

**WARRINGTON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2015*



*Expertise Beyond The Numbers®*

*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**WARRINGTON TOWNSHIP**  
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YEAR ENDED DECEMBER 31, 2015

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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, 2015, 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, 2015, 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

***Emphasis of Matter***

For the year ended December 31, 2015, Warrington Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

***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 14, budgetary comparison information on page 59, pension plan information on pages 60 through 65 and postemployment benefits other than pension funding progress on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.



Oaks, Pennsylvania  
May 24, 2016

# WARRINGTON TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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### FINANCIAL HIGHLIGHTS

- The assets of Warrington Township exceeded its liabilities at the close of the most recent fiscal year by \$66.7 million (net position). Of this amount, no funds may be used to meet the government's ongoing obligations to citizens and creditors as the unrestricted governmental net position has a deficit balance.
- The Township's total net position decreased by \$0.3 million. As of the close of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$8.4 million. Approximately \$2.5 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 \$2.4 million or 19.35% of General Fund expenditures.
- Warrington Township's total debt increased by \$0.2 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, Open Space Fund, Debt Service Fund, and the 2014 Capital Projects 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 64 to 67 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 \$66.7 million at the close of the most recent fiscal year.

The largest portion of Warrington Township's net position (88.8%) 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, 2015

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**Table 1**

**Condensed Statements of Net Position (In Thousands of Dollars)  
December 31, 2015 and 2014**

	Governmental Activities	
	2015	2014
ASSETS		
Current and other assets	\$ 10,841	\$ 12,674
Capital assets		
Depreciable	37,053	33,208
Nondepreciable	5,702	7,728
TOTAL ASSETS	<u>53,596</u>	<u>53,610</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>1,425</u>	<u>-</u>
LIABILITIES		
Long-term liabilities outstanding	26,952	24,519
Other liabilities	1,788	1,926
TOTAL LIABILITIES	<u>28,740</u>	<u>26,445</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on defeasance of debt	26	23
Deferred inflows related to pensions	<u>62</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>88</u>	<u>23</u>
NET POSITION		
Net investment in capital assets	25,061	24,520
Restricted	5,414	7,556
Unrestricted	<u>(4,282)</u>	<u>(4,934)</u>
TOTAL NET POSITION	<u>\$ 26,193</u>	<u>\$ 27,142</u>

<u>Business-Type Activities</u>		<u>Totals</u>	
<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
\$ 11,488	\$ 13,262	\$ 22,329	\$ 25,936
46,272	46,832	83,325	80,040
2,888	1,457	8,590	9,185
<u>60,648</u>	<u>61,551</u>	<u>114,244</u>	<u>115,161</u>
<u>204</u>	<u>-</u>	<u>1,629</u>	<u>-</u>
19,346	19,474	46,298	43,993
844	821	2,632	2,747
<u>20,190</u>	<u>20,295</u>	<u>48,930</u>	<u>46,740</u>
61	68	87	91
<u>62</u>	<u>-</u>	<u>124</u>	<u>-</u>
<u>123</u>	<u>68</u>	<u>211</u>	<u>91</u>
34,220	38,807	59,281	63,327
-	-	5,414	7,556
<u>6,319</u>	<u>2,381</u>	<u>2,037</u>	<u>(2,553)</u>
\$ <u><u>40,539</u></u>	\$ <u><u>41,188</u></u>	\$ <u><u>66,732</u></u>	\$ <u><u>68,330</u></u>

**WARRINGTON TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

**Table 2****Condensed Statements of Changes in Net Position (In Thousands of Dollars)  
Years Ended December 31, 2015 and 2014**

	Governmental Activities	
	2015	2014
REVENUE		
Program revenue		
Charges for services	\$ 2,797	\$ 2,557
Operating grants and contributions	1,819	1,475
Capital grants and contributions	866	344
General revenue		
Taxes	9,919	9,605
Grants and contributions not restricted to specific programs	11	12
Investment earnings	484	466
Miscellaneous	777	722
Gain on disposal of assets	22	-
	<u>16,695</u>	<u>15,181</u>
TOTAL REVENUE		
	<u>16,695</u>	<u>15,181</u>
EXPENDITURES		
Administration	1,777	1,667
Police department	8,278	7,721
Highway/public works	4,730	4,773
Health, welfare and sanitation	129	141
Culture and recreation	736	649
Interest on long-term debt	517	531
Water and sewer	-	-
	<u>16,167</u>	<u>15,482</u>
TOTAL EXPENDITURES		
	<u>16,167</u>	<u>15,482</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	528	(301)
TRANSFERS	<u>105</u>	<u>105</u>
CHANGE IN NET POSITION	633	(196)
NET POSITION AT BEGINNING OF YEAR, restated	<u>25,560</u>	<u>27,338</u>
NET POSITION AT END OF YEAR	<u>\$ 26,193</u>	<u>\$ 27,142</u>

<u>Business-Type Activities</u>		<u>Totals</u>	
<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
\$ 7,251	\$ 7,922	\$ 10,048	\$ 10,479
-	-	1,819	1,475
505	21	1,371	365
-	-	9,919	9,605
-	-	11	12
58	27	542	493
-	-	777	722
-	-	22	-
<u>7,814</u>	<u>7,970</u>	<u>24,509</u>	<u>23,151</u>
-	-	1,777	1,667
-	-	8,278	7,721
-	-	4,730	4,773
-	-	129	141
-	-	736	649
-	-	517	531
<u>8,606</u>	<u>7,459</u>	<u>8,606</u>	<u>7,459</u>
<u>8,606</u>	<u>7,459</u>	<u>24,773</u>	<u>22,941</u>
(792)	511	(264)	210
<u>(105)</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
(897)	406	(264)	210
<u>41,437</u>	<u>40,782</u>	<u>66,997</u>	<u>68,120</u>
\$ <u><u>40,540</u></u>	\$ <u><u>41,188</u></u>	\$ <u><u>66,733</u></u>	\$ <u><u>68,330</u></u>

# WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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## 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 \$8.4 million, a decrease of \$1.4 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 \$2.4 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 26.0% of total General Fund expenditures.

The fund balance of Warrington Township's General Fund increased by \$112,628 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 \$6.3 million. The activity in net position was a decrease of \$0.9 million.

### General Fund Budgetary Highlights

The following is a summarized snapshot analysis of noteworthy budgetary highlights relating to all revenues and expenditures comprising the 2015 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 32.3% of all General Fund operating revenues, posted total revenues of \$4.3 million, a \$48,000 increase over the amount received in 2014.
- The Real Estate Transfer Tax revenue amounted to \$984,000, an increase of approximately \$259,000 as compared to 2014, and still exceeded budget (\$750,000) by approximately \$234,000.
- Charges for Services which derives its revenues primarily from permits for residential and commercial development saw an increase in 2015. Revenue totaled \$1.9 million as compared to the \$1.4 million in revenue for 2014.
- 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 \$499,000 approximately \$17,000 over the budget and \$141,000 more than received in 2014.

# WARRINGTON TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

**Expenditures** - General Fund expenditures totaled \$12.53 million, representing a 4.59% increase over 2014. Increases were primarily due to, capital projects completed at Township parks, 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, 2015, amounts to \$91.9 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 increase in Warrington Township's investment in capital assets for the current fiscal year was 3%.

