

WARRINGTON TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Warrington Township
Warrington, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Warrington Township as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Warrington Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 Warrington Township as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Warrington Township
Warrington, Pennsylvania

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 11, budgetary comparison information on page 45, pension plan funding progress on pages 46 and 47 and postemployment benefits other than pension funding progress on page 49 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 evidence sufficient 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 Warrington Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maillie LLP

Oaks, Pennsylvania
May 15, 2014

WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

FINANCIAL HIGHLIGHTS

- The assets of Warrington Township exceeded its liabilities at the close of the most recent fiscal year by \$68.1 million (net position). Of this amount, \$4.6 million may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position decreased by \$2.1 million. As of the close of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$6.5 million. Approximately \$1.8 million of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.2 million or 20.4% of General Fund expenditures.
- Warrington Township's total debt increased by \$1.2 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Funds

Warrington Township maintains six individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Improvement Fund, 2012 Road Improvements Fund, 2013 Capital Projects Fund and Debt Service Fund, which are considered major funds. Individual fund data for each of the nonmajor Governmental Funds is provided in the form of *combining statements* elsewhere in this report.

Other Information

The combining statements referred to earlier in connection with nonmajor Governmental Funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 49 to 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Warrington Township, assets exceeded liabilities by \$68.1 million at the close of the most recent fiscal year.

The largest portion of Warrington Township's net position (86.9%) is net investment in capital assets.

Governmental Activities

Governmental activities decreased Warrington Township's net position by \$0.6 million.

WARRINGTON TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***Table 1****Condensed Statements of Net Position (In Thousands of Dollars)****December 31, 2013 and 2012**

	Governmental Activities	
	2013	2012
ASSETS		
Current and other assets	\$ 8,846	\$ 9,970
Capital assets		
Depreciable	34,089	35,617
Nondepreciable	6,502	5,061
TOTAL ASSETS	<u>49,437</u>	<u>50,648</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on defeasance of debt	<u>-</u>	<u>92</u>
LIABILITIES		
Long-term liabilities outstanding	19,252	17,716
Other liabilities	2,827	5,071
TOTAL LIABILITIES	<u>22,079</u>	<u>22,787</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on defeasance of debt	<u>20</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	21,278	23,155
Restricted	4,320	3,878
Unrestricted	<u>1,740</u>	<u>920</u>
TOTAL NET POSITION	<u>\$ 27,338</u>	<u>\$ 27,953</u>

Business-Type Activities		Totals	
2013	2012	2013	2012
\$ 3,310	\$ 4,597	\$ 12,156	\$ 14,567
45,570	47,975	79,659	83,592
2,506	1,170	9,008	6,231
<u>51,386</u>	<u>53,742</u>	<u>100,823</u>	<u>104,390</u>
 223	 244	 223	 336
 9,654	 10,398	 28,906	 28,114
1,173	1,361	4,000	6,432
<u>10,827</u>	<u>11,759</u>	<u>32,906</u>	<u>34,546</u>
 -	 -	 20	 -
 37,936	 38,298	 59,214	 61,453
-	-	4,320	3,878
<u>2,846</u>	<u>3,929</u>	<u>4,586</u>	<u>4,849</u>
\$ <u><u>40,782</u></u>	\$ <u><u>42,227</u></u>	\$ <u><u>68,120</u></u>	\$ <u><u>70,180</u></u>

WARRINGTON TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***Table 2****Condensed Statements of Changes in Net Position (In Thousands of Dollars)****Years Ended December 31, 2013 and 2012**

	Governmental Activities	
	2013	2012
REVENUE		
Program revenue		
Charges for services	\$ 2,247	\$ 1,679
Operating grants and contributions	1,252	1,132
Capital grants and contributions	-	297
General revenue		
Taxes	9,275	8,542
Grants and contributions not restricted to specific programs	11	11
Investment earnings	441	434
Miscellaneous	411	288
TOTAL REVENUE	13,637	12,383
EXPENDITURES		
Administration	1,628	1,683
Police department	6,940	6,698
Highway/public works	4,225	5,504
Health, welfare and sanitation	122	109
Culture and recreation	443	1,143
Interest on long-term debt	980	866
Water and sewer	-	-
TOTAL EXPENDITURES	14,338	16,003
CHANGE IN NET POSITION BEFORE TRANSFERS	(701)	(3,620)
TRANSFERS	86	118
CHANGE IN NET POSITION	(615)	(3,502)
NET POSITION AT BEGINNING OF YEAR	27,953	31,455
NET POSITION AT END OF YEAR	\$ 27,338	\$ 27,953

Business-Type Activities		Totals	
2013	2012	2013	2012
\$ 5,553	\$ 6,164	\$ 7,800	\$ 7,843
28	53	1,280	1,185
-	444	-	741
-	-	9,275	8,542
-	-	11	11
16	26	457	460
-	-	411	288
<u>5,597</u>	<u>6,687</u>	<u>19,234</u>	<u>19,070</u>
-	-	1,628	1,683
-	-	6,940	6,698
-	-	4,225	5,504
-	-	122	109
-	-	443	1,143
-	-	980	866
<u>6,956</u>	<u>7,358</u>	<u>6,956</u>	<u>7,358</u>
<u>6,956</u>	<u>7,358</u>	<u>21,294</u>	<u>23,361</u>
(1,359)	(671)	(2,060)	(4,291)
<u>(86)</u>	<u>(118)</u>	<u>-</u>	<u>-</u>
(1,445)	(789)	(2,060)	(4,291)
<u>42,227</u>	<u>43,016</u>	<u>70,180</u>	<u>74,471</u>
<u>\$ 40,782</u>	<u>\$ 42,227</u>	<u>\$ 68,120</u>	<u>\$ 70,180</u>

WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Funds

As of the end of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$6.5 million, an increase of \$1.3 million in comparison with the prior year.

The General Fund is the chief operating fund of Warrington Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned and total fund balance to total fund expenditures. Total fund balance represents 28.1% of total General Fund expenditures.

The fund balance of Warrington Township's General Fund increased by \$1,858,176 during the current fiscal year.

Proprietary Fund

Warrington Township's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2.8 million. The activity in net position was a decrease of \$1.44 million.

General Fund Budgetary Highlights

The following is a summarized snapshot analysis of noteworthy budgetary highlights relating to all revenues and expenditures comprising the 2013 Township Budget:

Revenues - Warrington Township was able to post strong overall revenues in most major operating categories:

- The Earned Income Tax (EIT), which represents approximately 35% of all General Fund operating revenues, posted total revenues of \$4,100,000, a slight increase (\$20,000) over the amount received in 2012.
- The Real Estate Transfer Tax revenue amounted to \$821,000, an increase of approximately \$296,000 over 2012 and well over the budgeted amount of \$600,000.
- Charges for Services which derives its revenues primarily from permits for residential and commercial development saw a significant increase in 2013. Revenue totaled \$1.5 million as compared to the \$1 million in revenue for 2012.
- Another revenue category that performed above expectations was the Park and Recreation Assessment. This revenue, also generated from a fee assessed on residential and commercial development totaled \$233,000 approximately \$100,000 over the budget.

WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Expenditures - General Fund expenditures totaled \$10.81 million, representing a 16.7% increase over 2012. Increases were primarily due to the merging of the Fire Fund and the Ambulance Fund into the General Fund (approximately \$600,000) and increases in Healthcare, Worker's Compensation Costs and Salary increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Warrington Township's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$88.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, parks facilities, roads, highways and bridges, vehicles, machinery and equipment. The total decrease in Warrington Township's investment in capital assets for the current fiscal year was 1.2%.

The following comprise major project expenditures in 2013.

- Work continues for the construction of a new public works and salt storage facility. The project was bid out in 2012 with the bids received being almost double the budgeted allocated fund. The project was redesigned and re-bid in early 2013. The project is underway and is expected to be substantially completed by the end of 2014. Expenditures in 2013 totaled \$1.26 million.
- The accelerated Road paving program started in 2012 continued. Road paving expenditures totaled over \$340,000.
- John Paul Park at Lower Nike went through extensive work including the installation of water and electric service, grading work, fence installation, and the planting of trees. Total expenditures from the Open Space Fund amounted to \$190,000.
- Work continued on the Neshaminy Gardens Storm Drainage Project. Expenditures for the year totaled \$50,000.

Table 3

Capital Assets (Net of Depreciation, In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
CAPITAL ASSETS						
Land and improvements	\$ 4,793	\$ 4,653	\$ 162	\$ 87	\$ 4,955	\$ 4,740
Infrastructure	55,319	55,131	79,079	79,079	134,398	134,210
Buildings and improvements	4,518	4,518	3,540	3,540	8,058	8,058
Machinery and equipment	4,571	4,034	1,786	1,641	6,357	5,675
Construction in progress	1,709	408	2,344	1,084	4,053	1,492
	<u>70,910</u>	<u>68,744</u>	<u>86,911</u>	<u>85,431</u>	<u>157,821</u>	<u>154,175</u>
Accumulated depreciation	<u>(30,319)</u>	<u>(28,066)</u>	<u>(38,835)</u>	<u>(36,286)</u>	<u>(69,154)</u>	<u>(64,352)</u>
CAPITAL ASSETS, net	<u>\$ 40,591</u>	<u>\$ 40,678</u>	<u>\$ 48,076</u>	<u>\$ 49,145</u>	<u>\$ 88,667</u>	<u>\$ 89,823</u>

WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Long-Term Debt

At the end of the current fiscal year, Warrington Township had total bonded debt outstanding of \$28,344,391. This amount comprises debt that is backed by the full faith and credit of the Township. The remainder of the outstanding debt is capital leases.

Table 4
Outstanding Debt (In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds and notes	\$ 18,279	\$ 16,780	\$ -	\$ -	\$ 18,279	\$ 16,780
Revenue bonds	-	-	10,065	10,765	10,065	10,765
Capital leases	598	405	-	-	598	405
	<u>\$ 18,877</u>	<u>\$ 17,185</u>	<u>\$ 10,065</u>	<u>\$ 10,765</u>	<u>\$ 28,942</u>	<u>\$ 27,950</u>

Warrington Township maintains an Aa2 rating from Moody's for general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2014 budget, two new funds were created for Capital Project expenses. A Capital Improvement Fund was adopted by the Board of Supervisors to fund Capital Projects at Township facilities and Parks. The source of revenue is transfers from the General Fund when large, one-time revenue receipts are received or when receipts for existing revenue categories are significantly over budget. The second fund, The Capital Projects Fund will be funded from a \$4 million General Obligation Bond issue planned for the fourth quarter of 2014. Planned expenditures are for completion of the new Public Works Complex and a Streambank Stabilization Project at Palomino Farms. Factors included in preparing the 2014 budget included, but were not limited to:

1. The 2014 budget shows a second year of higher than normal budgeted revenue in several revenue categories that generate revenue as the result of new residential and commercial development. Major Categories affected are Charges for Services (Permits), Earned Income Tax, Park and Recreation Assessment Fee, and Real Estate Transfer Tax.
2. The Township's fee schedule, which charges user fees for certain Township services, has been updated, and the Board of Supervisors has adopted it for 2014 to ensure that the Township is recovering its costs for providing these services.
3. A five year Capital Improvement Program was developed and adopted as part of the 2014 budget. This program identifies improvements needed to maintain the township's infrastructure, meet regulatory guidelines and keep the township open space and facilities in good condition.
4. A Pay and Classification Program was developed and implemented in late 2013. This new compensation program is based on performance based principals and represents an entirely new approach at setting annual pay adjustments that are based on goals-based performance appraisals.

WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

5. A change to the fee structure was put in place for the Mary Barness Tennis & Swim Club for the 2014 season. Daily passes were reduced \$1 and a discounted kid's admission price (for kids between the ages of 3 and 10) was implemented to increase daily attendance. Of course, no amount of price adjustments will help the bottom line if the weather conditions are not good for swimming.
6. For 2014 a new Fund was created to fund additional Capital Projects. A \$4 million General Obligation Bond issue is planned for the third quarter of 2014.
7. The Board of Supervisors has made the decision to hire paid Firefighters for the first time beginning in 2014. It is anticipated that the equivalent of four full-time firefighters would be hired to supplement the volunteer firefighters. The paid firefighters would work weekday, daytime hours, the times most difficult to get township firefighter coverage for.
8. The township will continue its goal of paving over many of the roads that have deteriorated over time. This will provide for a smoother ride and extend the useful life of the roads by at least twenty years. Almost \$700,000 is budgeted for road paving in 2014.
9. A Capital Projects Funding Policy was adopted in 2013 which sets guidelines for providing funding for Capital Projects based on excess revenues being received in the General Fund. This policy will allow the Board of Supervisors to transfer one-time revenue to the Capital Reserve Fund if the Fund Balance is sufficient in the General Fund.

The Township property tax rate for 2013 is 12.22 mills. This is an increase of .67 mills which is entirely attributable to the voter approved referendum that provided for the township's borrowing of \$3 million to purchase or improve open space. The Township also reduced millage in the Ambulance, Fire Protection, and Road Machinery and reallocated it to the General Fund since all these fund's activities have been merged into the General Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Warrington Township's finances for all those with an interest in the Township'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 by completing a Request Form found on our website (www.warringtontownship.org) or at the Township Office located at 852 Easton Road, Warrington, Pennsylvania 18976-2090.

