

**WILLISTOWN TOWNSHIP
CHESTER COUNTY, PENNSYLVANIA**

Financial Statements

December 31, 2014

(with Independent Auditor's Report Thereon)

WILLISTOWN TOWNSHIP

December 31, 2014

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WILLISTOWN TOWNSHIP

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WILLISTOWN TOWNSHIP

December 31, 2014

PRINCIPAL OFFICIALS

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, 2014, and the related notes to the financial statements, which collectively comprise Willistown Township's basic financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules presented on pages 5 through 14 and 50 through 56, 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 on pages 57 through 60 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules are the responsibility of management and were 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 on pages 57 through 60 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 November 13, 2015 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.



SMART DEVINE
Philadelphia, Pennsylvania
November 13, 2015

**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, 2014. Please read it in conjunction with the Township's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets of Willistown Township exceeded its liabilities at the close of the 2014 fiscal year by \$25,197,066 which represents the Township's net position. Of this amount, 43% or \$10,882,415 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 \$2,545,698 in 2014.
- As of December 31, 2014, the Township's combined ending fund balance for its governmental funds amounted to \$12,293,074 a decrease of \$943,334 compared to the prior year. Approximately 52% of the total governmental fund balance, or \$6,332,077, 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 \$10,882,415 at December 31, 2014 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, 2014, the Township's assets exceeded its liabilities by \$25,197,066.

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

*Table 1
Summarized Schedule of Net Position
December 31*

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 14,221,912	\$ 4,819,007	\$ 19,040,919	\$ 15,021,351	\$ 5,476,115	\$ 20,497,466
Capital Assets	\$ 18,976,711	\$ 5,673,842	\$ 24,650,553	\$ 16,469,043	\$ 5,532,483	\$ 22,001,526
Total Assets	\$ 33,198,623	\$ 10,492,849	\$ 43,691,472	\$ 31,490,394	\$ 11,008,598	\$ 42,498,992
Current Liabilities	\$ 820,224	\$ 669,215	\$ 1,489,439	\$ 883,893	\$ 827,346	\$ 1,711,239
Long-Term Liabilities	\$ 10,671,133	\$ 5,471,795	\$ 16,142,928	\$ 11,050,804	\$ 5,723,019	\$ 16,773,823
Total Liabilities	\$ 11,491,357	\$ 6,141,010	\$ 17,632,367	\$ 11,934,697	\$ 6,550,365	\$ 18,485,062
Deferred Inflow of Resources	\$ 862,039	\$ 0	\$ 862,039	\$ 1,362,562	\$ 0	\$ 1,362,562
Total Deferred Inflows	\$ 862,039	\$ 0	\$ 862,039	\$ 1,362,562	\$ 0	\$ 1,362,562
Net Investment						
In Capital Assets	\$ 8,275,438	\$ 3,200,292	\$ 11,475,730	\$ 5,688,236	\$ 2,803,796	\$ 8,492,032
Restricted	\$ 2,838,921	\$ 0	\$ 2,838,921	\$ 1,884,800	\$ 0	\$ 1,884,800
Unrestricted	\$ 9,730,868	\$ 1,151,547	\$ 10,882,415	\$ 10,620,099	\$ 1,654,437	\$ 12,274,536
Total Net Position	\$ 20,845,227	\$ 4,351,839	\$ 25,197,066	\$ 18,193,135	\$ 4,458,233	\$ 22,651,368

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

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 323,525	\$ 1,902,937	\$ 2,226,462	\$ 385,396	\$ 1,724,763	\$ 2,110,159
Grants & Contributions	\$ 1,196,427	\$ 21,401	\$ 1,217,828	\$ 676,157	\$ 0	\$ 676,157
General Revenues						
Real Estate Taxes	\$ 347,445	\$ 0	\$ 347,445	\$ 339,310	\$ 0	\$ 339,310
Local Service Tax	\$ 351,152	\$ 0	\$ 351,152	\$ 299,195	\$ 0	\$ 299,195
Transfer Taxes	\$ 691,921	\$ 0	\$ 691,921	\$ 636,271	\$ 0	\$ 636,271
Earned Income Tax	\$ 7,003,284	\$ 0	\$ 7,003,284	\$ 7,246,654	\$ 0	\$ 7,246,654
Investment Earnings	\$ 72,535	\$ 13,100	\$ 85,635	\$ 137,726	\$ 11,152	\$ 148,878
Transfer - Net	\$ (336,842)	\$ (323,000)	\$ (659,842)	\$ (559,906)	\$ 0	\$ (559,906)
Other	\$ 337,890	\$ 0	\$ 337,890	\$ 322,208	\$ 0	\$ 322,208
Total Revenues	\$ 9,987,337	\$ 1,614,438	\$ 11,601,775	\$ 9,483,011	\$ 1,735,915	\$ 11,218,926

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*

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Total Revenues	\$ 9,987,337	\$ 1,614,438	\$ 11,601,775	\$ 9,483,011	\$ 1,735,915	\$ 11,218,926
Expenses:						
General Government	\$ 1,106,094	\$ 0	\$ 1,106,094	\$ 1,414,449	\$ 0	\$ 1,414,449
Public Safety	\$ 4,321,828	\$ 0	\$ 4,321,828	\$ 4,009,354	\$ 0	\$ 4,009,354
Public Works	\$ 1,310,481	\$ 0	\$ 1,310,481	\$ 970,074	\$ 0	\$ 970,074
Health and Welfare	\$ -	\$ 0	\$ -	\$ -	\$ 0	\$ -
Culture and Recreation	\$ 324,908	\$ 0	\$ 324,908	\$ 314,835	\$ 0	\$ 314,835
Interest Expense	\$ 271,934	\$ 0	\$ 271,934	\$ 247,832	\$ 0	\$ 247,832
Sewer Operations	\$ 0	\$ 1,720,832	\$ 1,720,832	\$ 0	\$ 1,402,535	\$ 1,402,535
Total Expenses	\$ 7,335,245	\$ 1,720,832	\$ 9,056,077	\$ 6,956,544	\$ 1,402,535	\$ 8,359,079
Change in Net Position	\$ 2,652,092	\$ (106,394)	\$ 2,545,698	\$ 2,526,467	\$ 333,380	\$ 2,859,847
Net Position - Beginning of Year	\$ 18,193,135	\$ 4,458,233	\$ 22,651,368	\$ 15,666,669	\$ 4,124,853	\$ 19,791,522
Net Position - End of Year	\$ 20,845,226	\$ 4,351,839	\$ 25,197,066	\$ 18,193,135	\$ 4,458,233	\$ 22,651,369