The following comprise major project expenditures in 2015:

- Work was completed 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. Expenditures for the project totaled \$4.1 million.
- Road paving expenditures totaled over \$606,000.
- The re-plastering and tiling of the Mary Barness swim club pools totaled \$144,482.
- Vehicles were purchased for the fire, police and codes departments: 2 unmarked vehicles, a patrol vehicle, a Rescue truck, a Mack Dump truck, a street sweeper, a JCB Wheel loader with attachments, and a codes vehicle. Total - \$1.3 million
- Work continued on the Neshaminy Gardens Storm Drainage Project. Expenditures for the year totaled \$146,000.

**Table 3**

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
CAPITAL ASSETS						
Land and improvements	\$ 4,835	\$ 4,793	\$ 162	\$ 162	\$ 4,997	\$ 4,955
Infrastructure	57,041	56,074	82,733	80,606	139,774	136,680
Buildings and improvements	8,757	4,668	5,839	5,839	14,596	10,507
Machinery and equipment	5,985	4,925	1,947	1,910	7,932	6,835
Construction in progress	867	2,935	2,727	1,295	3,594	4,230
	<u>77,485</u>	<u>73,395</u>	<u>93,408</u>	<u>89,812</u>	<u>170,893</u>	<u>163,207</u>
Accumulated depreciation	<u>(34,730)</u>	<u>(32,459)</u>	<u>(44,248)</u>	<u>(41,523)</u>	<u>(78,978)</u>	<u>(73,982)</u>
CAPITAL ASSETS, net	<u>\$ 42,755</u>	<u>\$ 40,936</u>	<u>\$ 49,160</u>	<u>\$ 48,289</u>	<u>\$ 91,915</u>	<u>\$ 89,225</u>

**WARRINGTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**Long-Term Debt**

At the end of the current fiscal year, Warrington Township had total bonded debt outstanding of \$36,882,271. 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds and notes	\$ 20,342	\$ 21,562	\$ -	\$ -	\$ 20,342	\$ 21,562
Revenue bonds	-	-	16,540	17,225	16,540	17,225
Capital leases	1,256	517	-	-	1,256	517
	<u>\$ 21,598</u>	<u>\$ 22,079</u>	<u>\$ 16,540</u>	<u>\$ 17,225</u>	<u>\$ 38,138</u>	<u>\$ 39,304</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 2016 budget, the continuation of several large commercial and residential development projects will mean a larger than normal year receipts for several revenue categories including, Charges for Services (Building Permits), Real Estate Transfer Tax, the Park and Recreation Fee and to a lesser extent, Earned Income Tax and Real Estate Tax. Of course new development also places additional burdens on Township resources (Police, Code Inspections, and Fire) and the Township's infrastructure (streets, parks, sewer and water lines, and the sewer treatment plant). It is an ongoing balancing act to provide services with limited resources. In 2016, the Township is planning on borrowing \$5 million to fund Capital Improvements including:

- Storm drainage rehabilitation
- Road resurfacing
- Culvert replacement
- Tennis court reconstruction
- Facility rehabilitation

**WARRINGTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**2016 Adopted Spending Plan**

For 2016, we have adopted a fiscally conservative and balanced budget. Expenditures are \$12.76 million as compared to the \$13.18 million spent in 2015. The table below shows the 2012-2015 General Fund budget summaries.

**Table 5**  
**General Fund Budget Summaries: 2012 - 2016 (In Millions)**

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Adopted
Expenditures	\$ 9.56	\$ 11.17	\$ 12.72	\$ 13.18	\$ 12.76
Revenues	<u>10.29</u>	<u>12.21</u>	<u>12.89</u>	<u>13.42</u>	<u>12.65</u>
Net change in fund balance	<u>\$ 0.72</u>	<u>\$ 1.05</u>	<u>\$ 0.17</u>	<u>\$ 0.24</u>	<u>\$ 0.11</u>
Ending fund balance	<u>\$ 1.77</u>	<u>\$ 2.22</u>	<u>\$ 2.40</u>	<u>\$ 2.63</u>	<u>\$ 2.52</u>
% fund balance to expenditures	<u>18.51%</u>	<u>25.16%</u>	<u>18.87%</u>	<u>19.95%</u>	<u>19.71%</u>

**New Ideas for Enhanced Services to the Residents**

During the budget building process, there were many good ideas submitted by Department Heads for new or enhanced services to the residents of Warrington:

- Providing a full-time Ambulance crew at Fire Station #78 (Pickertown Rd.) to provide coverage to that end of the Township now covered by Chalfont Ambulance.
- Adding an additional full-time Police officer to provide additional patrol.
- Adding an additional full-time Water/Sewer Operator to increase efficiency and provide additional preventative maintenance on the Wastewater Treatment plant.

While all of these services would benefit the residents, due to budget constraints, they were not recommended for the 2016 Budget.

**2016 Taxes/Fees**

The Adopted 2016 General Fund budget is a balanced budget with no tax increase for the General fund.



# WARRINGTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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## 2016 Cost Drivers and Budget Variations

The Adopted 2016 budget reflects a decrease in expenditures as compared to 2015. Below are some of the noteworthy cost drivers which impact 2016 revenues and expenditures:

### ***Twin Oaks Day Camp***

Earlier in 2015, the Board of Supervisors voted to close Twin Oaks Day Camp. A continuous declining enrollment and upkeep costs of the camp were the primary reasons. Expenditures will decrease by an estimated \$80,000, which represents the operational costs of running the camp. There will also be a loss of an estimated \$80,000 in revenue from camp registrations.

### ***Fringe Benefits***

Total fringe benefits will increase by roughly 3% for 2016. While the last few years have been in the 7 - 10% range for annual increases, there are two primary reasons why the increase is less for 2016: When two Codes Department employees retired in early 2015, the decision was made to outsource this work to a third party, therefore we have two less full-time employees. Additionally, Health care, the biggest component of overall fringe benefit costs will increase 3.89%, the lowest rate increase in many years. This is due to the lower than normal claims paid out by the trust that handles our health insurance (Delaware Valley Health Insurance Trust). The Township also implemented a new Health Plan at a lower cost in anticipation of the "Cadillac Tax" which will go into effect in 2018. All new employees (except Police Officers) will be enrolled in this new plan.

### ***Residential and Commercial Development***

Development is projected to continue at above "normal" years levels of activity, but not as strong as 2015. Therefore, the following revenues are budgeted at less than 2015 year-end projections:

	<u>2015 Actual</u>	<u>2016 Budget</u>	<u>Difference</u>
Real estate transfer tax	\$ 984,000	\$ 775,000	\$ 209,000
Public safety (building permits)	1,283,000	1,078,000	205,000
Park and rec assessment	<u>476,000</u>	<u>375,000</u>	<u>101,000</u>
	<u>\$ 2,743,000</u>	<u>\$ 2,228,000</u>	<u>\$ 515,000</u>

\*This fee is transferred to the Capital Improvement Fund, so there will be a decrease in revenue to the Capital Improvement Fund in 2016.

