. Total interest charged to expense amounted to \$276,670.

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

Bond Premiums. In the government-wide financial statements and in the proprietary fund financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight line method. Long-term debt is reported net of the applicable bond premium.

In the government fund financial statements, bond premiums are recognized during the current period. Premiums received on debt issuances are reported as other financing sources.

Compensated Absences. Uniform and non-uniform employees accumulate vacation and sick time based on certain eligibility requirements and years of service. Employees are allowed to carryover and/or elect to be paid for a certain portion of unused vacation time. 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. Vacation pay is accrued when incurred in the government-wide statements and proprietary funds. A liability for these amounts is reported in the governmental funds only if they are the result of an employee resignation or termination.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township reports the deferral on current refunding of debt as a deferred inflow of resources which amounted to \$12,562 as of December 31, 2013. During 2013, the Township was also awarded two grants for the purchase of open space in which all requirements related to the grants were met but the funds were not available. As of December 31, 2013, the grant amounts due to the Township totaled \$1,350,000.

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 prepaid insurance or (b) legally or contractually required to be maintained intact.

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 has the ability to commit funds for the Township. As of December 31, 2013, 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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”.

Real Estate Tax. Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2013 assessment amounted to 0.28 Mills. The tax calendar follows:

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

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 2013 amounted to \$253,035.

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 14 of 2010 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.

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.

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 while only one of the institutions provides FDIC coverage of \$250,000 per depositor.

Continued on next page.

2. Deposits and Investments (Continued)

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. 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. 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, 2013, the bank balance of all Township funds on deposit with both financial institutions, including Trust and Fiduciary Funds totaled \$15,189,403, of which, \$500,000 was covered by FDIC and \$14,671,540 was covered under Pennsylvania Act 72. The \$17,863 balance in the PLGIT money market account at December 31, 2013 was not covered by either 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, 2013 follow:

	Governmental	Fiduciary
Cash	\$ 71,708	\$ 0
Certificates of Deposit	206,106	0
Fixed Income Mutual Funds	50,312	3,213,751
Stocks and Stock Mutual Funds	745,112	8,607,099
Total	\$ 1,073,238	\$ 11,820,850

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. Of the total investments held by the Township in the Governmental and Fiduciary Funds at December 31, 2013, 86% was held at one institution.

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, 80% is invested in intermediate term bonds with an average maturity date ranging from five to ten years, and 19% is invested in short term bonds with an average maturity date ranging from one to three years.

Continued on next page.

WILLISTOWN TOWNSHIP

Notes To Financial Statements

December 31, 2013

2. Deposits and Investments (Continued)

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, 2013, 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, 2013 follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets - Not Depreciated				
Land	\$11,532,389	\$1,888,377	\$0	\$13,420,766
Police Building - In Progress	390,416	547,432	0	937,848
Total Capital Assets - Not Depreciated	11,922,805	2,435,809	0	14,358,614
Capital Assets - Depreciated				
Buildings & Improvements	819,462	0	0	819,462
Infrastructure	203,859	188,201	0	392,060
Park Buildings and Equipment	904,838	0	0	904,838
Automobiles	955,990	161,576	0	1,117,566
Machinery and Equipment	660,624	0	0	660,624
Office Equipment	385,625	0	0	385,625
Total Capital Assets - Depreciated	3,930,398	349,777	0	4,280,175
Less: Accumulated Depreciation For:				
Buildings & Improvements	190,240	21,357	0	211,597
Infrastructure	16,139	12,546	0	28,685
Park Buildings and Equipment	291,483	32,370	0	323,853
Automobiles	730,170	154,035	0	884,205
Machinery and Equipment	365,591	53,502	0	419,093
Office Equipment	279,275	23,038	0	302,313
Total Accumulated Depreciation	1,872,898	296,848	0	2,169,746
Total Net Capital Assets - Depreciated	2,057,500	52,929	0	2,110,429
Total Net Capital Assets - Governmental Activities	\$13,980,305	\$2,488,738	\$0	\$16,469,043

Continued on next page.