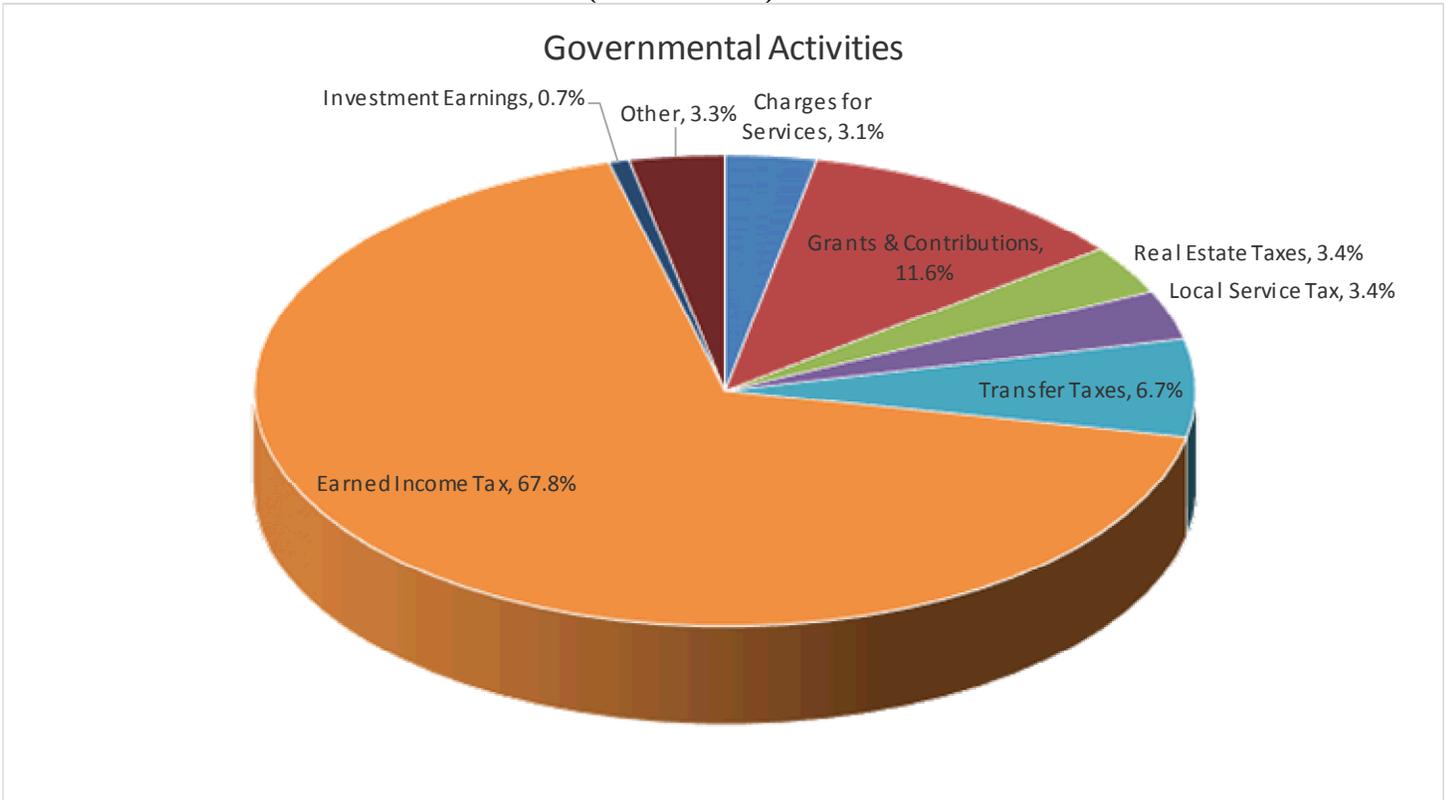
Governmental Activities

As shown in Table 1, the 2014 net position increase of \$2,652,092 is primarily reflected through an increase in capital assets.

As shown in Table 2, governmental revenues exceeded governmental expenses by \$2,652,092 in 2014 resulting in an overall increase in net position. Total governmental revenues increased in 2014 by \$504,326 which is primarily attributable to a \$500,000 grant for the purchase of open space.

The following graph illustrates the Township's revenue sources, with Earned Income Tax providing the major funding for our governmental activities, accounting for 68% of total governmental revenues. The next major revenue source is Grants and Contributions, accounting for 12% of governmental revenues. Real estate and local service taxes collectively provide 7% 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, expenses exceed revenue by \$106,934 in 2014.

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.

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

As of December 31, 2014, the Township's governmental funds reported combined ending balances of \$12,293,074, a decrease of \$943,334 from the prior year. Approximately \$6.3 million of the 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 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, 2014 the total fund balance of the General Fund was \$6,341,686, of which \$6,332,077 is unassigned. The Township had budgeted for a planned drawdown of capital and other reserves in order to fund the current year's portion of the long-term capital improvement program. The General Fund balance decreased by \$635,824 in fiscal year 2014, largely due to construction of the Township's new police building.

The Township maintains a Capital Reserve Fund to account for major capital acquisitions and construction separately from the ongoing activities. As of December 31, 2014, the fund balance totaled \$1,456,081.

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 2014, the Township received \$301,265 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.

Proprietary Funds

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

The net position of the Sewer Fund at the end of the year amounted to \$4,351,839. The total decrease in net position was \$106,394. 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.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the Township's budget and actual results can be found on pages 49 through 52. Sewer Fund budget comparisons can be found on pages 56 through 59.

For 2014, there were no revisions to the General Fund budget.

As of December 31, 2014, the total fund balance of the General Fund was \$6,341,686, of which \$6,332,077 is unassigned and \$9,609 is nonspendable. As discussed on the previous page, the General Fund balance decreased by \$635,824 in fiscal year 2014.

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, 2014 amounts to \$24,650,553, 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

At December 31, 2014, the Township had \$16,367,369 in bonds outstanding (all of which is non-electoral debt) versus \$16,668,739 last year – a decrease of \$301,370 or 1.8%.

Willistown Township maintains an “Aa” rating from Moody’s for its current debt issuances.

As of December 31, 2014, the Township’s combined ending fund balance for its governmental funds amounted to \$12,293,074 a decrease of \$943,334 compared to the prior year. Approximately 52% of the total governmental fund balance, or \$6,332,077, is available for spending at the Township’s discretion (unrestricted & unassigned fund balance).

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 commencement of the Daylesford Abbey / Chapel Hill Development. Other new housing development is relatively static, with some exceptions. The number of real estate sales in the Township directly impacts the real estate transfer tax, but has nominal impact on real estate property tax revenue.
- The evolving market for health insurance and implementation of the Affordable Care Act are source of uncertainty for 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 has been relatively stable.
- 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 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 2014 fiscal year.