# WARRINGTON TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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The table below lists all major 2016 budget variances items that are  $\geq$  \$50,000 than the 2015 adopted budget:

### **2016 Budget Variances $\geq$ \$50,000**

<u>Revenues</u>	<u>Expenses</u>	<u>Explanation</u>	<u>Cumulative Variance</u>
\$ (157,200)	\$ -	SAFER Grant (Grant ends)	\$ (157,200)
(65,000)	-	Fireman's relief from state	(222,200)
(68,500)	-	Public safety (building permits)	(290,700)
(72,000)	-	Recreation program fees (camp closed)	(362,700)
(84,000)	-	Park and recreation assessment fee	(446,700)
(110,000)	-	Transfer from reserves (fund balance)	(556,700)
100,000	-	General Fund transfer (fire capital)	(446,700)
-	100,000	General Fund transfer (fire capital)	(546,700)
-	65,000	Fireman's relief from state	(481,700)
-	-	Recreation program expenses	-
-	60,900	(primarily-camp closure)	(420,800)
-	232,000	Transfer to other funds	(188,800)

### **GENERAL FUND FISCAL TREND ANALYSIS: 2016 - 2019**

#### **Long Range Forecast for Revenues**

As mentioned above, the General Fund balance is projected to be a healthy 19.71% by the end of 2016. While this represents a sufficient "rainy day" fund according to GFOA, we must look at trends over time and projected future activities in the Township to ascertain a true picture of where the township will stand, financially speaking, in the long run. We are in the middle of a building boom which is projected to curtail sometime in 2017, as the number of large tracts of land for development, are running out. While tax revenue such as Real Estate Taxes, and Earned Income Taxes should continue to rise over time as we have a larger tax base and more people working in the Township, there are also other revenue categories that will suffer once the building boom ends. Real Estate Transfer Tax in which we receive a percentage of each property sold within the Township will decrease as fewer properties are sold. Additionally, less development means less building permits, which means less permitting revenue received. There will also be a substantial decrease in the Park and Recreation fee revenue as development projects dwindle.

Another revenue category that could possibly decline is Cable Television Franchise Fees. While this revenue stream has steadily risen over the years, as more and more households opt for video steaming services such as Netflix, this would mean less money for Comcast and Verizon, which in turn would reduce the fees received from both companies.

As previously discussed, the SAFER Grant used to hire a paid career firefighting staff runs out in 2016. The paid firefighters cost (salaries/benefits/equipment/uniforms/supplies) approximately \$300,000 per year - beginning in 2017, this entire amount will need to come out of the General Fund.

# WARRINGTON TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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Other considerations include the maintenance and upkeep on the expanding parks, open space and trail system. As the Board has made it a priority to acquire and develop open space, there will be manpower and other costs associated with these improvements to the Township. Salaries and Benefits for Township employees are the largest expense any municipality incurs, Warrington is no exception. Health care costs, while only modestly increasing in 2016, traditionally rise at a near double digit pace. And of course, even a modest increase in salaries has a significant impact on the budget as salaries are the largest component of the General Fund.

Moody's and the other interested financial parties will be watching us very carefully as we attempt to balance future budgets with declining revenues and escalating expenses. While we are recommend drawing down \$110,000 from our reserves, we strongly encourage the Board to not consider this a permanent solution and we must have the fiscal discipline to preserve the fund balance.

The table below summarizes our fiscal trend projections through 2019 based on current tax policies and cost trends.

### 2015 - 2019 Fiscal Trend Analysis (In Millions)

	2015 Actual	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Expenditures	\$ 12.81	\$ 12.76	\$ 12.80	\$ 13.05	\$ 13.28
Revenues	<u>12.82</u>	<u>12.65</u>	<u>12.04</u>	<u>12.08</u>	<u>12.18</u>
Net change in fund balance	\$ <u>0.13</u>	\$ <u>0.11</u>	\$ <u>0.76</u>	\$ <u>0.97</u>	\$ <u>1.10</u>
Ending fund balance	\$ <u>2.33</u>	\$ <u>2.52</u>	\$ <u>1.76</u>	\$ <u>0.85</u>	\$ <u>(0.25)</u>
% fund balance to net expenditures	<u>18.20%</u>	<u>19.71%</u>	<u>13.75%</u>	<u>6.51%</u>	<u>-1.88%</u>

The Township property tax rate for 2016 is 12.84 mills. This is no increase from 2015's levy.

### 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](http://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, 2015**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,015,558	\$ 6,610,252	\$ 14,625,810
Investments	-	3,718,987	3,718,987
Receivables	2,146,231	1,520,684	3,666,915
Internal balances	658,898	(658,898)	-
Other assets	20,808	476	21,284
Notes receivable	-	197,474	197,474
Net pension asset	-	99,409	99,409
Capital assets			
Land	4,834,347	161,764	4,996,111
Construction in progress	867,291	2,726,681	3,593,972
Infrastructure	57,040,786	-	57,040,786
Buildings and improvements	8,756,874	-	8,756,874
Machinery, vehicles and equipment	5,985,135	-	5,985,135
Utility system	-	90,519,447	90,519,447
Accumulated depreciation	(34,729,633)	(44,247,561)	(78,977,194)
<b>TOTAL ASSETS</b>	<b>53,596,295</b>	<b>60,648,715</b>	<b>114,245,010</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,424,584	203,781	1,628,365
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	999,248	843,899	1,843,147
Due to Fiduciary Funds	10,750	-	10,750
Unearned revenues	97,776	-	97,776
Escrows payable	679,747	-	679,747
Long-term liabilities			
Portion due or payable within one year			
Bonds, notes and capital leases	1,541,181	715,000	2,256,181
Accrued interest	50,771	62,597	113,368
Portion due or payable after one year			
Bonds, notes and capital leases	20,057,013	16,510,000	36,567,013
Bond discounts	(77,712)	-	(77,712)
Bond premiums	824,136	2,057,211	2,881,347
Compensated absences	305,117	726	305,843
Net pension liability	2,744,267	-	2,744,267
Net OPEB obligation	1,507,028	-	1,507,028
<b>TOTAL LIABILITIES</b>	<b>28,739,322</b>	<b>20,189,433</b>	<b>48,928,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred gain on defeasance of debt	26,030	61,449	87,479
Deferred inflows related to pensions	61,556	61,555	123,111
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>87,586</b>	<b>123,004</b>	<b>210,590</b>
<b>NET POSITION</b>			
Net investment in capital assets	25,060,696	34,220,685	59,281,381
Restricted	5,414,968	-	5,414,968
Unrestricted	(4,281,693)	6,319,374	2,037,681
<b>TOTAL NET POSITION</b>	<b>\$ 26,193,971</b>	<b>\$ 40,540,059</b>	<b>\$ 66,734,030</b>

See accompanying notes to the basic financial statements.

**WARRINGTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 1,777,429	\$ 729,241	\$ 4,799	\$ -
Public safety	8,276,777	1,539,645	827,241	-
Public works	4,729,976	-	676,461	856,170
Sanitation	129,301	150,836	64,940	-
Culture and recreation	736,191	377,630	245,375	10,000
Interest on long-term debt	516,831	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>16,166,505</b>	<b>2,797,352</b>	<b>1,818,816</b>	<b>866,170</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water and sewer	8,606,179	7,250,526	-	505,216
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 24,772,684</b>	<b>\$ 10,047,878</b>	<b>\$ 1,818,816</b>	<b>\$ 1,371,386</b>

**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

Gain on disposal of assets

**TRANSFERS**

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR, restated**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (1,043,389)	\$ -	\$ (1,043,389)
(5,909,891)	-	(5,909,891)
(3,197,345)	-	(3,197,345)
86,475	-	86,475
(103,186)	-	(103,186)
<u>(516,831)</u>	<u>-</u>	<u>(516,831)</u>
<u>(10,684,167)</u>	<u>-</u>	<u>(10,684,167)</u>
<u>-</u>	<u>(850,437)</u>	<u>(850,437)</u>
<u>(10,684,167)</u>	<u>(850,437)</u>	<u>(11,534,604)</u>
4,295,624	-	4,295,624
4,195,712	-	4,195,712
444,128	-	444,128
983,697	-	983,697
11,215	-	11,215
484,177	57,783	541,960
777,342	-	777,342
21,928	-	21,928
104,500	(104,500)	-
<u>11,318,323</u>	<u>(46,717)</u>	<u>11,271,606</u>
634,156	(897,154)	(262,998)
<u>25,559,815</u>	<u>41,437,213</u>	<u>66,997,028</u>
<u>\$ 26,193,971</u>	<u>\$ 40,540,059</u>	<u>\$ 66,734,030</u>

# WARRINGTON TOWNSHIP

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>General Fund</u>	2012 Road Improvements Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,348,142	\$ -
Accounts receivable	468,908	-
Taxes receivable	1,053,422	-
Due from other funds	1,880,396	-
Prepaid expenses	20,808	-
	<u>5,771,676</u>	<u>-</u>
TOTAL ASSETS	\$ <u>5,771,676</u>	\$ <u>-</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 311,662	\$ -
Due to other funds	1,172,728	-
Due to Fiduciary Funds	10,750	-
Escrow payables	679,747	-
Unearned revenues	79,292	-
Accrued expenses	239,004	-
	<u>2,493,183</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,493,183</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues, property taxes	18,318	-
	<u>18,318</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable, prepaid expenses	20,808	-
Restricted		
Capital improvements	-	-
Emergency services	815,945	-
Open space and parkland improvements	-	-
Assigned, capital projects	-	-
Unassigned	2,423,422	-
	<u>3,260,175</u>	<u>-</u>
TOTAL FUND BALANCES	<u>3,260,175</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>5,771,676</u>	\$ <u>-</u>

See accompanying notes to the basic financial statements.

<u>Open Space Fund</u>	<u>2014 Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,003,391	\$ 1,673,153	\$ 329,181	\$ 661,691	\$ 8,015,558
-	-	-	-	468,908
-	-	2,060	-	1,055,482
209,008	-	34,530	996,369	3,120,303
-	-	-	-	20,808
<u>\$ 3,212,399</u>	<u>\$ 1,673,153</u>	<u>\$ 365,771</u>	<u>\$ 1,658,060</u>	<u>\$ 12,681,059</u>
\$ 6,600	\$ 437,699	\$ -	\$ 4,283	\$ 760,244
198,439	-	316,216	774,022	2,461,405
-	-	-	-	10,750
-	-	-	-	679,747
-	-	-	-	79,292
-	-	-	-	239,004
<u>205,039</u>	<u>437,699</u>	<u>316,216</u>	<u>778,305</u>	<u>4,230,442</u>
-	-	2,060	-	20,378
-	-	-	-	20,808
-	1,235,454	-	356,209	1,591,663
-	-	-	-	815,945
3,007,360	-	-	-	3,007,360
-	-	-	525,826	525,826
-	-	47,495	(2,280)	2,468,637
<u>3,007,360</u>	<u>1,235,454</u>	<u>47,495</u>	<u>879,755</u>	<u>8,430,239</u>
<u>\$ 3,212,399</u>	<u>\$ 1,673,153</u>	<u>\$ 365,771</u>	<u>\$ 1,658,060</u>	<u>\$ 12,681,059</u>



# WARRINGTON TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 8,430,239
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	4,834,347
Construction in progress	867,291
Infrastructure	57,040,786
Buildings and improvements	8,756,874
Machinery, vehicles and equipment	5,985,135
Accumulated depreciation	(34,729,633)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Bond discounts	77,712
Deferred gain on defeasance of debt	(26,030)
<p>Deferred inflows and outflows related to pension activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	1,363,028
<p>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.</p>	
	621,841
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(50,771)
Bonds, notes and capital leases	(21,598,194)
Bond premiums	(824,136)
Compensated absences	(305,117)
Net pension liability	(2,744,267)
Net OPEB obligation	(1,507,028)
<p>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.</p>	
	<u>1,894</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 26,193,971</u>

*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, 2015**

	<u>General Fund</u>	<u>2012 Road Improvements Fund</u>
<b>REVENUES</b>		
Taxes		
Property	\$ 2,774,293	\$ -
Transfer	983,697	-
Earned income	4,345,930	-
Other	444,128	-
Fees and fines	186,632	-
Licenses and permits	590,141	-
Intergovernmental	938,944	-
Charges for services	1,934,629	-
Investment income and rent	468,586	117
Miscellaneous	777,342	-
	<u>13,444,322</u>	<u>117</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES</b>		
Current		
General government	1,635,973	-
Public safety	8,437,479	-
Public works	1,920,490	-
Sanitation	129,301	-
Culture and recreation	346,482	-
Debt service		
Principal	48,440	-
Interest and other charges	9,034	-
	<u>12,527,199</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		
	<u>917,123</u>	<u>117</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from long-term debt, net	500,000	-
Proceeds from capital leases	-	-
Proceeds from sale of capital assets	38,510	-
Transfers in	104,500	-
Transfers out	(1,447,505)	-
	<u>(804,495)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		
<b>NET CHANGE IN FUND BALANCES</b>		
	112,628	117
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>		
	<u>3,147,547</u>	<u>(117)</u>
<b>FUND BALANCES AT END OF YEAR</b>		
	<u>\$ 3,260,175</u>	<u>\$ -</u>