WARRINGTON TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 5,611,246	\$ 1,872,395	\$ 7,483,641
Investments	-	954,051	954,051
Receivables	2,034,628	1,361,603	3,396,231
Internal balances	1,066,269	(1,066,269)	-
Other assets	24,059	-	24,059
Notes receivable	-	187,858	187,858
Net pension asset	109,420	-	109,420
Capital assets			
Land	4,792,917	161,764	4,954,681
Construction in progress	1,709,088	2,343,924	4,053,012
Infrastructure	55,318,292	-	55,318,292
Buildings and improvements	4,518,122	-	4,518,122
Machinery, vehicles and equipment	4,571,532	-	4,571,532
Utility system	-	84,405,512	84,405,512
Accumulated depreciation	(30,319,007)	(38,835,142)	(69,154,149)
TOTAL ASSETS	<u>49,436,566</u>	<u>51,385,696</u>	<u>100,822,262</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on defeasance of debt	-	223,605	223,605
LIABILITIES			
Accounts payable and accrued expenses	796,735	417,171	1,213,906
Due to Fiduciary Funds	67,384	-	67,384
Unearned revenues	79,206	-	79,206
Escrows payable	474,999	-	474,999
Long-term liabilities			
Portion due or payable within one year			
Bonds, notes and capital leases	1,359,797	715,000	2,074,797
Accrued interest	47,905	40,548	88,453
Portion due or payable after one year			
Bonds, notes and capital leases	17,517,764	9,350,000	26,867,764
Bond discounts	(93,826)	-	(93,826)
Bond premiums	508,910	298,710	807,620
Compensated absences	259,672	5,824	265,496
Net OPEB obligation	1,059,959	-	1,059,959
TOTAL LIABILITIES	<u>22,078,505</u>	<u>10,827,253</u>	<u>32,905,758</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on defeasance of debt	20,220	-	20,220
NET POSITION			
Net investment in capital assets	21,278,079	37,935,953	59,214,032
Restricted	4,319,649	-	4,319,649
Unrestricted	1,740,113	2,846,095	4,586,208
TOTAL NET POSITION	<u>\$ 27,337,841</u>	<u>\$ 40,782,048</u>	<u>\$ 68,119,889</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP**STATEMENT OF ACTIVITIES***Year Ended December 31, 2013*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,628,568	\$ 658,991	\$ -	\$ -
Public safety	6,939,938	1,114,309	582,034	-
Public works	4,225,305	-	614,527	-
Sanitation	121,868	131,180	55,550	-
Culture and recreation	442,685	342,089	-	-
Interest on long-term debt	979,743	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>14,338,107</u>	<u>2,246,569</u>	<u>1,252,111</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Water and sewer	<u>6,956,325</u>	<u>5,553,145</u>	<u>27,829</u>	<u>-</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 21,294,432</u>	<u>\$ 7,799,714</u>	<u>\$ 1,279,940</u>	<u>\$ -</u>

GENERAL REVENUES

Taxes

Property taxes

Earned income tax

Local services tax

Real estate transfer tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

TRANSFERS**TOTAL GENERAL REVENUES AND TRANSFERS****CHANGE IN NET POSITION****NET POSITION AT BEGINNING OF YEAR****NET POSITION AT END OF YEAR***See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (969,577)	\$ -	\$ (969,577)
(5,243,595)	-	(5,243,595)
(3,610,778)	-	(3,610,778)
64,862	-	64,862
(100,596)	-	(100,596)
(979,743)	-	(979,743)
<u>(10,839,427)</u>	<u>-</u>	<u>(10,839,427)</u>
<u>-</u>	<u>(1,375,351)</u>	<u>(1,375,351)</u>
<u>(10,839,427)</u>	<u>(1,375,351)</u>	<u>(12,214,778)</u>
3,946,002	-	3,946,002
4,104,255	-	4,104,255
403,348	-	403,348
821,333	-	821,333
11,123	-	11,123
441,431	16,443	457,874
410,904	-	410,904
85,900	(85,900)	-
<u>10,224,296</u>	<u>(69,457)</u>	<u>10,154,839</u>
(615,131)	(1,444,808)	(2,059,939)
<u>27,952,972</u>	<u>42,226,856</u>	<u>70,179,828</u>
<u>\$ 27,337,841</u>	<u>\$ 40,782,048</u>	<u>\$ 68,119,889</u>

WARRINGTON TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<u>General Fund</u>	2012 Road Improvements Fund
ASSETS		
Cash and cash equivalents	\$ 1,661,510	\$ 357,056
Accounts receivable	364,641	-
Taxes receivable	867,095	-
Due from other funds	1,552,307	-
Prepaid expenses	<u>24,059</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,469,612</u>	<u>\$ 357,056</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 366,993	\$ -
Due to other funds	254,668	-
Due to Fiduciary Funds	67,384	-
Escrow payables	474,999	-
Unearned revenues	79,206	-
Accrued expenses	<u>135,616</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,378,866</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	<u>44,165</u>	<u>-</u>
FUND BALANCES (DEFICIT)		
Nonspendable, prepaid expenses	24,059	-
Restricted		
Capital improvements	-	-
Emergency services	815,945	-
Open space and parkland improvements	-	-
Highway and street improvements	-	357,056
Assigned, capital projects	-	-
Unassigned	<u>2,206,577</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>3,046,581</u>	<u>357,056</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 4,469,612</u>	<u>\$ 357,056</u>

See accompanying notes to the basic financial statements.

2013 Capital Projects Fund	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,027,083	\$ 844,565	\$ 6,848	\$ 714,184	\$ 5,611,246
-	-	-	-	364,641
-	-	16,019	-	883,114
-	100,830	34,240	185,152	1,872,529
-	-	-	-	24,059
<u>\$ 2,027,083</u>	<u>\$ 945,395</u>	<u>\$ 57,107</u>	<u>\$ 899,336</u>	<u>\$ 8,755,589</u>
\$ 9,363	\$ 249,968	\$ 1,358	\$ 33,437	\$ 661,119
39,288	-	424,954	87,350	806,260
-	-	-	-	67,384
-	-	-	-	474,999
-	-	-	-	79,206
-	-	-	-	135,616
<u>48,651</u>	<u>249,968</u>	<u>426,312</u>	<u>120,787</u>	<u>2,224,584</u>
-	-	16,022	-	60,187
-	-	-	-	24,059
-	695,427	-	-	695,427
-	-	-	-	815,945
1,978,432	-	-	-	1,978,432
-	-	-	472,789	829,845
-	-	-	305,760	305,760
-	-	(385,227)	-	1,821,350
<u>1,978,432</u>	<u>695,427</u>	<u>(385,227)</u>	<u>778,549</u>	<u>6,470,818</u>
<u>\$ 2,027,083</u>	<u>\$ 945,395</u>	<u>\$ 57,107</u>	<u>\$ 899,336</u>	<u>\$ 8,755,589</u>

WARRINGTON TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 6,470,818

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	4,792,917
Construction in progress	1,709,088
Infrastructure	55,318,292
Buildings and improvements	4,518,122
Machinery, vehicles and equipment	4,571,532
Accumulated depreciation	(30,319,007)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Bond discounts	93,826
Deferred gain on defeasance of debt	(20,220)

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net position.

786,873

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(47,905)
Bonds, notes and capital leases	(18,877,561)
Bond premiums	(508,910)
Compensated absences	(259,672)
Net pension asset	109,420
Net OPEB obligation	(1,059,959)

Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

60,187

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 27,337,841

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS***Year Ended December 31, 2013*

	<u>General Fund</u>	<u>2012 Road Improvements Fund</u>
REVENUES		
Taxes		
Property	\$ 2,646,236	\$ -
Transfer	821,333	-
Earned income	4,099,823	-
Other	403,348	-
Fees and fines	177,380	-
Licenses and permits	546,753	-
Intergovernmental	796,143	-
Charges for services	1,517,336	-
Investment income and rent	432,310	1,727
Miscellaneous	410,389	-
	<u>11,851,051</u>	<u>1,727</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	1,534,025	-
Public safety	6,639,888	-
Public works	2,125,344	313,763
Sanitation	121,868	-
Culture and recreation	324,484	-
Debt service		
Principal	61,533	-
Interest and other charges	5,009	-
	<u>10,812,151</u>	<u>313,763</u>
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,038,900</u>	<u>(312,036)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt, net	-	-
Refunding bonds issued	-	-
Premium on bond issuance	-	-
Payment to refunded bond escrow agent	-	-
Proceeds from capital leases	-	-
Proceeds from sale of capital assets	515	-
Transfers in	1,167,861	-
Transfers out	(349,100)	-
	<u>819,276</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	1,858,176	(312,036)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>1,188,405</u>	<u>669,092</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 3,046,581</u>	<u>\$ 357,056</u>

See accompanying notes to the basic financial statements.