WILLISTOWN TOWNSHIP

Notes To Financial Statements

December 31, 2013

3. Capital Assets (Continued)	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets				
Construction in Progress	\$0	\$652,859	\$0	\$652,859
Sewer Collection System	4,531,669	1,805,145	0	6,336,814
Total Capital Assets - Depreciated	4,531,669	2,458,004	0	6,989,673
Less: Accumulated Depreciation	1,167,954	289,236	0	1,457,190
Total Net Capital Assets - Business-Type Activities	\$3,363,715	\$2,168,768	\$0	\$5,532,483

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

Governmental Activities	Amount
General Government	\$87,489
Public Works	134,841
Police	74,518
Total Depreciation Expense - Governmental Activities	\$296,848

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, 2013 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	330,744	\$74,111
Liquid Fuel Fund	0	199,064
Police Hospitalization Fund	0	12,387
Capital Reserve Fund	81,000	42,807
Sewer Fund	343,665	326,447
Fiduciary Funds	6,600	107,193
Total	\$762,009	\$762,009

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	\$145,524	\$749,830
Liquid Fuel Fund	3,300	0
Bartram's Bridge Fund	1,500	0
Police Hospitalization Fund	185,124	145,524
Fiduciary Funds	559,906	0
Total	\$895,354	\$895,354

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. The 2001 Series was retired during 2013 with the issuance of the 2013 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 was payable at an annual fixed rate of 4.8%. The 2008 Series was retired during 2013 with the issuance of the 2013 General Obligation Bonds.

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.

On June 20, 2013, General Obligation Bonds, Series 2013, in the amount of \$7,325,000 were issued for the purposes of refunding the 2001 and 2008 General Obligation Bonds to fund the construction of the police building and sewer system improvements, and to pay the costs of issuing the bonds.

A summary of the bonds and note payable activity for the year ended December 31, 2013 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOB - Series of 2001	\$ 450,000	\$ 0	\$ (450,000)	\$ 0	\$ 0
GON - Series of 2008	797,719	0	(797,719)	0	0
GOB - Series of 2012	9,405,000	0	(5,000)	9,400,000	5,000
GOB - Series of 2013, net of unamortized premium	0	7,548,739	(280,000)	7,268,739	280,000
	10,652,719	7,548,739	(1,532,719)	16,668,739	285,000
Less: Current Portion	(260,813)	(285,000)	260,813	(285,000)	0
Bonds Payable - Long Term	\$10,391,906	\$7,263,739	\$ (1,271,906)	\$16,383,739	\$ 285,000

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

Year	GOB Series 2012		GOB Series 2013	
	Principal	Interest Rate	Principal	Interest Rate
2014	\$ 5,000	1.00%	\$ 280,000	0.50%
2015	\$ 320,000	1.00%	\$ 290,000	3.00%
2016	\$ 320,000	2.00%	\$ 295,000	4.00%
2017	\$ 330,000	3.00%	\$ 305,000	3.00%
2018	\$ 340,000	2.00%	\$ 315,000	3.00%
2019-2023	\$ 1,795,000	2.00% - 2.05%	\$ 1,655,000	2.00% - 2.10%
2024-2028	\$ 1,990,000	2.15% - 2.45%	\$ 1,815,000	2.20% - 2.75%
2029-2033	\$ 2,250,000	2.625% - 3.00%	\$ 2,090,000	4.00%
2034-2038	\$ 2,050,000	3.00% - 3.30%	\$ 0	
Total	\$ 9,400,000		\$ 7,045,000	

Continued on next page.

5. Long-Term Debt
(Continued)

Scheduled future principal and interest maturities with respect to all long term debt obligations at December 31, 2013 follow:

Year	Bond Principal	Bond Interest	Total Bond Requirements
2014	\$ 285,000	\$ 438,495	\$ 723,495
2015	\$ 610,000	\$ 437,045	\$ 1,047,045
2016	\$ 615,000	\$ 425,145	\$ 1,040,145
2017	\$ 635,000	\$ 406,945	\$ 1,041,945
2018	\$ 655,000	\$ 387,895	\$ 1,042,895
2019-2023	\$ 3,450,000	\$ 1,722,725	\$ 5,172,725
2024-2028	\$ 3,805,000	\$ 1,341,353	\$ 5,146,353
2029-2033	\$ 4,340,000	\$ 778,708	\$ 5,118,708
2034-2038	\$ 2,050,000	\$ 168,363	\$ 2,218,363
Total	\$ 16,445,000	\$ 6,106,674	\$ 22,551,674