*See accompanying notes to the basic financial statements.*

<u>Open Space Fund</u>	<u>2014 Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,561,138	\$ -	\$ 4,335,431
-	-	-	-	983,697
-	-	-	-	4,345,930
-	-	-	-	444,128
-	-	-	-	186,632
-	-	-	-	590,141
47,000	-	-	656,152	1,642,096
-	-	-	-	1,934,629
7,386	6,174	450	1,464	484,177
<u>245,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022,717</u>
<u>299,761</u>	<u>6,174</u>	<u>1,561,588</u>	<u>657,616</u>	<u>15,969,578</u>
-	-	-	22,483	1,658,456
-	-	-	108,107	8,545,586
174,650	2,237,032	-	1,185,576	5,517,748
-	-	-	-	129,301
23,790	-	-	144,690	514,962
-	-	1,035,702	316,762	1,400,904
-	-	601,217	75,987	686,238
<u>198,440</u>	<u>2,237,032</u>	<u>1,636,919</u>	<u>1,853,605</u>	<u>18,453,195</u>
<u>101,321</u>	<u>(2,230,858)</u>	<u>(75,331)</u>	<u>(1,195,989)</u>	<u>(2,483,617)</u>
-	-	-	-	500,000
-	-	-	420,376	420,376
-	-	-	21,928	60,438
48,000	-	475,000	972,505	1,600,005
-	-	-	(48,000)	(1,495,505)
<u>48,000</u>	<u>-</u>	<u>475,000</u>	<u>1,366,809</u>	<u>1,085,314</u>
149,321	(2,230,858)	399,669	170,820	(1,398,303)
<u>2,858,039</u>	<u>3,466,312</u>	<u>(352,174)</u>	<u>708,935</u>	<u>9,828,542</u>
<u>\$ 3,007,360</u>	<u>\$ 1,235,454</u>	<u>\$ 47,495</u>	<u>\$ 879,755</u>	<u>\$ 8,430,239</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, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,398,303)
<p>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 capital outlays (\$4,255,251) exceeds depreciation (\$2,436,148) in the current period.</p>	1,819,103
<p>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.</p>	70,176
<p>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.</p>	(39,807)
<p>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.</p>	(150,218)
<p>Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	1,401,036
<p>Capital leases are revenues in the Governmental Funds, but these amounts increase the long-term liabilities in the statement of net position.</p>	(920,376)
<p>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:</p>	
Accrued interest not reflected in Governmental Funds	9,099
Pension plan expense	94,762
<p>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).</p>	(31,831)
<p>Net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	<u>(219,485)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 634,156</u>

*See accompanying notes to the basic financial statements.*

**WARRINGTON TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2015**

	Enterprise Fund
	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 6,610,252
Investments	3,718,987
Accounts receivable	1,509,212
Other receivables	11,472
Notes receivable	27,360
Prepaid expenses	476
Net pension asset	99,409
	<u>11,977,168</u>
<b>NONCURRENT ASSETS</b>	
Notes receivable	170,114
Capital assets	
Land	161,764
Utility system	46,271,886
Construction in progress	2,726,681
	<u>49,330,445</u>
<b>TOTAL ASSETS</b>	
	<u>61,307,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	203,781
	<u>203,781</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	833,828
Salaries payable	10,071
Accrued interest payable	62,597
Due to other funds	658,898
	<u>2,280,394</u>
<b>NONCURRENT LIABILITIES</b>	
Compensated absences	726
Bonds payable	16,510,000
Bond premiums	2,057,211
	<u>18,567,937</u>
<b>TOTAL LIABILITIES</b>	
	<u>20,848,331</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on defeasance of debt	61,449
Deferred inflows related to pensions	61,555
	<u>123,004</u>
<b>NET POSITION</b>	
Net investment in capital assets	34,220,685
Unrestricted	6,319,374
	<u>40,540,059</u>
<b>TOTAL NET POSITION</b>	
	<u>\$ 40,540,059</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, 2015

	Enterprise Fund
	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 5,581,422
Other revenues	<u>490,891</u>
TOTAL OPERATING REVENUES	<u>6,072,313</u>
OPERATING EXPENSES	
Water and sewer operations	3,223,801
General and administrative	1,333,012
Depreciation	<u>2,725,019</u>
TOTAL OPERATING EXPENSES	<u>7,281,832</u>
OPERATING LOSS	<u>(1,209,519)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	57,783
Connection fees	99,399
Tapping fees	1,161,645
Interest expense	<u>(1,324,347)</u>
TOTAL NONOPERATING EXPENSES	<u>(5,520)</u>
LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(1,215,039)
TRANSFERS OUT	(104,500)
CAPITAL CONTRIBUTIONS	<u>422,385</u>
CHANGE IN NET POSITION	(897,154)
NET POSITION AT BEGINNING OF YEAR, restated	<u>41,437,213</u>
NET POSITION AT END OF YEAR	<u>\$ 40,540,059</u>

See accompanying notes to the basic financial statements.

**WARRINGTON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 7,222,465
Payments to employees	(1,131,920)
Payments to suppliers	<u>(3,407,011)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,683,534</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(104,500)
Due to other funds	<u>463,643</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>359,143</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvements of capital assets	(3,174,534)
Interest paid on bonds	<u>(1,446,624)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(4,621,158)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments received on notes receivable	11,297
Sale of investments	6,263,864
Earnings on investments	<u>57,783</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>6,332,944</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,754,463
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,855,789</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 6,610,252</u>

**WARRINGTON TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2015**

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	Enterprise Fund <u>Water and Sewer Fund</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,209,519)
Connection fees, tapping fees and other miscellaneous activity	1,261,044
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	2,725,019
Pension expense	7,537
Increase in	
Accounts receivable	(110,761)
Other receivables	(131)
Increase (decrease) in	
Accounts payable	42,894
Accrued salaries and benefits	<u>(32,549)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>2,683,534</u></b>

*See accompanying notes to the basic financial statements.*



**WARRINGTON TOWNSHIP**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015

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	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 203,044
Investments	17,060,162
Due from other funds	11,595
Receivable from pension administrator	<u>13,010</u>
TOTAL ASSETS	<u>\$ 17,287,811</u>
<b>LIABILITIES</b>	
Due to other funds	\$ <u>10,750</u>
<b>NET POSITION</b>	
Held in trust for benefits and other purposes	<u>17,277,061</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,287,811</u>

*See accompanying notes to the basic financial statements.*

# WARRINGTON TOWNSHIP

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

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	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 527,063
Plan members	181,315
State	384,242
TOTAL CONTRIBUTIONS	<u>1,092,620</u>
Investment earnings	
Net decrease in fair value of investments	(511,428)
Dividends	419,805
Investment activity expense	(55,294)
INVESTMENT EARNINGS, net	<u>(146,917)</u>
TOTAL ADDITIONS	<u>945,703</u>
DEDUCTIONS	
Benefits	774,170
Administrative	17,070
TOTAL DEDUCTIONS	<u>791,240</u>
CHANGE IN NET POSITION	154,463
NET POSITION AT BEGINNING OF YEAR	<u>17,122,598</u>
NET POSITION AT END OF YEAR	<u>\$ 17,277,061</u>

*See accompanying notes to the basic financial statements.*

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**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, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 *Open Space 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 *2014 Capital Projects Fund* accounts for capital 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.

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 2015.
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.

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

**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.

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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."

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, 2015, 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, 2015, 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, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 are deferred and amortized over the life of the bonds. Bond premiums or discounts 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 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.

**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, 2015, there were no material amounts of leave accumulated for governmental activities.