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

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, 2014

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 9,233,461	\$ 3,561,961	\$ 12,795,422
Investments	1,497,741	0	1,497,741
Prepaid expenses	9,609	24,463	34,072
Receivables:			
Real estate & transfer tax	92,497	0	92,497
Local service & earned income tax	2,019,971	0	2,019,971
Grant receivable	850,000	0	850,000
Due from other funds	413,408	343,665	757,073
Other	105,225	0	105,225
Sewer	0	888,918	888,918
	14,221,912	4,819,007	19,040,919
Property, plant and equipment:			
Land	13,420,766	0	13,420,766
Construction in progress	937,848	0	937,848
Depreciable capital assets, net of depreciation	4,618,097	5,673,842	10,291,939
	18,976,711	5,673,842	24,650,553
Total assets	\$ 33,198,623	\$ 10,492,849	\$ 43,691,472
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 167,697	\$ 36,641	\$ 204,338
Due to other funds	261,706	394,774	656,480
Capital lease - current	18,621	0	18,621
Capital lease - long-term	24,878	0	24,878
Bonds payable - current	372,200	237,800	610,000
Bonds payable - long-term	10,285,574	5,471,795	15,757,369
Other post employment benefits accrual	360,681	0	360,681
	11,491,357	6,141,010	17,632,367
Deferred inflow of resources:			
Deferred gain on refunding	12,039	0	12,039
Grant receivable	850,000	0	850,000
	862,039	0	862,039
Net position:			
Net investment in capital assets	8,275,438	3,200,292	11,475,730
Restricted for:			
State highways and streets	169,897	0	169,897
Open space acquisitions	2,669,024	0	2,669,024
Unrestricted	9,730,868	1,151,547	10,882,415
	20,845,227	4,351,839	25,197,066
Total liabilities and net position	\$ 33,198,623	\$ 10,492,849	\$ 43,691,472

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

WILLISTOWN TOWNSHIP

Statement of Activities

Year Ended December 31, 2014

Functions / Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>GOVERNMENTAL ACTIVITIES</u>							
General government	\$ 1,106,094	\$ 28,464	\$ 251,172	\$ 0	\$ (826,458)	\$ 0	\$ (826,458)
Public safety	4,321,828	257,234	142,490	0	(3,922,104)	0	(3,922,104)
Public works	1,310,481	22,850	301,265	0	(986,366)	0	(986,366)
Health and welfare	0	0	0	0	0	0	0
Culture and recreation	324,908	14,977	1,500	500,000	191,569	0	191,569
Interest expense	271,934	0	0	0	(271,934)	0	(271,934)
Total governmental activities	<u>7,335,245</u>	<u>323,525</u>	<u>696,427</u>	<u>500,000</u>	<u>(5,815,293)</u>	<u>0</u>	<u>(5,815,293)</u>
<u>BUSINESS TYPE ACTIVITIES</u>							
Sewer	<u>1,720,832</u>	<u>1,902,937</u>	<u>0</u>	<u>21,401</u>	<u>0</u>	<u>203,506</u>	<u>203,506</u>
Total business type activities	<u>1,720,832</u>	<u>1,902,937</u>	<u>0</u>	<u>21,401</u>	<u>0</u>	<u>203,506</u>	<u>203,506</u>
Total	<u>\$ 9,056,077</u>	<u>\$ 2,226,462</u>	<u>\$ 696,427</u>	<u>\$ 521,401</u>	<u>(5,815,293)</u>	<u>203,506</u>	<u>(5,611,787)</u>
General revenues:							
Taxes:							
Real estate					347,445	0	347,445
Local service tax					351,152	0	351,152
Transfer taxes					691,921	0	691,921
Earned income					7,003,284	0	7,003,284
Franchise fees					262,145	0	262,145
Fines and forfeits					33,652	0	33,652
Investment earnings					72,535	13,100	85,635
Miscellaneous					42,093	0	42,093
Transfers - net					(336,842)	(323,000)	(659,842)
Total general revenues and transfers					<u>8,467,385</u>	<u>(309,900)</u>	<u>8,157,485</u>
Change in net position					2,652,092	(106,394)	2,545,698
Net position, beginning of year					<u>18,193,135</u>	<u>4,458,233</u>	<u>22,651,368</u>
Net position, end of year					<u>\$ 20,845,227</u>	<u>\$ 4,351,839</u>	<u>\$ 25,197,066</u>

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

WILLISTOWN TOWNSHIP

Balance Sheet - Governmental Funds

December 31, 2014

	<u>General</u>	<u>Open Space</u>	<u>Capital Reserve</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,729,593	\$ 2,464,082	\$ 1,417,888	\$ 621,898	\$ 9,233,461
Investments	0	0	0	1,497,741	1,497,741
Taxes receivable	1,320,609	123,038	0	0	1,443,647
Other accounts receivable	105,225	0	0	0	105,225
Prepaid expenses	9,609	0	0	0	9,609
Due from other funds	399,072	0	81,000	0	480,072
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>6,564,108</u>	\$ <u>2,587,120</u>	\$ <u>1,498,888</u>	\$ <u>2,119,639</u>	\$ <u>12,769,755</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 148,311	\$ 0	\$ 0	\$ 0	\$ 148,311
Due to other funds	74,111	0	42,807	211,452	328,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	222,422	0	42,807	211,452	476,681
Fund balances:					
Nonspendable	9,609	0	0	0	9,609
Restricted for					
Public highways and streets	0	0	0	169,897	169,897
Open space acquisitions	0	2,587,120	0	0	2,587,120
Assigned for					
General government	0	0	0	252,937	252,937
Other post employment benefits	0	0	0	1,485,353	1,485,353
Capital purchases	0	0	1,456,081	0	1,456,081
Unassigned	6,332,077	0	0	0	6,332,077
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	6,341,686	2,587,120	1,456,081	1,908,187	12,293,074
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ <u>6,564,108</u>	\$ <u>2,587,120</u>	\$ <u>1,498,888</u>	\$ <u>2,119,639</u>	\$ <u>12,769,755</u>

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

WILLISTOWN TOWNSHIP

Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities

December 31, 2014

TOTAL GOVERNMENTAL FUND BALANCE	\$ 12,293,074
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,976,711
Some liabilities and receivables are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds payable	(10,657,774)
Capital lease obligations	(43,499)
Other post employment benefits liability	(360,681)
Deferred gain on bond refunding	(12,039)
Accounts payable on capital assets	(7,845)
Accrued interest payable	(11,541)
EIT & LST receivables	<u>668,821</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>20,845,227</u></u>

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

WILLISTOWN TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

Year Ended December 31, 2014

	General	Open Space	Capital Reserve	Other Nonmajor Governmental Funds	Total
REVENUES					
Real estate taxes	\$ 347,445	\$ 0	\$ 0	\$ 0	\$ 347,445
Local service tax	345,414	0	0	0	345,414
Real estate transfer tax	691,921	0	0	0	691,921
Earned income tax	5,674,271	665,930	0	0	6,340,201
Fines, forfeitures, and other costs	33,652	0	0	0	33,652
Cable franchise fees	262,145	0	0	0	262,145
Interest, dividends, and rents	22,402	2,154	5,221	22,583	52,360
Intergovernmental	393,662	500,000	0	302,765	1,196,427
Park and recreation fees	14,977	0	0	0	14,977
Charges for services	308,548	0	0	0	308,548
Miscellaneous	26,563	0	0	1,140	27,703
Total revenues	8,121,000	1,168,084	5,221	326,488	9,620,793
EXPENDITURES					
General government	989,792	12,389	0	8,963	1,011,144
Public safety	4,200,229	0	0	0	4,200,229
Public works	959,213	0	0	143,950	1,103,163
Culture and recreation	273,787	0	0	2,511	276,298
Capital outlay	176,542	6,900	2,966,321	193,395	3,343,158
Debt service:					
Principal payment	50,400	5,000	0	0	55,400
Interest and other charges	36,447	236,010	0	0	272,457
Total expenditures	6,686,410	260,299	2,966,321	348,819	10,261,849
Excess (deficiency) of revenues over expenditures	1,434,590	907,785	(2,961,100)	(22,331)	(641,056)
OTHER FINANCING SOURCES (USES)					
Transfers in	454,042	0	2,571,897	523,124	3,549,063
Transfers out	(2,524,456)	0	(1,230,407)	(131,042)	(3,885,905)
Realized and unrealized gain on investments	0	0	0	34,564	34,564
Total other financing sources (uses)	(2,070,414)	0	1,341,490	426,646	(302,278)
Net change in fund balances	(635,824)	907,785	(1,619,610)	404,315	(943,334)
Fund balance, beginning of year	6,977,510	1,679,335	3,075,691	1,503,872	13,236,408
Fund balance, end of year	\$ 6,341,686	\$ 2,587,120	\$ 1,456,081	\$ 1,908,187	\$ 12,293,074