<u>2013 Capital Projects Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,316,046	\$ -	\$ 3,962,282
-	-	-	-	821,333
-	-	-	-	4,099,823
-	-	-	-	403,348
-	-	-	-	177,380
-	-	-	-	546,753
-	-	-	472,191	1,268,334
-	-	-	-	1,517,336
3,641	1,530	674	1,549	441,431
-	-	-	-	410,389
<u>3,641</u>	<u>1,530</u>	<u>1,316,720</u>	<u>473,740</u>	<u>13,648,409</u>
-	-	20,626	-	1,554,651
-	-	-	525,415	7,165,303
12,210	1,320,672	-	126,908	3,898,897
-	-	-	-	121,868
176,441	-	-	-	500,925
-	-	752,580	101,141	915,254
-	-	1,021,277	2,503	1,028,789
<u>188,651</u>	<u>1,320,672</u>	<u>1,794,483</u>	<u>755,967</u>	<u>15,185,687</u>
<u>(185,010)</u>	<u>(1,319,142)</u>	<u>(477,763)</u>	<u>(282,227)</u>	<u>(1,537,278)</u>
2,163,442	-	-	-	2,163,442
-	-	7,361,558	-	7,361,558
-	-	(29,470)	-	(29,470)
-	-	(7,124,700)	-	(7,124,700)
-	-	-	372,671	372,671
-	-	-	-	515
-	-	-	335,000	1,502,861
-	-	-	(1,067,861)	(1,416,961)
<u>2,163,442</u>	<u>-</u>	<u>207,388</u>	<u>(360,190)</u>	<u>2,829,916</u>
1,978,432	(1,319,142)	(270,375)	(642,417)	1,292,638
-	2,014,569	(114,852)	1,420,966	5,178,180
<u>\$ 1,978,432</u>	<u>\$ 695,427</u>	<u>\$ (385,227)</u>	<u>\$ 778,549</u>	<u>\$ 6,470,818</u>

WARRINGTON TOWNSHIP

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

Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,292,638
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,252,842) exceeds capital outlays (\$2,165,620) in the current period.	(87,222)
Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization exceeds capital outlays in the current period.	(97,053)
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(16,280)
Governmental Funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	4,432
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	8,205,254
Proceeds from bond issuances and capital leases are revenues in the Governmental Funds, but these amounts increase the long-term liabilities in the statement of net position.	(9,897,671)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	10,269
In the statement of activities, certain operating expenses--compensated absences (vacations, comp time and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	156,831
Net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(186,329)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(615,131)</u></u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2013

	Enterprise Fund <u>Water and Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,872,395
Investments	954,051
Accounts receivable	1,360,614
Other receivables	989
Notes receivable	<u>29,828</u>
TOTAL CURRENT ASSETS	<u>4,217,877</u>
NONCURRENT ASSETS	
Notes receivable	158,030
Capital assets	
Land	161,764
Utility system	45,570,370
Construction in progress	<u>2,343,924</u>
TOTAL NONCURRENT ASSETS	<u>48,234,088</u>
TOTAL ASSETS	<u>52,451,965</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on defeasance of debt	<u>223,605</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	403,238
Salaries payable	13,933
Accrued interest payable	40,548
Due to other funds	1,066,269
Bonds payable	<u>715,000</u>
TOTAL CURRENT LIABILITIES	<u>2,238,988</u>
NONCURRENT LIABILITIES	
Compensated absences	5,824
Bonds payable	9,350,000
Bond premiums	<u>298,710</u>
TOTAL NONCURRENT LIABILITIES	<u>9,654,534</u>
TOTAL LIABILITIES	<u>11,893,522</u>
NET POSITION	
Net investment in capital assets	37,935,953
Unrestricted	<u>2,846,095</u>
TOTAL NET POSITION	<u>\$ 40,782,048</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2013**

	<u>Enterprise Fund Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 5,202,465
Other revenues	<u>1,570</u>
TOTAL OPERATING REVENUES	<u>5,204,035</u>
OPERATING EXPENSES	
Water and sewer operations	3,118,302
General and administrative	786,476
Depreciation	<u>2,549,337</u>
TOTAL OPERATING EXPENSES	<u>6,454,115</u>
OPERATING LOSS	<u>(1,250,080)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	16,443
Connection fees	77,749
Tapping fees	271,361
Grants and contributions	27,829
Interest expense	<u>(502,210)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(108,828)</u>
LOSS BEFORE TRANSFERS	(1,358,908)
TRANSFERS IN	14,100
TRANSFERS OUT	<u>(100,000)</u>
CHANGE IN NET POSITION	(1,444,808)
NET POSITION AT BEGINNING OF YEAR	<u>42,226,856</u>
NET POSITION AT END OF YEAR	<u>\$ 40,782,048</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2013

	Enterprise Fund <u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 5,650,287
Payments to employees	(915,089)
Payments to suppliers	<u>(3,191,860)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,543,338</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(85,900)
Due to other funds	<u>975,762</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>889,862</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	(1,480,092)
Bond principal repayment	(700,000)
Interest paid on bonds	(511,053)
Grants and contributions	<u>27,829</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,663,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments received on notes receivable	79,222
Purchase of investments	(954,051)
Earnings on investments	<u>16,443</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(858,386)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,088,502)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,960,897</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,872,395</u>

WARRINGTON TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2013

	Enterprise Fund <u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,250,080)
Connection fees, tapping fees and other miscellaneous activity	349,110
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	2,549,337
(Increase) decrease in	
Accounts receivable	97,476
Other receivables	(334)
Decrease in	
Accounts payable	(201,241)
Accrued salaries and benefits	<u>(930)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,543,338</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***December 31, 2013*

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 308,675
Investments	15,372,537
Due from Township	<u>67,384</u>
 TOTAL ASSETS	 \$ <u>15,748,596</u>
 NET POSITION	
Held in trust for benefits and other purposes	\$ <u>15,748,596</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2013*

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 414,646
Plan members	143,916
State	<u>345,708</u>
TOTAL CONTRIBUTIONS	<u>904,270</u>
Investment earnings	
Net increase in fair value of investments	1,827,494
Dividends	325,100
Investment activity expense	<u>(11,600)</u>
INVESTMENT EARNINGS, net	<u>2,140,994</u>
TOTAL ADDITIONS	<u>3,045,264</u>
DEDUCTIONS	
Benefits	642,546
Administrative	<u>43,980</u>
TOTAL DEDUCTIONS	<u>686,526</u>
CHANGE IN NET POSITION	2,358,738
NET POSITION AT BEGINNING OF YEAR	<u>13,389,858</u>
NET POSITION AT END OF YEAR	<u>\$ 15,748,596</u>

See accompanying notes to the basic financial statements.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Warrington Township (the "Township") is a municipal corporation existing and operating under the Second Class Township Code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The Township has determined that no outside agency meets the above criteria; therefore, no other agency has been included in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight that would result in the Township being considered a component unit of the entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for Governmental Funds, the Proprietary Fund and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. Property taxes, franchise taxes and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The Township reports the following major Governmental Funds:

- The *General Fund* is the Township's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *2012 Road Improvements Fund* accounts for road repairs and maintenance throughout the Township.
- The *2013 Capital Projects Fund* accounts for open space and parkland improvements throughout the Township.
- The *Capital Improvement Fund* accounts for capital purchases and construction for various projects throughout the Township.
- The *Debt Service Fund* accounts for payments of principal and interest on long-term debt.