**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2015, 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, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of differences between expected and actual experience of the pension plan. The deferred gain on defeasance of debt is reported in the government-wide statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**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, 2015, \$953,044 of the Township's bank balance of \$15,114,584 was insured by the FDIC; the remaining \$14,161,540 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, 2015, 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>3,718,987</u>	\$ <u>3,718,987</u>
PENSION ACTIVITIES		
Mutual funds	\$ <u>17,060,162</u>	\$ <u>17,060,162</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 37% and 63%, respectively, of the Township's total investments.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE C - CAPITAL ASSETS**

Changes in capital asset activity for the year ended December 31, 2015, were as follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 4,792,917	\$ 41,430	\$ -	\$ 4,834,347
Construction in progress	2,935,129	2,020,881	(4,088,719)	867,291
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>7,728,046</u>	<u>2,062,311</u>	<u>(4,088,719)</u>	<u>5,701,638</u>
Capital assets being depreciated				
Infrastructure	56,073,873	966,913	-	57,040,786
Buildings and improvements	4,668,155	4,088,719	-	8,756,874
Machinery, vehicles and equipment	4,924,467	1,226,027	(165,359)	5,985,135
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>65,666,495</u>	<u>6,281,659</u>	<u>(165,359)</u>	<u>71,782,795</u>
Accumulated depreciation				
Infrastructure	(27,701,150)	(1,827,603)	-	(29,528,753)
Buildings and improvements	(1,210,449)	(208,217)	-	(1,418,666)
Machinery, vehicles and equipment	(3,547,245)	(400,328)	165,359	(3,782,214)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(32,458,844)</u>	<u>(2,436,148)</u>	<u>165,359</u>	<u>(34,729,633)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>33,207,651</u>	<u>3,845,511</u>	<u>-</u>	<u>37,053,162</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 40,935,697</u>	<u>\$ 5,907,822</u>	<u>\$ (4,088,719)</u>	<u>\$ 42,754,800</u>

Depreciation expense was charged to governmental functions as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Administrative	\$ 119,128
Police and emergency services	251,221
Public works, including depreciation of general infrastructure, except park systems	1,791,215
Parks and recreation, including depreciation relating to park systems	<u>274,584</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,436,148</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE C - CAPITAL ASSETS (Continued)**

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 161,764	\$ -	\$ -	\$ 161,764
Construction in progress	1,294,679	2,507,006	(1,075,004)	2,726,681
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>1,456,443</b>	<b>2,507,006</b>	<b>(1,075,004)</b>	<b>2,888,445</b>
Capital assets being depreciated				
Collection, distribution, reserve, treatment systems	80,605,932	2,127,054	-	82,732,986
Buildings and improvements	5,839,038	-	-	5,839,038
Equipment and vehicles	1,910,036	37,387	-	1,947,423
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>88,355,006</b>	<b>2,164,441</b>	<b>-</b>	<b>90,519,447</b>
Accumulated depreciation				
Collection, distribution, reserve, treatment systems	(37,308,721)	(2,477,597)	-	(39,786,318)
Buildings and improvements	(2,536,275)	(191,475)	-	(2,727,750)
Equipment and vehicles	(1,677,546)	(55,947)	-	(1,733,493)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(41,522,542)</b>	<b>(2,725,019)</b>	<b>-</b>	<b>(44,247,561)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>46,832,464</b>	<b>(560,578)</b>	<b>-</b>	<b>46,271,886</b>
 <b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	 <b>\$ 48,288,907</b>	 <b>\$ 1,946,428</b>	 <b>\$ (1,075,004)</b>	 <b>\$ 49,160,331</b>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**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>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 1,880,396	\$ 1,172,728
Open Space Fund	209,008	198,439
Debt Service Fund	34,530	316,216
Other Governmental Funds	996,369	774,022
<b>PROPRIETARY FUND</b>		
Water and Sewer Fund	<u>-</u>	<u>658,898</u>
	<u>\$ 3,120,303</u>	<u>\$ 3,120,303</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	\$ 1,447,505	\$ 104,500
Debt Service Fund	-	475,000
Open Space Fund	-	48,000
Other Governmental Funds	48,000	972,505
Water and Sewer Fund	<u>104,500</u>	<u>-</u>
	<u>\$ 1,600,005</u>	<u>\$ 1,600,005</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**  
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**NOTE E - LONG-TERM DEBT**

**Summary of Activity**

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds and Notes					
Series of 1997	\$ 291,778	\$ -	\$ (84,507)	\$ 207,271	\$ 90,266
Series of 2012 A	5,120,000	-	(515,000)	4,605,000	540,000
Series of 2012 B	2,580,000	-	(185,000)	2,395,000	190,000
Series of 2013	9,080,000	-	(345,000)	8,735,000	345,000
Series of 2014	<u>4,490,000</u>	<u>-</u>	<u>(90,000)</u>	<u>4,400,000</u>	<u>90,000</u>
TOTAL GENERAL OBLIGATION BONDS AND NOTES	21,561,778	-	(1,219,507)	20,342,271	1,255,266
Bond premiums	905,274	-	(81,138)	824,136	-
Deferred issuance discount	(85,769)	-	8,057	(77,712)	-
Deferred gain on defeasance	23,125	-	2,905	26,030	-
Capital leases	517,076	920,377	(181,530)	1,255,923	285,915
Compensated absences	273,286	31,831	-	305,117	-
Net pension liability	1,476,001	1,268,266	-	2,744,267	-
Net OPEB obligation	<u>1,287,543</u>	<u>219,485</u>	<u>-</u>	<u>1,507,028</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 25,958,314</u>	<u>\$ 2,439,959</u>	<u>\$ (1,471,213)</u>	<u>\$ 26,927,060</u>	<u>\$ 1,541,181</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds,					
Series of 2014	\$ 17,225,000	\$ -	\$ (685,000)	\$ 16,540,000	\$ 715,000
Deferred issuance premium	2,171,500	-	(114,290)	2,057,210	-
Deferred gain on defeasance	68,277	-	(6,828)	61,449	-
Compensated absences	<u>13,082</u>	<u>-</u>	<u>(12,356)</u>	<u>726</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 19,477,859</u>	<u>\$ -</u>	<u>\$ (818,474)</u>	<u>\$ 18,659,385</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, 2015**

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**NOTE E - LONG-TERM DEBT (Continued)**

**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 \$57,050,000.

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.

**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
2016	\$ 1,255,266	\$ 627,313	\$ 715,000	\$ 739,044
2017	1,322,005	584,963	730,000	717,594
2018	1,245,000	536,122	760,000	688,394
2019	1,285,000	500,362	790,000	657,994
2020	1,315,000	463,539	820,000	626,394
2021	1,360,000	417,602	855,000	585,394
2022	1,390,000	387,104	900,000	542,644
2023	1,470,000	354,259	945,000	497,644
2024	1,505,000	319,837	990,000	450,394
2025	1,545,000	283,488	740,000	400,894
2026	1,580,000	244,383	780,000	363,894
2027	590,000	202,812	815,000	324,894
2028	620,000	177,350	860,000	284,144
2029	680,000	159,000	885,000	258,344
2030	695,000	137,444	910,000	230,688
2031	710,000	115,412	940,000	202,250
2032	740,000	84,288	985,000	155,250
2033	505,000	51,750	1,035,000	106,000
2034	530,000	26,500	1,085,000	54,250
	<u>\$ 20,342,271</u>	<u>\$ 5,673,528</u>	<u>\$ 16,540,000</u>	<u>\$ 7,886,104</u>



**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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, 2015.

<u>Year Ending</u> <u>December 31,</u>		
2016		\$ 325,012
2017		223,054
2018		200,625
2019		200,625
2020		164,242
2021-2023		<u>244,706</u>
	TOTAL MINIMUM LEASE PAYMENTS	1,358,264
	Amount representing interest	<u>(102,341)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 1,255,923</u>

The gross value of this equipment on the statement of net position is \$2,614,881 with accumulated depreciation of \$1,199,377.

**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Police Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**Plan Description**

**Plan Administration** - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Management of the plan is vested in the Pension Advisory Board, which consists of up to eight members--three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan.