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

WILLISTOWN TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to Governmental Activities in the Statement of Activities

Year Ended December 31, 2014

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (943,334)

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	3,055,600
Depreciation expense	(183,875)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	660,975
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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	55,400
Capital lease principal payments	17,953
Other post employment benefits - net	(14,096)
Amortization of deferred charges and bond premium	<u>3,469</u>

CHANGE IN NET POSITION - GOVERNMENTAL FUNDS \$ 2,652,092

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

WILLISTOWN TOWNSHIP

Statement of Net Position - Proprietary Fund

December 31, 2014

<u>ASSETS</u>	<u>2014</u>
Current assets:	
Cash and cash equivalents	\$ 3,561,961
Due from other funds	343,665
Accounts receivable	888,918
Prepaid expenses	<u>24,463</u>
Total current assets	<u>4,819,007</u>
Property, plant and equipment:	
Sewer collection system	7,544,077
Less: accumulated depreciation	<u>(1,870,235)</u>
Total property, plant and equipment - net	<u>5,673,842</u>
Total assets	\$ <u><u>10,492,849</u></u>
 <u>LIABILITIES AND NET POSITION</u>	
Current liabilities:	
Accounts payable	\$ 36,641
Bonds payable	237,800
Due to other funds	<u>394,774</u>
Total current liabilities	<u>669,215</u>
Noncurrent liabilities:	
Bonds payable	<u>5,471,795</u>
Total noncurrent liabilities	<u>5,471,795</u>
Total liabilities	<u>6,141,010</u>
Net position:	
Net investment in capital assets	3,200,292
Unrestricted	<u>1,151,547</u>
Total net position	<u>4,351,839</u>
Total liabilities and net position	\$ <u><u>10,492,849</u></u>

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, 2014

	<u>2014</u>
Operating revenues and (expenses):	
Sewer charges	\$ 1,902,937
Sewage treatment	(558,800)
Operations and maintenance	(461,142)
General and administrative	(135,232)
Depreciation and amortization	<u>(413,045)</u>
Income from operations - net	<u>334,718</u>
Non-operating income (expense):	
Investment income	13,100
Interest expense	<u>(152,613)</u>
Total non-operating expense - net	<u>(139,513)</u>
Income before capital contributions and transfers	<u>195,205</u>
Capital contributions and transfers:	
Tapping fee income	21,401
Transfers - net	<u>(323,000)</u>
Total capital contributions and transfers	<u>(301,599)</u>
Change in net position	(106,394)
Net position, beginning of year	<u>4,458,233</u>
Net position, end of year	<u>\$ 4,351,839</u>

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

WILLISTOWN TOWNSHIP

Statement of Cash Flows - Proprietary Fund

Year Ended December 31, 2014

	<u>2014</u>
Cash flows from operating activities:	
Cash receipts from customers	\$ 1,870,836
Cash payments to employees for services	(186,341)
Cash payments to vendors for goods and services	<u>(932,068)</u>
Net cash provided by operations	<u>752,427</u>
Cash flows from noncapital and related financing activities:	
Interfund transfers - transfer out	<u>(323,000)</u>
Net cash used in noncapital and related financing activities	<u>(323,000)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(781,992)
Bond principal payments	(229,600)
Interest paid	(166,038)
Tapping fees	21,401
Net cash used in capital and related financing activities	<u>(1,156,229)</u>
Cash flows from investing activities:	
Investment earnings	<u>13,100</u>
Net cash provided by investing activities	<u>13,100</u>
Net decrease in cash and cash equivalents	(713,702)
Cash and cash equivalents - beginning of year	<u>4,275,663</u>
Cash and cash equivalents - ending of year	\$ <u><u>3,561,961</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 334,718
Adjustment for noncash charges to operations:	
Depreciation and amortization	413,045
Changes in assets and liabilities	
Increase in accounts receivable	(32,101)
Increase in prepaid expense	(7,332)
Decrease in accounts payable	(24,230)
Increase in due to/from other funds - net	<u>68,327</u>
Net cash provided by operating activities	\$ <u><u>752,427</u></u>
Non-cash capital and related financing activities:	
Purchase of capital assets included in accounts payable	\$ <u><u>36,844</u></u>

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

WILLISTOWN TOWNSHIP

Statement of Fiduciary Net Position

December 31, 2014

	<u>Pension Trust Funds</u>	<u>Escrow Funds</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 19,008	\$ 217,673
Due from developers	0	65,783
Due from other funds	0	6,600
Investments	<u>12,908,399</u>	<u>0</u>
Total assets	<u><u>12,927,407</u></u>	<u><u>290,056</u></u>
<u>LIABILITIES:</u>		
Payroll taxes payable	0	4,294
Due to other funds	0	107,193
Escrow deposits	<u>0</u>	<u>178,569</u>
Total liabilities	<u>0</u>	<u><u>\$ 290,056</u></u>
<u>NET POSITION:</u>		
Net position - restricted for pension benefits	<u><u>\$ 12,927,407</u></u>	

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

WILLISTOWN TOWNSHIP

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2014

	<u>Police Pension Trust Fund</u>		<u>Municipal Pension Trust Fund</u>		<u>Total</u>
<u>Additions:</u>					
Contributions:					
Employer	\$ 462,335		\$ 67,435		\$ 529,770
Commonwealth of Pennsylvania	197,507		0		197,507
Plan members	<u>82,269</u>		<u>4,701</u>		<u>86,970</u>
Total contributions	<u>742,111</u>		<u>72,136</u>		<u>814,247</u>
Investments:					
Earnings	451,264		0		451,264
Realized and unrealized gain on sale of investments	<u>303,716</u>		<u>31,399</u>		<u>335,115</u>
Net investment income	<u>754,980</u>		<u>31,399</u>		<u>786,379</u>
Total additions	<u>1,497,091</u>		<u>103,535</u>		<u>1,600,626</u>
<u>Deductions:</u>					
Benefits	448,256		41,123		489,379
Administrative expenses	<u>30,230</u>		<u>0</u>		<u>30,230</u>
Total deductions	<u>478,486</u>		<u>41,123</u>		<u>519,609</u>
Change in net position	1,018,605		62,412		1,081,017
Net position, beginning of year	<u>11,082,984</u>		<u>763,406</u>		<u>11,846,390</u>
Net position, end of year	\$ <u><u>12,101,589</u></u>		\$ <u><u>825,818</u></u>		\$ <u><u>12,927,407</u></u>

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

WILLISTOWN TOWNSHIP

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies

a) 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.

b) Basis of Presentation and 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.

c) 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. 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.