The Township reports the following major Proprietary Fund:

- The *Water and Sewer Fund* accounts for the activities of the Township's water and sewer treatment systems.

Additionally, the Township reports the following Fiduciary Fund Types:

- The *Pension Trust Funds* are used to account for the activities of the Police and Non-Uniform Employees Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Proprietary Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting - The Township follows the procedures outlined below, which comply with legal requirements in establishing the budgetary data reflected in the financial statements:

1. Budgets are legally adopted on an annual basis for most Township funds, which is consistent with generally accepted accounting principles. The operating budget includes proposed expenditures and the means of financing them.
2. During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds.
3. No later than December 31, the budget is legally adopted through the passage of an ordinance.
4. All budget revisions require the approval of the Township's Board of Supervisors. There were budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2013.
5. Budgets for the funds are prepared on the modified accrual basis of accounting.

All appropriations lapse at year-end. Supplemental appropriations can be made at any time.

As a matter of state law, expenditures cannot exceed total appropriations by fund.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds for which budgets are prepared. Encumbrances outstanding at year-end lapse. Encumbrances do not constitute expenditures or liabilities under accounting principles generally accepted in the United States of America.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Assets, Liabilities and Equity

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

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

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

The Township may invest in obligations and agencies of the United States of America. These investments are comprised of collateralized mortgage obligations, U.S. Treasury obligations and money market mutual funds. The Township recognizes interest rate risk and extension risk with some of these obligations. The Township has stratified its portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts' rates is minimal.

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

Investments for the Township are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

Real Estate Taxes - Real estate taxes are recorded as revenues when the taxes are levied. All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2013, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Real estate taxes are levied on January 1 on property values assessed as of the same date. Taxes are billed February 1 and are due on June 30 of each year. A 2% discount is provided for taxes paid prior to April 1. A 10% penalty is applied to taxes paid after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Earned Income Taxes - A 1% earned income tax is imposed on all residents and on nonresidents who work within the Township limits. This tax is recorded as revenue when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

Provision for Estimated Uncollectible Receivables - At December 31, 2013, all trade receivables were deemed to be fully collectible.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines a capital asset as an asset with an initial, individual cost equal to or greater than \$7,500 and must have an estimated useful life in excess of two years. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2003, Governmental Funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Depreciation has been provided over the estimated useful lives of property, plant and equipment using the straight-line method as follows:

	<u>Years</u>
Buildings	20-40
Building improvements	20-40
Roads, curbs, walks and bridges	25-75
Storm sewers	100
Lighting	20
Trucks and heavy equipment	8-15
Vehicles	8
Water/sewer	
Buildings, improvements, water mains, pipes	30
Vehicles	5
Machinery and equipment	30
Office furniture and equipment	10

Long-Term Obligations - In the government-wide financial statements and the Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond premiums or discounts and issuance costs are reported as deferred charges. Bonds payable are reported net of deferred amounts on refunding, which represent the difference between the reacquisition price and the net carrying amount of old debt that has been defeased in refunding transactions since 1993. This deferred amount is amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

Cash and Cash Equivalents - For purposes of reporting cash flows for the Proprietary Fund, all highly liquid investments with original maturities of three months or less are considered short-term investments.

Compensated Absences - Unused vacation and sick benefits lapse at year-end for all employees, without approval of the Township. As of December 31, 2013, there were no material amounts of leave accumulated for governmental activities.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk - The Township's revenues and receivables for taxes and utility service are mostly derived from residents and businesses located in the Township and are, therefore, subject to the economic conditions of the area.

GASB Statement No. 54

The Township has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of Supervisors.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2013, the Board has not delegated the authority to assign fund balance.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 14). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE B DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2013, \$1,131,129 of the Township's bank balance of \$8,180,524 was insured by the FDIC; the remaining \$7,049,395 was exposed to custodial credit risk, collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name.

Investments

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

<u>Investment Type</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less Than One Year</u>
PROPRIETARY FUNDS		
Certificates of deposit	\$ <u>954,051</u>	\$ <u>954,051</u>
PENSION ACTIVITIES		
Mutual funds	\$ <u>15,372,537</u>	\$ <u>15,372,537</u>

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's formal investment policy does not address interest rate risk.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of government funds as described in Note A. It is the Township's formal investment policy that the investment portfolio maintains an average AA rating by Standard & Poor's.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. More than 5% of the Township's investments are in certificates of deposit and mutual funds. These investments are 6% and 94%, respectively, of the Township's total investments.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE C CAPITAL ASSETS

Changes in capital asset activity for the year ended December 31, 2013, were as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,652,917	\$ 140,000	\$ -	\$ 4,792,917
Construction in progress	408,558	1,300,530	-	1,709,088
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,061,475	1,440,530	-	6,502,005
Capital assets being depreciated				
Infrastructure	55,131,136	187,156	-	55,318,292
Buildings and improvements	4,518,122	-	-	4,518,122
Machinery, vehicles and equipment	4,033,598	537,934	-	4,571,532
TOTAL CAPITAL ASSETS BEING DEPRECIATED	63,682,856	725,090	-	64,407,946
Accumulated depreciation				
Infrastructure	(24,157,634)	(1,755,690)	-	(25,913,324)
Buildings and improvements	(984,073)	(109,437)	-	(1,093,510)
Machinery, vehicles and equipment	(2,924,458)	(387,715)	-	(3,312,173)
TOTAL ACCUMULATED DEPRECIATION	(28,066,165)	(2,252,842)	-	(30,319,007)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	35,616,691	(1,527,752)	-	34,088,939
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 40,678,166	\$ (87,222)	\$ -	\$ 40,590,944

Depreciation expense was charged to governmental functions as follows:

GOVERNMENTAL ACTIVITIES	
Administrative	\$ 129,754
Police and emergency services	214,918
Public works, including depreciation of general infrastructure, except park systems	1,652,259
Parks and recreation, including depreciation relating to park systems	<u>255,911</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>2,252,842</u>

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 86,764	\$ 75,000	\$ -	\$ 161,764
Construction in progress	1,083,666	1,260,258	-	2,343,924
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,170,430	1,335,258	-	2,505,688
Capital assets being depreciated				
Collection, distribution, reserve, treatment systems	79,079,288	-	-	79,079,288
Buildings and improvements	3,539,856	-	-	3,539,856
Equipment and vehicles	1,641,534	144,834	-	1,786,368
TOTAL CAPITAL ASSETS BEING DEPRECIATED	84,260,678	144,834	-	84,405,512
Accumulated depreciation				
Collection, distribution, reserve, treatment systems	(32,471,487)	(2,393,725)	-	(34,865,212)
Buildings and improvements	(2,229,550)	(115,043)	-	(2,344,593)
Equipment and vehicles	(1,584,768)	(40,569)	-	(1,625,337)
TOTAL ACCUMULATED DEPRECIATION	(36,285,805)	(2,549,337)	-	(38,835,142)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	47,974,873	(2,404,503)	-	45,570,370
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	 \$ 49,145,303	 \$ (1,069,245)	 \$ -	 \$ 48,076,058

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE D INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 1,552,307	\$ 254,668
2013 Capital Projects Fund	-	39,288
Capital Improvement Fund	100,830	-
Debt Service Fund	34,240	424,954
Other Governmental Funds	185,152	87,350
 PROPRIETARY FUND		
Water and Sewer Fund	<u>-</u>	<u>1,066,269</u>
	<u><u>\$ 1,872,529</u></u>	<u><u>\$ 1,872,529</u></u>

Interfund balances are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Cash receipts collected in one fund but belonging to another.
3. Funding cash deficits.