**Plan Membership** - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>27</u>
	<u><u>42</u></u>

**Benefits Provided** - The 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.

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 benefit provisions of the Township's plan are established by Township ordinances.

**Contributions** - 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.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 5% of the participant's pay.

In 2015, the MMO obligation for the plan was \$762,752 for the year 2015. Contributions of \$762,752 were made by the Township.

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. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	1%
	<u>100%</u>

**Concentrations** - More than 5% of the Township's investments are in exchange traded funds and mutual fund assets. These investments are 31% and 69%, respectively, of the plan's total investments.

**Rate of Return** - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 0.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 15,199,066
Plan fiduciary net position	<u>(12,355,388)</u>
NET PENSION LIABILITY	<u>\$ 2,843,678</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>81.29%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.35%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	<u>1%</u>
	<u>100%</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	Governmental Activities:		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 13,807,329	\$ 12,082,153	\$ 1,725,176
Changes for the year:			
Service cost	395,778	-	395,778
Interest cost	1,057,529	-	1,057,529
Changes for experience	231,913	-	231,913
Changes of assumptions	249,376	-	249,376
Contributions			
Employer	-	762,752	(762,752)
Member	-	154,983	(154,983)
Net investment income	-	(89,851)	89,851
Benefit payments	(542,859)	(542,859)	-
Administrative expenses	-	(11,790)	11,790
Net Changes	<u>1,391,737</u>	<u>273,235</u>	<u>1,118,502</u>
Balance at 12/31/2015	<u>\$ 15,199,066</u>	<u>\$ 12,355,388</u>	<u>\$ 2,843,678</u>

**Changes in Assumptions**

In the 2015 actuarial valuation, the assumed investment rate of return and the assumed discount rate were both adjusted to 7.35%. In prior years, the assumption was that both of those rates were 7.50%.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.35%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.35%) or one percentage point higher (8.35%) than the current rate:

	1% Decrease <u>(6.35%)</u>	Current Discount Rate (7.35%)	1% Increase <u>(8.35%)</u>
Net pension liability	\$ <u>4,773,419</u>	\$ <u>2,843,678</u>	\$ <u>1,229,870</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2015, the Township recognized pension expense of \$102,297. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 206,145	\$ -
Change of Assumptions	221,668	-
Net difference between projected and actual earnings on pension plan investments	<u>792,986</u>	<u>-</u>
	<u>\$ 1,220,799</u>	<u>\$ -</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	<u>Governmenta Activities</u>
2016	\$ 251,723
2017	251,723
2018	251,723
2019	251,723
2020	53,476
Thereafter	160,431

**Deferred Retirement Option Program**

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2015, one member has elected to participate in the DROP. The total DROP account balance is approximately \$129,394.

**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**

**Summary of Significant Accounting Policies**

***Method Used to Value Investments*** - Non-Uniform Employees' Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Plan Description**

**Plan Administration** - The Township administers the Non-Uniform Employees' Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniform employees. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the Non-Uniform Employees' Pension Plan is vested in the Pension Advisory Board, which consists of up to eight members--three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the Non-Uniform Employees' Pension Plan.

**Plan Membership** - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>31</u>
	<u><u>61</u></u>

**Benefits Provided** - The 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.

The benefit provisions of the plan are established by Township ordinances.



**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Contributions** - 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.

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.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 1% of the participant's pay.

In 2015, the MMO obligation for the plan was \$148,553 for the year 2015. Contributions of \$148,553 were made by the Township.

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. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	45%
International equity	26%
Fixed income	28%
Cash	1%
	<u>100%</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Concentrations** - More than 5% of the Township's investments are in exchange traded funds and mutual funds. These investments are 32% and 68%, respectively, of the plan's total investments.

**Rate of Return** - For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 4,722,853
Plan fiduciary net position	<u>(4,921,673)</u>
NET PENSION LIABILITY	<u>\$ (198,820)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>104.21%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

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

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.5%
International equity	6.5%
Fixed income	3.0%
Real estate	6.5%
Cash	1.0%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	<u>Governmental Activities:</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	Pension Liability/(Asset) (a)	Fiduciary Net Position (b)	Pension Liability/(Asset) (a)-(b)
Balance at 12/31/2014	\$ 2,271,064	\$ 2,520,239	\$ (249,175)
Changes for the year:			
Service cost	72,140	-	72,140
Interest cost	165,641	-	165,641
Changes for experience	(69,250)	-	(69,250)
Changes of assumptions	37,503	-	37,503
Contributions			
Employer	-	74,277	(74,277)
Member	-	13,166	(13,166)
Net investment income	-	(28,533)	28,533
Benefit payments	(115,656)	(115,656)	-
Administrative expenses	-	(2,640)	2,640
Net Changes	<u>90,378</u>	<u>(59,386)</u>	<u>149,764</u>
Balance at 12/31/2015	<u>\$ 2,361,442</u>	<u>\$ 2,460,853</u>	<u>\$ (99,411)</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

	Business-Type Activities:		
	Total	Plan	Net
	Pension Liability/(Asset) (a)	Fiduciary Net Position (b)	Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2014	\$ 2,271,034	\$ 2,520,206	\$ (249,172)
Changes for the year:			
Service cost	72,140	-	72,140
Interest cost	165,640	-	165,640
Changes for experience	(69,250)	-	(69,250)
Changes of assumptions	37,502	-	37,502
Contributions			
Employer	-	74,276	(74,276)
Member	-	13,166	(13,166)
Net investment income	-	(28,533)	28,533
Benefit payments	(115,655)	(115,655)	-
Administrative expenses	-	(2,640)	2,640
	<u>90,377</u>	<u>(59,386)</u>	<u>149,763</u>
Balance at 12/31/2015	<u>\$ 2,361,411</u>	<u>\$ 2,460,820</u>	<u>\$ (99,409)</u>

***Changes in Assumptions***

In the 2015 actuarial valuation, the assumed investment rate of return and the assumed discount rate were both adjusted to 7.35%. In prior years, the assumption was that both of those rates were 7.50%.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.35%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.35%) or one percentage point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net pension liability (asset)	\$ <u>274,228</u>	\$ <u>(198,820)</u>	\$ <u>(738,467)</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)**  
**(Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2015, the Township recognized pension expense of \$7,959. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 61,556	\$ -	\$ 61,555
Change of Assumptions	33,336	-	33,335	-
Net difference between projected and actual earnings on pension plan investments	<u>170,449</u>	<u>-</u>	<u>170,447</u>	<u>-</u>
	<u>\$ 203,785</u>	<u>\$ 61,556</u>	<u>\$ 203,782</u>	<u>\$ 61,555</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ 39,085	\$ 39,084
2017	39,085	39,084
2018	39,085	39,084
2019	39,085	39,084
2020	(3,528)	(3,527)
Thereafter	(10,583)	(10,582)

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE I - DEFINED CONTRIBUTION PLAN**

The Township has established a defined contribution pension plan to provide pension benefits for its regular, full-time, non-uniformed employees. Under the plan, an individual received his own account within the Fund to which all contributions are made. The employee determines how his account is invested.

Under the plan, the Township contributes 2% to 7%, dependent on the employee's chosen contribution percentage, to range from 0% to 5%.