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.

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)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

d) 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 (including bond premiums and discounts) are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Property taxes, earned income tax, local services tax, franchise taxes and investment earnings are recorded as earned, since they are measurable and available for the next fiscal year. All other revenue items are not considered to be measurable and available until the cash is actually received.

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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

d) Fund Financial Statements (continued)

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.

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.

e) Proprietary / Enterprise Funds

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 which is the Sewer Fund.

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 Sewer Fund are charges to customers for sewer rents. Operating expenses 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

f) 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.

g) 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.

h) 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.

i) Investments

Mutual funds and equity securities are reported at fair value in accordance with their net asset value or quoted market prices at the balance sheet date.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

i) Investments (Continued)

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 the value of investments, it is at least possible that changes in risks in the near term could materially affect investment balances.

j) Receivables

The Township files a lien against any property for which current real estate taxes are not paid by December 31. Liens are also filed against properties for unpaid sewer bills. The Township has determined that all receivables are fully collectible and no allowance for doubtful accounts has been established.

k) 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, 2014, appropriate interfund receivables or payables have been established.

l) Property, Plant and Equipment

Capital assets consist of land, buildings, improvements, machinery and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial cost of \$10,000 or more or infrastructure construction of \$25,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost except for donated capital assets which are recorded at their fair value at the time of the donation.

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.

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

m) Bond Premiums

In both the government-wide and 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

m) Bond Premiums (Continued)

Bond issuance costs are reported as expenditures in the year in which they are occurred. In the fund financial statements, the debt proceeds and bond premiums are reported as other financing sources.

n) 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. A liability for these amounts is reported in the governmental funds only if they are the result of an employee resignation or termination.

o) Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred inflows and outflows of resources. 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. 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.

The Township reports the deferral on the refunding of debt as a deferred inflow of resources which amounted to \$12,039 as of December 31, 2014. During 2013, the Township was awarded an \$850,000 grant, 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, 2014.

p) 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:

1) 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

p) Fund Balances (Continued)

2) 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.

3) 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 and 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). 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, 2014, there were no committed balances.

4) 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.

5) Unassigned Fund Balance

Unassigned fund balance is the residual classification for the General Fund. This classification represents the 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

q) Net Position

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".

r) Real Estate Tax

Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2014 assessment amounted to 0.28 Mills. The tax calendar follows:

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

s) 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 the Township.

t) Franchise Fees

The Township is engaged in a franchise fee arrangement with Verizon and Comcast for cable television services provided. Comcast and Verizon remit 5% and 4%, respectively, of their gross revenue to Willistown.

u) 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. All sewer customers pay their applicable district base rate plus a usage charge.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

1. Continued

v) 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

a) 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. One of the institutions provides FDIC coverage of \$250,000 per depositor.

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

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, 2014, the bank balance of all Township funds on deposit with both financial institutions, including Trust and Fiduciary Funds totaled \$13,518,971, of which, \$500,000 was covered by FDIC and \$13,017,579 was covered under Pennsylvania Act 72. The \$1,391 balance in the PLGIT money market account at December 31, 2014 was not covered by either FDIC or PA Act 72.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

2. Continued

b) Investments

With the exception of the pension trust funds, state law authorizes the Township to invest 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, 2014 follow:

	<u>Governmental</u>	<u>Fiduciary</u>
Cash	\$ 600,259	\$ 8,077
Certificates of Deposit	50,430	0
Fixed Income Mutual Funds	0	3,698,818
Stocks and Stock Mutual Funds	847,052	9,201,504
Total	<u>\$ 1,497,741</u>	<u>\$ 12,908,399</u>

c) 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, 2014, 84% was held at one institution.

d) 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 20% is invested in short term bonds with an average maturity date ranging from one to three years.

e) 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, 2014, 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

3. Capital Assets

Capital assets activity for the year ended December 31, 2014 follows:

	Beginning Balance	Additions / Transfers	Deletions / Transfers	Ending Balance
Governmental Activities:				
Capital Assets - Not Depreciated				
Land	\$13,420,766	\$0	\$0	\$13,420,766
Construction in Progress	937,848	0	(937,848)	0
Total Capital Assets - Not Depreciated	14,358,614	0	(937,848)	13,420,766
Capital Assets - Depreciated				
Buildings & Improvements	819,462	3,540,863	0	4,360,325
Infrastructure	392,060	0	0	392,060
Park Buildings and Equipment	904,838	0	0	904,838
Automobiles	1,117,566	73,981	0	1,191,547
Machinery and Equipment	660,624	14,547	0	675,171
Office Equipment	385,625	0	0	385,625
Total Capital Assets - Depreciated	4,280,175	3,629,391	0	7,909,566
Less: Accumulated Depreciation for:				
Buildings & Improvements	211,597	35,257	0	246,854
Infrastructure	28,685	19,905	0	48,590
Park Buildings and Equipment	323,853	27,682	0	351,535
Automobiles	884,205	32,295	0	916,500
Machinery and Equipment	419,093	51,355	0	470,448
Office Equipment	302,313	17,381	0	319,694
Total Accumulated Depreciation	2,169,746	183,875	0	2,353,621
Total Net Capital Assets - Depreciated	2,110,429	3,445,516	0	5,555,945
Total Net Capital Assets - Governmental Activities	\$16,469,043	\$3,445,516	(\$937,848)	\$18,976,711
	Beginning Balance	Additions / Transfers	Deletions / Transfers	Ending Balance
Business-Type Activities:				
Capital Assets				
Construction in Progress	\$652,859	\$0	(\$652,859)	\$0
Sewer Collection System	6,336,814	1,207,263	0	7,544,077
Total Capital Assets - Depreciated	6,989,673	1,207,263	(652,859)	7,544,077
Less: Accumulated Depreciation	1,457,190	413,045	0	1,870,235
Total Net Capital Assets - Business-Type	\$5,532,483	\$794,218	(\$652,859)	\$5,673,842

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

3. Continued

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

Governmental Activities	<u>Amount</u>
General Government	\$ 49,373
Public Works	38,389
Police	<u>96,113</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 183,875</u>

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, 2014 consist of the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 413,408	\$ 1,600
Liquid Fuel Fund	0	199,064
Police Hospitalization Fund	0	12,388
Capital Reserve Fund	0	48,654
Sewer Fund	343,665	394,774
Fiduciary Funds	<u>6,600</u>	<u>107,193</u>
Total	<u>\$ 763,673</u>	<u>\$ 763,673</u>

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:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 454,042	\$ 2,524,456
Liquid Fuel Fund	0	0
Bartram's Bridge Fund	15,000	0
Capital Reserve Fund	2,571,897	1,230,407
Police Hospitalization Fund	508,124	131,042
Sewer Fund	75,000	398,000
Fiduciary Funds	<u>1,102,747</u>	<u>442,905</u>
Total	<u>\$ 4,726,810</u>	<u>\$ 4,726,810</u>