The future principal and interest maturities allocation between the governmental and enterprise funds is summarized below:

Governmental Funds:

Year	Bond Principal	Bond Interest	Total Bond Requirements
2014	\$ 55,400	\$ 272,457	\$ 327,857
2015	\$ 372,200	\$ 272,155	\$ 644,355
2016	\$ 373,100	\$ 267,389	\$ 640,489
2017	\$ 384,900	\$ 258,865	\$ 643,765
2018	\$ 396,700	\$ 247,318	\$ 644,018
2019-2023	\$ 2,092,900	\$ 1,112,050	\$ 3,204,950
2024-2028	\$ 2,316,700	\$ 882,290	\$ 3,198,990
2029-2033	\$ 2,626,200	\$ 567,640	\$ 3,193,840
2034-2038	\$ 2,050,000	\$ 168,363	\$ 2,218,363
Total	\$ 10,668,100	\$ 4,048,527	\$ 14,716,627

Enterprise Funds:

Year	Bond Principal	Bond Interest	Total Bond Requirements
2014	\$ 229,600	\$ 166,038	\$ 395,638
2015	\$ 237,800	\$ 164,890	\$ 402,690
2016	\$ 241,900	\$ 157,756	\$ 399,656
2017	\$ 250,100	\$ 148,080	\$ 398,180
2018	\$ 258,300	\$ 140,577	\$ 398,877
2019-2023	\$ 1,357,100	\$ 610,675	\$ 1,967,775
2024-2028	\$ 1,488,300	\$ 459,063	\$ 1,947,363
2029-2033	\$ 1,713,800	\$ 211,068	\$ 1,924,868
2034-2038	\$ -	\$ -	\$ -
Total	\$ 5,776,900	\$ 2,058,147	\$ 7,835,047

The Township also has two automobile loans with monthly principal payments of \$543 and \$535, respectively, with 0% interest. Both loans mature in year 2014. The vehicles serve as security for the loans. The total balance of the automobile loans outstanding as of December 31, 2013 amounted to \$3,235.

6. Leases

Capital Leases. As of December 31, 2013, machinery, equipment and vehicles owned by way of capital leases and included within the statement of net position is accounted for as follows:

	2013
Capitalized Cost	\$ 208,516
Less: Accumulated Amortization	87,489
Capitalized Cost - Net	\$ 121,027
Lease Amortization Included in Depreciation Expense	\$ 26,891

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
2014	\$ 20,122
2015	\$ 20,122
2016	\$ 20,122
2017	\$ 4,644
Total Minimum Lease Payments	65,010
Less: Amount Representing Interest	3,558
Present Value of Future Minimum Rental	61,452
Less: Current Portion	17,953
Total Noncurrent	\$ 43,499

Operating Leases. For the year ended December 31, 2013, rent expense for the Township's operating leases is as follows:

	2013
Office Space located at 40 Lloyd Avenue, Malvern, PA, two year lease commencing July 14, 2011, with a one year renewal option that the Township opted for. Base annual rent for the first year is \$85,176 with 1% increases each subsequent year.	\$ 87,564
Various office equipment leases expiring at various dates through September 2015 with monthly payments ranging from \$160 to \$695.	\$ 12,734

Aggregate future minimum lease payments under the aforementioned leases follow:

Years Ending December 31	Amount
2014	\$ 69,308
2015	6,040
Total	\$ 75,348

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.

Continued on next page.

7. Pension Plans (Continued) 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.
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.

Continued on next page.

7. Pension Plans (Continued)

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.

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 2013 was determined as part of the January 1, 2013 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 10 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 48 of these financial statements.