Interfund transfers are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 349,100	\$ 1,167,861
Other Governmental Funds	1,067,861	335,000
Water and Sewer Fund	<u>100,000</u>	<u>14,100</u>
	<u><u>\$ 1,516,961</u></u>	<u><u>\$ 1,516,961</u></u>

Interfund balances are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Reimbursement for debt payments.
3. Various funds financing capital projects.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE E LONG-TERM DEBT

Summary of Activity

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds and Notes					
Series of 1997	\$ 450,308	\$ -	\$ (75,917)	\$ 374,391	\$ 82,613
Series of 2008	7,290,000	-	(7,290,000)	-	-
Series of 2012 A	6,095,000	-	(480,000)	5,615,000	495,000
Series of 2012 B	2,945,000	-	(180,000)	2,765,000	185,000
Series of 2013	-	9,525,000	-	9,525,000	445,000
TOTAL GENERAL OBLIGATION BONDS AND NOTES	16,780,308	9,525,000	(8,025,917)	18,279,391	1,207,613
Bond premiums	558,647	-	(49,737)	508,910	-
Deferred issuance discount	(128,235)	(29,470)	63,879	(93,826)	-
Deferred loss (gain) on defeasance	(92,161)	109,477	2,904	20,220	-
Capital leases	404,836	372,671	(179,337)	598,170	152,184
Compensated absences	307,083	-	(47,411)	259,672	-
Net OPEB obligation	873,630	186,329	-	1,059,959	-
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 18,704,108</u>	<u>\$ 10,164,007</u>	<u>\$ (8,235,619)</u>	<u>\$ 20,632,496</u>	<u>\$ 1,359,797</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds, Series of 2004	\$ 10,765,000	\$ -	\$ (700,000)	\$ 10,065,000	\$ 715,000
Deferred issuance premium	325,865	-	(27,155)	298,710	-
Deferred loss on defeasance	(243,933)	-	20,328	(223,605)	-
Compensated absences	7,323	-	(1,499)	5,824	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 10,854,255</u>	<u>\$ -</u>	<u>\$ (708,326)</u>	<u>\$ 10,145,929</u>	<u>\$ 715,000</u>

Payments on the bonds, notes and loans payable pertaining to the Township's governmental activities are made by the Debt Service Fund.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Governmental and Business-Type Activities Debt

The Township issues general obligation bonds and notes to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. The original amount of bonds and notes payable issued in prior years was \$26,665,000.

General obligation notes are direct obligations and pledge the full faith and credit of the Township. These notes are generally issued as 15-20 year serial notes with varying amounts of principal maturing each year.

In March 2013, the Township issued General Obligation Bonds, Series of 2013, for the purpose of refunding General Obligation Bonds, Series of 2008. The new issue will decrease debt service payments for the Township by \$1,072,287, and the refunding of the old issue will have an overall economic gain of \$1,273,668.

Total Scheduled Annual Debt Service

The Township's total scheduled annual debt service on all long-term debt is as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 1,207,613	\$ 509,525	\$ 715,000	\$ 478,725
2015	1,130,580	472,777	750,000	442,975
2016	1,165,266	437,013	800,000	405,475
2017	1,226,472	397,363	830,000	369,475
2018	1,145,000	352,322	870,000	332,125
2019	1,180,000	320,562	910,000	292,975
2020	1,210,000	287,939	950,000	250,887
2021	1,250,000	247,252	985,000	206,950
2022	1,275,000	222,254	1,035,000	160,162
2023	1,470,000	195,159	1,085,000	111,000
2024	1,505,000	160,737	1,135,000	56,750
2025	1,545,000	124,388	-	-
2026	1,580,000	85,283	-	-
2027	190,000	43,712	-	-
2028	200,000	38,250	-	-
2029	245,000	32,500	-	-
2030	250,000	24,538	-	-
2031	250,000	16,412	-	-
2032	255,000	8,288	-	-
	<u>\$ 18,279,931</u>	<u>\$ 3,976,274</u>	<u>\$ 10,065,000</u>	<u>\$ 3,107,499</u>

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F CAPITAL LEASE

The Borough leases certain equipment under capital lease arrangements.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2013:

<u>Year Ending December 31,</u>	
2014	\$ 158,667
2015	93,728
2016	89,642
2017	62,008
2018	56,481
2019-2022	<u>169,441</u>
TOTAL MINIMUM LEASE PAYMENTS	629,967
Amount representing interest	<u>(31,797)</u>
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	\$ <u>598,170</u>

The gross value of this equipment on the statement of net position is \$1,555,371 with accumulated depreciation of \$767,229.

NOTE G DEFINED BENEFIT PENSION PLANS

Summary of Significant Accounting Policies

Basis of Accounting - The pension plan financial statements are prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period they are due.

Valuation of Investments - The pension plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

The Township contributes to two single-employer defined benefit pension plans, the Non-Uniform Employees Pension Plan and the Police Pension Plan. All full-time police and non-uniform employees participate in the plans. Neither pension plan issues separate, stand-alone financial statements.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

At January 1, 2013, the date of the most recent actuarial valuation, participants in the plans were as follows:

	<u>Non-Uniform Employees Pension Plan</u>	<u>Police Pension Plan</u>
PARTICIPANTS		
Retirees and beneficiaries	28	11
Active employees	36	27

Non-Uniform Employees Pension Plan

The Non-Uniform Employees Pension Plan provides retirement benefits as well as death benefits. All benefits vest at 10% per year, graded up to 100% after ten years of credited service. Employees who retire at or after age 65 with 20 years of service are entitled to an annual retirement benefit, payable monthly, in the normal form of a ten-year certain and continuous annuity, in an amount equal to 50% of the final average compensation reduced proportionately for less than 30 years of service. Final average compensation is the employee's average monthly earnings over the last 60 months of compensation. Married employees will receive joint and 50% survivor annuity. Early retirement benefits equal the vested accrued benefit and begin at age 65. If benefits begin before age 65, they will be reduced by 3.33% for each year the benefits commence before age 65.

Member contributions are determined on an annual basis. For the year ended December 31, 2013, no member contributions were required. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report.

Police Pension Plan

The Police Pension Plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 50 with at least 25 years of service. Officers may also receive a service increment equal to \$25 per month for each year of service in excess of 25 years up to a maximum of \$100 per month.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. Covered employees are required by statute to contribute 4% of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report.