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

5. Long-Term Debt

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, 2014 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOB - Series of 2012	\$ 9,400,000	\$ -	\$ (5,000)	\$ 9,395,000	\$ 320,000
GOB - Series of 2013	7,045,000	-	(280,000)	6,765,000	290,000
GOB - Series of 2013 - Bond Premium	223,740	-	(16,371)	207,369	-
	<u>16,668,740</u>	<u>-</u>	<u>(301,371)</u>	<u>16,367,369</u>	<u>610,000</u>
Less: Current Portion	(285,000)	(610,000)	285,000	(610,000)	-
Bonds Payable - Long Term	<u>\$ 16,383,740</u>	<u>\$ (610,000)</u>	<u>\$ (16,371)</u>	<u>\$ 15,757,369</u>	<u>\$ 610,000</u>

Scheduled future principal and interest maturities with respect to all bond obligations at December 31, 2014 follow:

Year	Principal	Interest	Total Debt Service
2015	\$ 610,000	\$ 727,045	\$ 1,337,045
2016	615,000	720,145	1,335,145
2017	635,000	711,945	1,346,945
2018	655,000	702,895	1,357,895
2019	665,000	691,645	1,356,645
2020 - 2024	3,510,000	1,653,197	5,163,197
2025 - 2029	3,890,000	1,250,565	5,140,565
2030 - 2034	4,020,000	632,670	4,652,670
2035 - 2037	1,560,000	103,066	1,663,066
Total	<u>\$ 16,160,000</u>	<u>\$ 7,193,173</u>	<u>\$ 23,353,173</u>

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

5. Continued

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

Year	Governmental Funds			Enterprise Funds		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2015	\$ 372,200	\$ 562,155	\$ 934,355	\$ 237,800	\$ 164,890	\$ 402,690
2016	373,100	562,389	935,489	241,900	157,756	399,656
2017	384,900	563,865	948,765	250,100	148,080	398,180
2018	396,700	562,318	959,018	258,300	140,577	398,877
2019	402,600	558,817	961,417	262,400	132,828	395,228
2020 - 2024	2,132,400	1,069,943	3,202,343	1,377,600	583,254	1,960,854
2025 - 2029	2,368,900	828,357	3,197,257	1,521,100	422,208	1,943,308
2030 - 2034	2,621,900	490,154	3,112,054	1,398,100	142,516	1,540,616
2035 - 2037	1,560,000	103,066	1,663,066	-	-	-
Total	\$ 10,612,700	\$ 5,301,064	\$ 15,913,764	\$ 5,547,300	\$ 1,892,109	\$ 7,439,409

6. Leases

a) Capital Leases

As of December 31, 2014, machinery, equipment and vehicles owned by way of capital leases and included within the statement of net position is accounted for as follows:

	2014
Capitalized Cost	\$ 208,516
Less: Accumulated Amortization	114,381
Capitalized Cost - Net	94,135
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
2015	\$ 20,122
2016	20,122
2017	4,645
Total Minimum Lease Payments	44,889
Less: Amount Representing Interest	1,390
Present Value of Future Minimum Rental	43,499
Less: Current Portion	18,621
Total Noncurrent	\$ 24,878

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

6. Continued

b) Operating leases

The Township has various lease agreements for office space and equipment which are either month to month or will expire in 2015. Rent and equipment expense for the year ended December 31, 2014 amounted to \$88,572.

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 Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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. During 2014, the Township formed an informal Pension Review Board which will be formalized via Resolution in 2015. The pension plans are reported as pension trust funds in the accompanying financial statements and do not issue a separate stand-alone report.

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.
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

At January 1, 2013 (the last actuarial valuation date), the police pension plan consisted of the following:

Active employees	17
Inactive employees receiving benefits	11
Total	28

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

7. Continued

a) Summary of Significant Accounting Policies

The pension plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due.

Investments are reported at fair value as determined by the investment managers. Equity securities and mutual funds and fixed income mutual funds are traded on a national or international exchange and are reported at fair value valued based on their net asset value or quoted market price at the balance sheet date. Securities traded on international exchanges are valued at the last reported sales price at current exchange rates. Investment income is recognized as earned. Gains and losses are recognized on the transaction date.

b) 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 pension plans' 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.

c) Investments

The police pension plan is permitted to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Board is in the process of establishing an investment policy. As of December 31, 2014, the police pension plan is invested in 70% equity mutual funds and 30% fixed income mutual funds. All of the police pension's plan assets are maintained at one local investment company. See Note 2 with respect to disclosures regarding custodial credit, interest rate and credit risk with respect to the Township's police pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

7. **Continued**

c) Investments, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks Funds	49%	4.9%
International Stock Funds	21%	7.3%
Bond Funds	30%	1.1%

d) Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on the police pension plan investments, net of investment expenses was 5.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

e) Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the police pension plan's year-end. The total pension liability components of the net pension liability at December 31, 2014, consisted of the following:

Total pension liability	\$ 13,418,916
Plan fiduciary net position	<u>(12,101,589)</u>
Net pension liability	<u>\$ 1,317,327</u>

The police pension plan's net position as a percentage of the total pension liability is 90%.

The total pension liability was determined by an actuarial valuation as of January 1, 2013, using the following actuarial assumptions applied to all periods included in the measurement:

Amortization method	Level dollar, closed
Remaining amortization period	8 years
Inflation	3.0%
Salary increases	5.0%
Investment rate of return	7.5%
Mortality	RP-2000 Mortality Table (Blue Collar) with Scale BB

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

7. Continued

f) Change in the Net Pension Liability

Changes in the police net pension liability for the year ended December 31, 2014 are as follows:

	2014
Changes for the year:	
Service cost	\$ 329,596
Interest	925,637
Differences between expected and actual experience	10,626
Benefit payments	(411,856)
Net change	854,003
Balance - beginning of year	12,564,913
Balance - end of year	\$ 13,418,916

g) Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined.

Based on those assumptions, the police pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive plan members. Therefore, the long term expected rate of return on the police pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania Act 205 of 1984 which requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

h) Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.5%)	(7.5%)	(8.5%)
Net pension liability	\$ 3,046,907	\$ 1,299,824	\$ (142,854)

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

7. Continued

i) Annual Pension Cost and Net Pension Obligation

Information on the Township’s annual pension cost and percentage of annual pension cost contributed for the uniformed and non-uniformed pension plans for the prior three years is presented below:

Year	Uniform		Non-Uniform	
	Annual Pension Cost	Percentage Contribution	Annual Pension Cost	Percentage Contribution
2014	\$ 659,842	100%	\$ 67,435	100%
2013	\$ 548,581	100%	\$ 63,437	100%
2012	\$ 590,703	100%	\$ 68,521	100%

j) Pension Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
1/1/2013	\$ 8,876,392	\$11,714,462	\$ 2,838,070	75.77%	\$ 1,952,045	145.39%

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

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

k) Deferred Option Retirement Program (“DROP”)

An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 60 months. The monthly pension shall be calculated as of the date of the participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of the DROP. As of December 31, 2014, there were two members participating in the DROP program. The balance of the amounts held by the Plan pursuant to the DROP was \$41,537.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

8. Post-Employment Benefits Other than Pension Benefits

a) 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.

b) Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2014, the Township contributed \$508,124 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, 2014.

c) 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:

<u>Description</u>	<u>Amount</u>
Annual Required Contribution	\$ 150,445
Interest on OPEB Obligation	<u>12,036</u>
Annual OPEB Cost	162,481
Contributions Made	<u>(148,385)</u>
Increase in Net OPEB Obligation	14,096
Net OPEB Obligation - Beginning of Year	<u>346,585</u>
Net OPEB Obligation - End of Year	<u><u>\$ 360,681</u></u>

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

8. Continued

c) Annual OPEB Cost and Net OPEB Obligation, Continued

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

Year	Annual OPEB Cost	Actual Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 162,481	\$ 148,385	91%	\$ 14,096
2013	\$ 162,481	\$ 123,695	76%	\$ 38,786
2012	\$ 162,481	\$ 126,126	78%	\$ 36,355

d) 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, 2014, assets assigned to cover the OPEB liability amounted to \$1,497,741. 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.