Year	Uniform		Non-Uniform	
	Annual Pension Cost	Percentage Contribution	Annual Pension Cost	Percentage Contribution
2013	\$ 559,906	100%	\$ 61,168	100%
2012	\$ 548,581	100%	\$ 68,521	100%
2011	\$ 590,703	100%	\$ 68,521	100%

Funded Status and Funding Progress. Effective with the January 1, 2013 valuation, the Township investment rate of return assumption is 7.5%. As of January 1, 2013, the most recent actuarial valuation date, the actuarial value of plan assets amounted to \$8,876,392, the actuarial accrued liability for benefits amounted to \$11,714,462, and the actuarial value of assets as a percentage of that actuarial accrued liability was 76%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,952,045, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 145%.

The Township does not issue stand-alone financial statements for the plan. The actuarial valuation report is available upon request at the Township building.

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.

Continued on next page.

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

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2013, the Township contributed \$185,124 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 \$123,695 for the year ended December 31, 2013.

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	\$ 150,445	\$ 0	\$ 150,445
Interest on OPEB Obligation	12,036	0	12,036
Annual OPEB Cost	162,481	0	162,481
Contributions Made	(106,999)	(16,696)	(123,695)
Increase in Net OPEB Obligation	55,482	(16,696)	38,786
Net OPEB Obligation - Beginning of Year	291,102	16,696	307,798
Net OPEB Obligation - End of Year	\$ 346,584	\$ 0	\$ 346,584

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
2013	\$ 162,481	\$ 123,695	76%	\$ 38,786
2012	\$ 162,481	\$ 126,126	78%	\$ 36,355
2011	\$ 170,940	\$ 128,198	75%	\$ 42,742

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, 2013, assets assigned to cover the OPEB liability amounted to \$1,073,238. The Township has not adopted a policy to fully fund the annual OPEB cost each year.

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.

Continued on next page.

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

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.

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 2013 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 does not issue stand-alone financial statements for the OPEB Plan.

The Township also provides life insurance benefits to its non-uniform employees in which the total benefit amounts to \$20,000. The premiums are fully paid by the Township and continue until the employee's death. 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.

Continued on next page.

9. Sewage Treatment Agreements (Continued)

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 \$301,337 for the year ended December 31, 2013. As of December 31, 2013, VFSA owed the Township \$124,254 for amounts in excess of the quarterly amounts remitted.

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. 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. Treatment costs and capital contributions for future capital improvements charged by Valley Creek Trunk Line amounted to \$148,386 or the year ended December 31, 2013.

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, 2013.

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.

12. Subsequent Events

Subsequent events have been evaluated through August 7, 2014, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to, or disclosure in, these financial statements as a result of this evaluation.

Required Supplementary Information

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Taxes			
Real Estate	\$ 338,004	\$ 339,310	\$ 1,306
Transfer Taxes	575,000	636,271	61,271
Earned Income	4,800,000	6,556,993	1,756,993
Local Service Tax	210,000	299,195	89,195
Cable Franchise Fees	225,000	253,035	28,035
Fines and Forfeits	43,000	48,716	5,716
Investment Income / Rental Income	13,250	5,120	(8,130)
Intergovernmental Revenues	309,950	396,036	86,086
Park and Recreation Fees	15,000	20,157	5,157
Charges for Services	263,642	365,239	101,597
Miscellaneous	30,764	9,804	(20,960)
Total Revenues	6,823,610	8,929,876	2,106,266
EXPENDITURES			
General Government	1,196,325	1,326,644	130,319
Public Safety	4,072,967	3,929,577	(143,390)
Health and Welfare	8,800	0	(8,800)
Public Works	840,605	785,053	(55,552)
Library/Parks/Recreation	267,363	261,105	(6,258)
Debt Service	43,427	82,863	39,436
Total Expenditures	6,429,487	6,385,242	(44,245)
EXCESS OF REVENUES OVER EXPENDITURES	394,123	2,544,634	2,150,511
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Fixed Assets	15,000	10,553	(4,447)
Transfers In	114,034	145,524	31,490
Transfers Out	(745,030)	(749,830)	(4,800)
Total Other Financing (Uses), Net	(615,996)	(593,753)	22,243
NET CHANGE IN FUND BALANCE	\$ (221,873)	1,950,881	\$ 2,172,754
FUND BALANCE, BEGINNING OF YEAR		5,026,629	
FUND BALANCE, END OF YEAR		\$ 6,977,510	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPEN SPACE FUND
YEAR ENDED DECEMBER 31, 2013