Funding Policy and Contribution Information

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation ("MMO"), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings.

Financial Requirement and Minimum Municipal Obligation Budget for 2013

	Non-Uniform Employees Pension Plan	Police Pension Plan
Normal cost	\$ 134,280	\$ 342,748
Estimated administrative expenses	23,796	35,953
Estimated member contributions	(17,000)	(120,000)
Amortization requirement	(24,466)	380,153
ANNUAL REQUIRED CONTRIBUTION	116,610	638,854
Interest on net pension obligation	(3,905)	(4,183)
Adjustment to annual required contribution	5,039	6,378
ANNUAL PENSION COST	117,744	641,049
Contributions made	(121,500)	(638,854)
INCREASE (DECREASE) IN NET PENSION ASSET	(3,756)	2,195
Net pension asset at beginning of year	(52,081)	(55,778)
NET PENSION ASSET AT END OF YEAR	\$ (55,837)	\$ (53,583)
STATE AID PORTION OF FUNDS DEPOSITED	\$ -	\$ 345,708

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Three-Year Trend

Non-Uniform Employees Pension Plan

<u>Fiscal Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 155,553	99.2%	\$ (53,239)
2012	122,622	99.1%	(52,081)
2013	117,744	103.2%	(55,837)

Police Pension Plan

<u>Fiscal Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 518,279	99.5%	\$ (58,063)
2012	550,764	99.6%	(55,778)
2013	641,049	99.7%	(53,583)

Non-Uniform Employees Pension Plan Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 103% funded. The actuarial accrued liability for benefits was \$4.03 million and the actuarial value of assets was \$4.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$(0.11) million. The covered payroll (annual payroll of active employees covered in the plan) was \$1.8 million, and the ratio of the UAAL to the covered payroll was (6.1)%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation for the plan follows:

Valuation date.....	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method.....	Level dollar, closed
Remaining amortization period	N/A
Asset valuation method.....	Market value
Actuarial assumptions	
Investment rate of return	7.5%
Projected salary increases	4.5%

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Police Pension Plan Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 78% funded. The actuarial accrued liability for benefits was \$12.8 million and the actuarial value of assets was \$9.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.8 million. The covered payroll (annual payroll of active employees covered in the plan) was \$2.5 million, and the ratio of the UAAL to the covered payroll was 114%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation for the plan follows:

Valuation date.....	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method.....	Level dollar, closed
Remaining amortization period	8 years
Asset valuation method.....	Market value
Actuarial assumptions	
Investment rate of return	7.5%
Projected salary increases	4.5%

NOTE H POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Police OPEB Plan Description

In accordance with the Police Labor Contract effective January 1, 2005, the Township implemented a postretirement healthcare benefit plan for police employees who retire from the Township. All officers will be eligible for coverage upon retirement after reaching the minimum age of 50 years and the completion of 25 years of service, or after separation with a service connected disability. A retired officer's spouse and dependent children are also eligible for coverage under the plan. Plan benefits may be amended through Police Labor Contracts.

Eligible officers receive continued medical coverage in the Township's medical plan for Active Police Employees under the following conditions:

- Any retiree who is eligible for medical insurance through other employment or through his or her spouse shall not receive postretirement health payments. It shall be the retiree's responsibility to report any eligibility for any health benefit to the Township. All retirees receiving postretirement health payments shall be required on an annual basis to fill out a form certifying that the retiree is not eligible for health benefits from the retiree's employer or the employer of the retiree's spouse. If such a retiree thereafter loses eligibility for the payment, he or she may again become eligible for postretirement health payments by certifying that he or she no longer has outside health coverage under a separate employer's plan or a spouse's plan.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

- The Township will pay 70% of the premium cost for the retiree, spouse and dependent children for five years immediately following retirement. During the sixth and seventh year of retirement, the Township will pay 70% of the premium cost for the retiree only. The Township contribution is thereafter capped at 70% of the seventh year rate, and the retiree will continue to receive that benefit until the retiree is eligible for Medicare. Any premium increases for the eighth and subsequent years will be the responsibility of the retiree.
- The Township will pay 100% of the premium cost for Retired Police Chiefs, their spouses and dependent children.
- Coverage will terminate upon Medicare eligibility.
- Retiree health insurance will include the same coverage as for Active Police Employees: major medical, hospitalization, prescription, vision and dental coverage.

The plan does not issue a stand-alone report.

Funding Policy

Retirees are not required to make contributions to either plan. The contribution requirements of plan members have been established and may be amended through Police Labor Contracts (police). The Township is accounting for these expenditures on a "pay-as-you-go" basis. The costs of administering the plan are paid by the Township.

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 No. 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 30 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 278,607
Interest on net OPEB obligation	39,313
Adjustments to annual required contribution	(53,633)
ANNUAL OPEB COST	264,287
Contributions made	(77,958)
INCREASE IN NET OPEB OBLIGATION	186,329
Net OPEB obligation at beginning of year	873,630
NET OPEB OBLIGATION AT END OF YEAR	\$ 1,059,959

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Three-Year Trend Information

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension OPEB Obligation</u>
2011	\$ 275,700	41%	\$ 728,279
2012	266,670	45%	873,630
2013	264,287	30%	1,059,959

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the funded status of the plan is as follows:

	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability</u>	<u>(c) Funded Ratio (a)/(b)</u>	<u>(d) Unfunded Actuarial Accrued Liability (b)-(a)</u>	<u>(e) Accrued Projected Annual Covered Payroll</u>	<u>(f) Liability as a Percentage of Payroll (d)/(e)</u>
Police	\$ -	\$ 2,321,248	0%	\$ 2,321,248	\$ 2,585,436	90%

The projection of future benefit payments for an ongoing plan involves 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. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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.

WARRINGTON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

In the January 1, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment rate of return (net of administrative expenses) of 4.5% for the Police Plan, which is a blended rate of the expected long-term investment returns on plan assets. Annual salary increases are assumed to be 4.5% for the Police Plan. The inflation rate of healthcare costs is assumed to be 8.0% in 2011 and will decrease by .5% per year to 5.5% in 2016. Rates then gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later. The UAAL is being amortized based on a level dollar, 30-year open period over future years as part of the annual contribution requirement.

NOTE I CONTRIBUTIONS IN AID OF CONSTRUCTION

Water and sewer systems and equipment, which are constructed and installed by developers in new housing developments in the Township, are generally dedicated upon completion of each section of the development. Upon dedication, the estimated cost to construct such property is recorded as an increase to property, plant and equipment and an increase to contributions in aid of construction.