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.

e) 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

8. Continued

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

a) 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)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

9. Continued

a) Valley Forge Sewage Treatment Agreement, 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 for treatment operating costs totaled \$407,664 for the year ended December 31, 2014. As of December 31, 2014, VFSA owed the Township \$84,201 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.

b) 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 \$140,624 or the year ended December 31, 2014.

10. Risk Management and Commitments

a) 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, 2014.

b) 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.

(Continued)

WILLISTOWN TOWNSHIP

Notes to Financial Statements, Continued

December 31, 2014

11. Other Information

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

Statement No. 68, "*Accounting and Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 27*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This will become effective for the Township in year 2015. Management has not yet determined the effect of this Statement on the financial statements.

12. Subsequent Events

Subsequent events have been evaluated through November 13, 2015, 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, 2014

	<u>Original and Final Appropriated Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<u>Revenues:</u>			
Taxes:			
Real estate	\$ 337,000	\$ 347,445	\$ 10,445
Transfer taxes	550,000	691,921	141,921
Earned income	4,924,500	5,674,271	749,771
Local service tax	210,000	345,414	135,414
Cable franchise fees	240,000	262,145	22,145
Fines and forfeitures	43,000	33,652	(9,348)
Investment income / rental income	9,500	22,402	12,902
Intergovernmental	309,500	393,662	84,162
Park and recreation fees	12,000	14,977	2,977
Charges for services	285,095	308,548	23,453
Miscellaneous	29,264	26,563	(2,701)
	<hr/>	<hr/>	<hr/>
Total revenues	6,949,859	8,121,000	1,171,141
	<hr/>	<hr/>	<hr/>
<u>Expenditures:</u>			
General government	1,424,333	1,057,227	(367,106)
Public safety	5,304,885	4,284,730	(1,020,155)
Health and welfare	0	0	0
Public works	898,188	962,417	64,229
Library/parks/recreation	306,256	295,189	(11,067)
Debt service	0	86,847	86,847
	<hr/>	<hr/>	<hr/>
Total expenditures	7,933,662	6,686,410	(1,247,252)
	<hr/>	<hr/>	<hr/>
	(983,803)	1,434,590	2,418,393
<u>Other Financing Sources (Uses):</u>			
Transfers in	0	454,042	454,042
Transfers out	(901,500)	(2,524,456)	(1,622,956)
	<hr/>	<hr/>	<hr/>
Total other financing (uses) - net	(901,500)	(2,070,414)	(1,168,914)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ (1,885,303)	\$ (635,824)	\$ 1,249,479
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year		6,977,510	
		<hr/>	
Fund balance, end of year		\$ 6,341,686	
		<hr/>	

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

WILLISTOWN TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule - Open Space Fund

Year Ended December 31, 2014

	<u>Original and Final Appropriated Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<u>Revenues:</u>			
Earned income tax	\$ 580,000	\$ 665,930	\$ 85,930
Investment income	3,000	2,154	(846)
Intergovernmental	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Total revenues	<u>1,083,000</u>	<u>1,168,084</u>	<u>85,084</u>
<u>Expenditures:</u>			
General government	7,830	12,389	4,559
Capital outlay	5,000	6,900	1,900
Debt service:			
Principal payments	5,000	5,000	0
Interest	<u>236,010</u>	<u>236,010</u>	<u>0</u>
Total expenditures	<u>253,840</u>	<u>260,299</u>	<u>6,459</u>
Net change in fund balance	\$ <u>829,160</u>	907,785	\$ <u>78,625</u>
Fund balance, beginning of year		<u>1,679,335</u>	
Fund balance, end of year		\$ <u>2,587,120</u>	

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

WILLISTOWN TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule - Capital Reserve Fund

Year Ended December 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<u>Revenues:</u>			
Investment income	\$ 4,500	\$ 5,221	\$ 721
Total revenues	<u>4,500</u>	<u>5,221</u>	<u>721</u>
<u>Expenditures:</u>			
Capital purchases	<u>904,500</u>	<u>2,966,321</u>	<u>2,061,821</u>
Total expenditures	<u>904,500</u>	<u>2,966,321</u>	<u>2,061,821</u>
	(900,000)	(2,961,100)	(2,061,100)
<u>Other Financing Sources (Uses):</u>			
Transfers out	0	(1,230,407)	1,230,407
Transfers in	<u>0</u>	<u>2,571,897</u>	<u>(2,571,897)</u>
Total other financing (uses) - net	<u>0</u>	<u>1,341,490</u>	<u>(1,341,490)</u>
Net change in fund balance	\$ <u><u>(900,000)</u></u>	(1,619,610)	\$ <u><u>(719,610)</u></u>
Fund balance, beginning of year		<u>3,075,691</u>	
Fund balance, end of year		\$ <u><u>1,456,081</u></u>	

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

WILLISTOWN TOWNSHIP

Notes to Required Supplementary Information
Budgetary Comparison Schedules

Year Ended December 31, 2014

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 2014, actual expenditures were more than appropriations for the fund listed below. The overage is primarily related to the construction of the new police building and related bond issue. The bonds payable are held in the Capital Reserve Fund, but the debt service was paid from the General Fund. Additionally, the Township intended to pay the cost of the police building from the General Fund, but the costs were paid directly from the Capital Reserve Fund, and accordingly, the General Fund transferred funds into the Capital Reserve Fund to offset the costs.

		<u>Original and Final</u>		<u>Actual Amounts</u>		<u>Variance</u>
		<u>Appropriated Budget</u>		<u>(Budgetary Basis)</u>		
GENERAL FUND						
	Debt service	\$ 0		\$ 86,847		\$ 86,847
	Transfers out	\$ 901,500		\$ 2,524,456		\$ 1,622,956
 CAPITAL RESERVE FUND						
	Capital purchases	\$ 904,500		\$ 2,966,321		\$ 2,061,821

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

WILLISTOWN TOWNSHIP

Required Supplementary Information
Schedule of Pension Funding Progress - Uniform Plan

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)]
<u>Uniform Pension Plan</u>						
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%
<u>Non-Uniform Pension Plan</u>						
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	763,407	763,407	0	100.00%	1,074,349	0.00%

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

WILLISTOWN TOWNSHIP

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Pension Plan

Year Ended December 31, 2014

	<u>2014</u>
<u>Total Pension Liability:</u>	
Service cost	\$ 329,596
Interest	925,637
Changes of benefit terms	0
Differences between expected and actual experience	10,626
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(411,856)</u>
Net change in pension liability	854,003
Total pension liability - beginning	<u>12,564,913</u>
Total pension liability - ending (a)	\$ <u><u>13,418,916</u></u>
<u>Plan Fiduciary Net Position:</u>	
Contributions - employer	\$ 659,842
Contributions - employee	82,269
Net investment income	754,980
Benefit payments, including refunds of employee contributions	(448,256)
Administrative expense	(30,230)
Other	<u>0</u>
Net change in plan fiduciary net position	1,018,605
Plan fiduciary net position - beginning	<u>11,082,984</u>
Plan fiduciary net position - ending (b)	\$ <u><u>12,101,589</u></u>
Net pension liability - ending (a) - (b)	\$ <u><u>1,317,327</u></u>
Net position as a percentage of total pension liability	90.18%
Covered-employee payroll	\$ 1,861,059
Net pension liability as a percentage of covered-employee payroll	70.78%

* The requirement for this schedule is to present 10 years of information. However, until a full 10 year trend is complete, only available information is presented.