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES			
Earned Income Tax	\$ 650,000	\$ 689,661	\$ 39,661
Investment Income	6,000	2,292	(3,708)
<i>Total Revenues</i>	656,000	691,953	35,953
EXPENDITURES			
General Government	9,275	28,000	18,725
Capital Outlay	4,500	1,896,977	1,892,477
Debt Service:			
Principal Retirement	5,000	5,000	0
Interest	247,863	246,492	1,371
<i>Total Expenditures</i>	266,638	2,176,469	1,912,573
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	389,362	(1,484,516)	(1,876,620)
NET CHANGE IN FUND BALANCE	\$ <u>389,362</u>	(1,484,516)	\$ <u>(1,876,620)</u>
FUND BALANCE, BEGINNING OF YEAR		3,163,851	
FUND BALANCE, END OF YEAR		\$ <u>1,679,335</u>	

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2013

		Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES				
	Investment Income	\$ 6,000	\$ 3,925	\$ (2,075)
	Total Revenues	6,000	3,925	(2,075)
EXPENDITURES				
	Capital Purchases	1,000,000	168,648	(831,352)
	Debt Service	0	68,362	68,362
	Total Expenditures	1,000,000	237,010	(762,990)
DEFICIT OF REVENUES OVER EXPENDITURES		(994,000)	(233,085)	760,915
OTHER FINANCING SOURCES (USES)				
	Transfers Out	(15,000)	0	(15,000)
	Proceeds from 2013 General Obligation Bonds	0	1,318,500	(1,318,500)
	Bond Premium from 2013 General Obligation Bonds		48,020	(48,020)
	Bond Issuance Costs	0	(7,567)	7,567
	Total Other Financing (Uses), Net	(15,000)	1,358,953	(1,373,953)
NET CHANGE IN FUND BALANCE		\$ (1,009,000)	1,125,868	\$ 2,134,868
FUND BALANCE, BEGINNING OF YEAR			1,949,823	
FUND BALANCE, END OF YEAR			\$ 3,075,691	

WILLISTOWN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2013

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 2013, actual expenditures were more than appropriations for the fund listed below. The overage is primarily related to the Township refinancing its existing debt to take advantage of lower interest rates and due to the purchase of Open Space that was not originally contemplated by the Township when they prepared their budget. The excess amounts were not deemed to be a material violation.

		Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance
GENERAL FUND				
	General Government	\$ 1,196,325	\$ 1,326,644	\$ 130,319
	Debt Service	\$ 43,427	\$ 82,863	\$ 39,436
OPEN SPACE FUND				
	General Government	\$ 9,275	\$ 28,000	\$ 18,725
	Capital Outlay	\$ 4,500	\$ 1,896,977	\$ 1,892,477
CAPITAL RESERVE FUND				
	Debt Service	\$ 0	\$ 68,362	\$ 68,362

WILLISTOWN TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS - UNIFORM AND NON-UNIFORM PLANS
THIRTEEN YEARS ENDED DECEMBER 31, 2013

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%
2013	8,876,392	11,714,462	(2,838,070)	75.77%	1,952,045	-145.39%

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%

2013 As of the date of the audit report, actuarial information from Pennsylvania Municipal Retirement System for January 1, 2013 was not available.