NOTE J RISK MANAGEMENT

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

NOTE K CONTINGENT LIABILITIES

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

REQUIRED SUPPLEMENTARY INFORMATION

WARRINGTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 2,631,000	\$ 2,631,000	\$ 2,646,236	\$ 15,236
Transfer	600,000	600,000	821,333	221,333
Earned income	3,450,000	3,450,000	4,099,823	649,823
Other	357,200	357,200	403,348	46,148
Fees and fines	166,200	166,200	177,380	11,180
Licenses and permits	505,000	505,000	546,753	41,753
Intergovernmental	833,500	833,500	796,143	(37,357)
Charges for services	1,981,450	1,981,450	1,517,336	(464,114)
Investment income and rent	423,000	423,000	432,310	9,310
Miscellaneous	308,852	308,852	410,389	101,537
TOTAL REVENUES	<u>11,256,202</u>	<u>11,256,202</u>	<u>11,851,051</u>	<u>594,849</u>
EXPENDITURES				
Current				
General government	1,684,648	1,684,648	1,534,025	150,623
Public safety	7,066,983	7,066,983	6,639,888	427,095
Public works	1,980,527	1,980,527	2,125,344	(144,817)
Sanitation	119,019	119,019	121,868	(2,849)
Culture and recreation	374,025	374,025	324,484	49,541
Debt service				
Principal	-	-	61,533	(61,533)
Interest and other charges	-	-	5,009	(5,009)
TOTAL EXPENDITURES	<u>11,225,202</u>	<u>11,225,202</u>	<u>10,812,151</u>	<u>413,051</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,000</u>	<u>31,000</u>	<u>1,038,900</u>	<u>1,007,900</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	515	(515)
Transfers in	100,000	100,000	1,167,861	(1,067,861)
Transfers out	(131,000)	(131,000)	(349,100)	218,100
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,000)</u>	<u>(31,000)</u>	<u>819,276</u>	<u>(850,276)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,858,176</u>	<u>1,858,176</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,188,405</u>	<u>1,188,405</u>	<u>1,188,405</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,188,405</u>	<u>\$ 1,188,405</u>	<u>\$ 3,046,581</u>	<u>\$ 1,858,176</u>

WARRINGTON TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

NON-UNIFORM EMPLOYEES PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	\$ 2,580,175	\$ 2,649,013	\$ 68,838	97.4%	\$ 1,930,809	3.6%
2011	3,838,997	3,594,340	(244,657)	106.8%	1,678,537	-14.6%
2013	4,139,026	4,028,337	(110,689)	102.7%	1,819,136	-6.1%

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 135,382	100%
2009	171,428	100%
2010	148,324	100%
2011	154,369	100%
2012	121,464	100%
2013	116,610	104%

WARRINGTON TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

POLICE PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	\$ 5,278,637	\$ 9,077,091	\$ 3,798,454	58.2%	\$ 2,334,586	162.7%
2011	8,178,813	10,856,399	2,677,586	75.3%	2,365,436	113.2%
2013	9,911,096	12,755,926	2,844,830	77.7%	2,490,551	114.2%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	\$ 399,469	100%
2009	416,796	100%
2010	501,212	100%
2011	515,900	100%
2012	548,479	100%
2013	638,854	100%

WARRINGTON TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2013

SCHEDULE OF FUNDING PROGRESS

Police Plan

Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ -	\$ 2,524,011	\$ 2,524,011	0%	\$ 2,249,885	112%
2011	-	2,321,248	2,321,248	0%	2,585,436	90%

SUPPLEMENTARY INFORMATION SECTION

WARRINGTON TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue Funds				
	Fire Protection Fund	Ambulance Corps Fund	Highway Aid Fund	Capital Reserve Fund	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 593,576	\$ 120,608	\$ 714,184
Due from other funds	-	-	-	185,152	185,152
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,576</u>	<u>\$ 305,760</u>	<u>\$ 899,336</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 33,437	\$ -	\$ 33,437
Due to other funds	-	-	87,350	-	87,350
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>120,787</u>	<u>-</u>	<u>120,787</u>
FUND BALANCES					
Restricted					
Highway and street improvements	-	-	472,789	-	472,789
Assigned					
Capital projects	-	-	-	305,760	305,760
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>472,789</u>	<u>305,760</u>	<u>778,549</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,576</u>	<u>\$ 305,760</u>	<u>\$ 899,336</u>

WARRINGTON TOWNSHIP

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS

Year Ended December 31, 2013

	Special Revenue Funds			Capital Reserve Fund	Total Other Governmental Funds
	Fire Protection Fund	Ambulance Corps Fund	Highway Aid Fund		
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 472,191	\$ -	\$ 472,191
Investment income and rent	-	-	1,366	183	1,549
TOTAL REVENUES	-	-	473,557	183	473,740
EXPENDITURES					
Current					
Public safety	-	-	-	525,415	525,415
Highways and roads	-	-	126,908	-	126,908
Debt service					
Principal	-	-	-	101,141	101,141
Interest and other charges	-	-	-	2,503	2,503
TOTAL EXPENDITURES	-	-	126,908	629,059	755,967
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	346,649	(628,876)	(282,227)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	-	-	-	372,671	372,671
Transfers in	-	-	-	335,000	335,000
Transfers out	(473,840)	(341,512)	(252,509)	-	(1,067,861)
TOTAL OTHER FINANCING SOURCES (USES)	(473,840)	(341,512)	(252,509)	707,671	(360,190)
NET CHANGE IN FUND BALANCES	(473,840)	(341,512)	94,140	78,795	(642,417)
FUND BALANCES AT BEGINNING OF YEAR	473,840	341,512	378,649	226,965	1,420,966
FUND BALANCES AT END OF YEAR	\$ -	\$ -	\$ 472,789	\$ 305,760	\$ 778,549

WARRINGTON TOWNSHIP**COMBINING SCHEDULE OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***December 31, 2013*

	Pension Trust Funds		
	<u>Police Pension Fund</u>	<u>Non-Uniform Employees Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ 217,449	\$ 91,226	\$ 308,675
Investments	10,734,075	4,638,462	15,372,537
Due from Township	<u>63,777</u>	<u>3,607</u>	<u>67,384</u>
TOTAL ASSETS	<u>\$ 11,015,301</u>	<u>\$ 4,733,295</u>	<u>\$ 15,748,596</u>
NET POSITION			
Held in trust for benefits and other purposes	<u>\$ 11,015,301</u>	<u>\$ 4,733,295</u>	<u>\$ 15,748,596</u>

WARRINGTON TOWNSHIP**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2013*

	Pension Trust Funds		
	<u>Police Pension Fund</u>	<u>Non-Uniform Employees Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions			
Employer	\$ 293,146	\$ 121,500	\$ 414,646
Plan members	92,313	51,603	143,916
State	345,708	-	345,708
TOTAL CONTRIBUTIONS	<u>731,167</u>	<u>173,103</u>	<u>904,270</u>
Investment earnings			
Net increase in fair value of investments	1,265,406	562,088	1,827,494
Dividends	226,485	98,615	325,100
Investment activity expense	(11,600)	-	(11,600)
INVESTMENT EARNINGS, net	<u>1,480,291</u>	<u>660,703</u>	<u>2,140,994</u>
TOTAL ADDITIONS	<u>2,211,458</u>	<u>833,806</u>	<u>3,045,264</u>
DEDUCTIONS			
Benefits	450,534	192,012	642,546
Administrative	-	43,980	43,980
TOTAL DEDUCTIONS	<u>450,534</u>	<u>235,992</u>	<u>686,526</u>
CHANGE IN NET POSITION	1,760,924	597,814	2,358,738
NET POSITION AT BEGINNING OF YEAR	<u>9,254,377</u>	<u>4,135,481</u>	<u>13,389,858</u>
NET POSITION AT END OF YEAR	<u>\$ 11,015,301</u>	<u>\$ 4,733,295</u>	<u>\$ 15,748,596</u>