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

WILLISTOWN TOWNSHIP

Required Supplementary Information
Schedule of Contributions
Police Pension Plan

	<u>2014</u>
Actuarially determined contribution	\$ 462,335
Contributions in relation to the actuarially determined contribution	<u>462,335</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
Covered-employee payroll	\$ 1,861,059
Contribution as a percentage of covered-employee payroll	24.8%

Notes to Schedule:

Actuarial valuation date:	January 1, 2013 - projected to December 31, 2014
Actuarial cost method:	Entry age
Amortization method:	Level dollar, closed
Remaining amortization period:	8 years
Asset valuation method:	Market value
Inflation:	3.0%
Salary increases:	5.0%
Investment rate of return:	7.5%
Retirement age:	Normal retirement age
Mortality:	RP-2000 Mortality Table (Blue Collar) with Scale BB

* The requirement for this schedule is to present 10 years of information. However, until a full 10 year trend is complete, only available information is presented.

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

Other Supplementary Information

WILLISTOWN TOWNSHIP

Budgetary Comparison Schedule - Valley Forge Sewer Fund

Year Ended December 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Operating revenues:			
Sewer rents	\$ 1,508,500	\$ 1,711,522	\$ 203,022
Total operating revenues	<u>1,508,500</u>	<u>1,711,522</u>	<u>203,022</u>
Operating expenses:			
Operations and maintenance	1,172,954	764,825	(408,129)
General and administrative	134,567	124,935	(9,632)
Depreciation and amortization	<u>0</u>	<u>413,045</u>	<u>413,045</u>
Total operating expenses	<u>1,307,521</u>	<u>1,302,805</u>	<u>(4,716)</u>
Income from operations	200,979	408,717	207,738
Non-operating income (expense):			
Investment income	1,500	12,870	11,370
Tapping fees	0	450	450
Interfund transfers - net	0	(398,000)	(398,000)
Interest expense	<u>0</u>	<u>(152,613)</u>	<u>(152,613)</u>
Total non-operating income (expense) - net	<u>1,500</u>	<u>(537,293)</u>	<u>(538,793)</u>
Change in net position	\$ <u>202,479</u>	\$ <u>(128,576)</u>	\$ <u>(331,055)</u>
Items budgeted but not included in statement of revenues, expenses, and changes in net position			
Capital expenditures	\$ (200,000)	\$ (781,992)	\$ (581,992)
Principal payment	<u>0</u>	<u>(229,600)</u>	<u>(229,600)</u>
Total other budgeted items	\$ <u>(200,000)</u>	\$ <u>(1,011,592)</u>	\$ <u>(811,592)</u>

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

WILLISTOWN TOWNSHIP

Budgetary Comparison Schedule - Penns Preserve Sewer Fund

Year Ended December 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Operating revenues:			
Sewer rents	\$ 121,412	\$ 117,829	\$ (3,583)
Total operating revenues	<u>121,412</u>	<u>117,829</u>	<u>(3,583)</u>
Operating expenses:			
Operations and maintenance	107,750	116,481	8,731
General and administrative	<u>12,796</u>	<u>10,297</u>	<u>(2,499)</u>
Total operating expenses	<u>120,546</u>	<u>126,778</u>	<u>6,232</u>
Income (loss) from operations	866	(8,949)	(9,815)
Non-operating income:			
Investment income	<u>200</u>	<u>200</u>	<u>0</u>
Total non-operating income	<u>200</u>	<u>200</u>	<u>0</u>
Change in net position	<u>\$ 1,066</u>	<u>\$ (8,749)</u>	<u>\$ (9,815)</u>

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

WILLISTOWN TOWNSHIP

Budgetary Comparison Schedule - Low Pressure Sewer Fund

Year Ended December 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Operating revenues:			
Sewer rents	\$ 75,000	\$ 73,586	\$ (1,414)
Total operating revenues	<u>75,000</u>	<u>73,586</u>	<u>(1,414)</u>
Operating expenses:			
Operations and maintenance	<u>70,000</u>	<u>138,636</u>	<u>68,636</u>
Total operating expenses	<u>70,000</u>	<u>138,636</u>	<u>68,636</u>
Income (loss) from operations	<u>5,000</u>	<u>(65,050)</u>	<u>(70,050)</u>
Non-operating income:			
Investment income	0	30	30
Tapping fees	0	20,951	20,951
Interfund transfers	<u>0</u>	<u>75,000</u>	<u>75,000</u>
Total non-operating income	<u>0</u>	<u>95,981</u>	<u>95,981</u>
Change in net position	<u>\$ 5,000</u>	<u>\$ 30,931</u>	<u>\$ 25,931</u>

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

WILLISTOWN TOWNSHIP

Budgetary Comparison Schedule - Combined Sewer Funds

Year Ended December 31, 2014

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Sewer rents	\$ 1,704,912	\$ 1,902,937	\$ 198,025
Total operating revenues	<u>1,704,912</u>	<u>1,902,937</u>	<u>198,025</u>
Operating expenses:			
Operations and maintenance	1,350,704	1,019,942	(330,762)
General and administrative	147,363	135,232	(12,131)
Depreciation and amortization	<u>0</u>	<u>413,045</u>	<u>413,045</u>
Total operating expenses	<u>1,498,067</u>	<u>1,568,219</u>	<u>(70,152)</u>
Income from operations	<u>206,845</u>	<u>334,718</u>	<u>127,873</u>
Non-operating income (expense):			
Investment income	1,700	13,100	11,400
Tapping fees	0	21,401	21,401
Interfund transfers - net	0	(323,000)	(323,000)
Interest expense	<u>0</u>	<u>(152,613)</u>	<u>(152,613)</u>
Total non-operating income (expense) - net	<u>1,700</u>	<u>(441,112)</u>	<u>(442,812)</u>
Change in net position	\$ <u><u>208,545</u></u>	\$ <u><u>(106,394)</u></u>	\$ <u><u>(314,939)</u></u>
Items budgeted but not included in statement of revenues, expenses, and changes in net position			
Capital expenditures	\$ <u>(200,000)</u>	\$ <u>(781,992)</u>	\$ <u>(581,992)</u>
Total other budgeted items	\$ <u><u>(200,000)</u></u>	\$ <u><u>(781,992)</u></u>	\$ <u><u>(581,992)</u></u>

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