Other Supplementary Information

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - VALLEY FORGE SEWER FUND
YEAR ENDED DECEMBER 31, 2013

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Sewer Rents	\$ 1,456,300	\$ 1,533,843	\$ 77,543
	Total Revenues	1,456,300	1,533,843	77,543
OPERATING EXPENSES	Sewage Treatment	655,909	460,100	(195,809)
	Operations and Maintenance	198,296	232,924	34,628
	General and Administrative	87,138	82,555	(4,583)
	Depreciation & Amortization	0	289,236	(289,236)
	Total Operating Expenses	941,343	1,064,815	(455,000)
NET INCOME FROM OPERATIONS		514,957	469,028	532,543
NON-OPERATING INCOME (EXPENSE)	Bond Issuance Costs	0	(39,791)	(39,791)
	Investment Income	1,700	10,932	9,232
	Interfund Transfers - Net	0	(45,000)	(45,000)
	Interest Expense	57,978	(28,226)	(86,204)
	Total Non-Operating Income (Expense), Net	59,678	(102,085)	(161,763)
CHANGE IN NET POSITION		\$ 574,635	\$ 366,943	\$ (207,692)
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	Capital Expenditures	\$ (3,041,841)	\$ (2,458,004)	\$ 583,837
	Bond Proceeds	3,041,841	6,006,500	2,964,659
	Principal Retirement	215,400	(1,396,319)	(1,611,719)
	Bond Premium	0	175,719	175,719
	Total Other Budgeted Items	\$ 215,400	\$ 2,327,896	\$ 2,112,496

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - PENNS PRESERVE SEWER FUND
YEAR ENDED DECEMBER 31, 2013

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Sewer Rents	\$ 117,200	\$ 119,864	\$ 2,664
	<i>Total Revenues</i>	117,200	119,864	2,664
OPERATING EXPENSES	Operations and Maintenance	111,700	105,728	(5,972)
	General and Administrative	12,317	11,057	(1,260)
	<i>Total Operating Expenses</i>	124,017	116,785	(7,232)
NET INCOME (LOSS) FROM OPERATIONS		(6,817)	3,079	9,896
NON-OPERATING INCOME	Investment Income	400	201	(199)
	<i>Total Non-Operating Income</i>	400	201	(199)
CHANGE IN NET POSITION		\$ (6,417)	\$ 3,280	\$ 9,697

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - LOW PRESSURE SEWER FUND
YEAR ENDED DECEMBER 31, 2013

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Sewer Rents	\$ 75,000	\$ 71,056	\$ (3,944)
	<i>Total Revenues</i>	75,000	71,056	(3,944)
OPERATING EXPENSES	Operations and Maintenance	70,400	152,918	82,518
	<i>Total Operating Expenses</i>	70,400	152,918	82,518
NET INCOME (LOSS) FROM OPERATIONS		4,600	(81,862)	(86,462)
NON-OPERATING INCOME	Investment Income	0	19	19
	Interfund Transfers - Net	0	45,000	45,000
	<i>Total Non-Operating Income</i>	0	45,019	45,019
CHANGE IN NET POSITION		\$ 4,600	\$ (36,843)	\$ (41,443)

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - COMBINED SEWER FUNDS
YEAR ENDED DECEMBER 31, 2013

		Original and Final Appropriated Budget	Actual Amounts	Variance Over (Under)
OPERATING REVENUES	Sewer Rents	\$ 1,648,500	\$ 1,724,763	\$ 76,263
	<i>Total Revenues</i>	1,648,500	1,724,763	76,263
OPERATING EXPENSES	Sewage Treatment	655,909	460,100	(195,809)
	Operations and Maintenance	380,396	491,570	111,174
	General and Administrative	99,455	93,612	(5,843)
	Depreciation & Amortization	0	289,236	289,236
	<i>Total Operating Expenses</i>	1,135,760	1,334,518	(198,758)
NET INCOME FROM OPERATIONS		512,740	390,245	(122,495)
NON-OPERATING INCOME (EXPENSE)	Bond Issuance Costs	0	(39,791)	(39,791)
	Investment Income	2,100	11,152	9,052
	Interest Expense	57,978	(28,226)	(86,204)
	<i>Total Non-Operating Income (Expense), Net</i>	60,078	(56,865)	(116,943)
CHANGE IN NET POSITION		\$ <u>572,818</u>	\$ <u>333,380</u>	\$ <u>(239,438)</u>
ITEMS BUDGETED BUT NOT INCLUDED IN STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	Capital Expenditures	\$ (3,041,841)	\$ (2,458,004)	\$ 583,837
	Bond Proceeds	3,041,841	6,006,500	2,964,659
	Principal Retirement	215,400	(1,396,319)	(1,611,719)
	Bond Premium	0	175,719	175,719
	<i>Total Other Budgeted Items</i>	\$ <u>215,400</u>	\$ <u>2,327,896</u>	\$ <u>2,112,496</u>