This plan was established effective May 13, 2014. Any full-time, permanent, non-uniformed employee of the Township hired before May 31, 2014, may opt to transfer into the defined contribution plan. Each full-time, permanent, non-uniformed employee hired on or after May 13, 2014, shall become eligible upon six months of service. For the year ended December 31, 2015, no contributions were made to this plan.

**NOTE J - 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, 2015**

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**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

- 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	\$ 317,823
Interest on net OPEB obligation	57,939
Adjustments to annual required contribution	<u>(79,044)</u>
ANNUAL OPEB COST	296,718
Contributions made	<u>(77,233)</u>
INCREASE IN NET OPEB OBLIGATION	219,485
Net OPEB obligation at beginning of year	<u>1,287,543</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 1,507,028</u>

**WARRINGTON TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**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>
2013	\$ 264,287	30%	\$ 1,059,959
2014	300,449	24%	1,287,543
2015	296,718	26%	1,507,028

**Funded Status and Funding Progress**

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the plan is as follows:

	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(c) Funded Ratio (a)/(b)	(d) Unfunded Actuarial Accrued Liability (b)-(a)	(e) Accrued Projected Annual Covered Payroll	(f) Liability as a Percentage of Payroll (d)/(e)
Police	\$ -	\$ 2,678,885	0%	\$ 2,678,885	\$ 2,794,482	96%

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, 2015

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**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

In the January 1, 2014 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 6.5% in 2014 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 K - 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 L - 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 M - 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.

**NOTE N - PRIOR PERIOD ADJUSTMENT**

The Township implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated the beginning of year net pension liability of \$1,476,001 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$27,141,912 to \$25,559,815.

**WARRINGTON TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE N - PRIOR PERIOD ADJUSTMENT (Continued)**

For the government-wide business-type activities, the Township has treated the beginning of year net pension asset of \$249,172 as having been recognized in the period incurred. The Township has adjusted beginning net position for the business activities from \$41,188,041 to \$41,437,213.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WARRINGTON TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 2,790,000	\$ 2,790,000	\$ 2,774,293	\$ (15,707)
Transfer	750,000	750,000	983,697	233,697
Earned income	4,275,000	4,275,000	4,345,930	70,930
Other	410,000	410,000	444,128	34,128
Fees and fines	170,000	170,000	186,632	16,632
Licenses and permits	536,500	536,500	590,141	53,641
Intergovernmental	920,800	920,800	938,944	18,144
Charges for services	1,782,500	1,782,500	1,934,629	152,129
Investment income and rent	385,000	385,000	468,586	83,586
Miscellaneous	695,600	695,600	777,342	81,742
<b>TOTAL REVENUES</b>	<b>12,715,400</b>	<b>12,715,400</b>	<b>13,444,322</b>	<b>728,922</b>
<b>EXPENDITURES</b>				
Current				
General government	1,689,808	1,689,808	1,635,973	53,835
Public safety	7,699,193	7,699,193	8,437,479	(738,286)
Public works	2,295,043	2,295,043	1,920,490	374,553
Sanitation	148,536	148,536	129,301	19,235
Culture and recreation	332,445	332,445	346,482	(14,037)
Debt service				
Principal	-	-	48,440	(48,440)
Interest and other charges	-	-	9,034	(9,034)
<b>TOTAL EXPENDITURES</b>	<b>12,165,025</b>	<b>12,165,025</b>	<b>12,527,199</b>	<b>(362,174)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>550,375</b>	<b>550,375</b>	<b>917,123</b>	<b>366,748</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	104,500	(4,500)
Transfers out	(645,000)	(645,000)	(1,447,505)	802,505
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(545,000)</b>	<b>(545,000)</b>	<b>(1,304,495)</b>	<b>759,495</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,375</b>	<b>5,375</b>	<b>(387,372)</b>	<b>(392,747)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>3,147,547</b>	<b>3,147,547</b>	<b>3,147,547</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 3,152,922</b>	<b>\$ 3,152,922</b>	<b>\$ 2,760,175</b>	<b>\$ (392,747)</b>

**WARRINGTON TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 395,778	\$ 366,456
Interest	1,057,529	980,495
Changes for experience	231,913	-
Changes of assumptions	249,376	-
Benefit payments	<u>(542,859)</u>	<u>(507,570)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,391,737	839,381
Total pension liability, beginning	<u>13,807,329</u>	<u>12,967,948</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 15,199,066</u>	<u>\$ 13,807,329</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 762,752	\$ 675,622
Member	154,983	114,668
Net investment income	(89,851)	790,792
Benefit payments, including refunds of member contributions	(542,859)	(507,570)
Administrative expense	<u>(11,790)</u>	<u>(6,660)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	273,235	1,066,852
Plan fiduciary net position, beginning	<u>12,082,153</u>	<u>11,015,301</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 12,355,388</u>	<u>\$ 12,082,153</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 2,843,678</u>	<u>\$ 1,725,176</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>81.29%</u>	<u>87.51%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,808,968</u>	<u>\$ 2,630,522</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>101.24%</u>	<u>65.58%</u>

**Notes to Schedule:**

*Changes of assumptions.* In 2015 amounts reported as changes of assumptions resulted from adjustment to the assumed investment rate of return, decreasing the rate from 7.50% to 7.35%.

**WARRINGTON TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 762,752	\$ 675,622
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>762,752</u>	<u>675,622</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,808,968</u>	<u>\$ 2,630,522</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>27.15%</u>	<u>25.68%</u>

**NOTES TO SCHEDULE**

Valuation date January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	8 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.5%
Investment rate of return	7.5%
Retirement age	Latest of age 51, age at the completion of 25 years of service
Mortality	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table

**WARRINGTON TOWNSHIP**  
SCHEDULE OF POLICE PENSION PLAN  
INVESTMENT RETURNS  
LAST TWO FISCAL YEARS

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	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.06%</u>	<u>7.70%</u>

# WARRINGTON TOWNSHIP

## SCHEDULE OF CHANGES IN THE NET NON-UNIFORM EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 144,280	\$ 137,707
Interest	331,281	323,696
Changes of experience	(138,500)	-
Changes of assumptions	75,005	-
Benefit payments	<u>(231,311)</u>	<u>(195,080)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	180,755	266,323
Total pension liability, beginning	<u>4,542,098</u>	<u>4,275,775</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,722,853</u>	<u>\$ 4,542,098</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 148,553	\$ 133,220
Member	26,332	35,970
Net investment income	(57,066)	339,170
Benefit payments, including refunds of member contributions	(231,311)	(195,080)
Administrative expense	<u>(5,280)</u>	<u>(6,130)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(118,772)	307,150
Plan fiduciary net position, beginning	<u>5,040,445</u>	<u>4,733,295</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 4,921,673</u>	<u>\$ 5,040,445</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (198,820)</u>	<u>\$ (498,347)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>104.21%</u>	<u>110.97%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,832,804</u>	<u>\$ 1,847,086</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>-10.85%</u>	<u>-26.98%</u>

### Notes to Schedule:

*Changes of assumptions.* In 2015 amounts reported as changes of assumptions resulted from adjustment to the assumed investment rate of return, decreasing the rate from 7.50% to 7.35%.



**WARRINGTON TOWNSHIP**  
**SCHEDULE OF NON-UNIFORM EMPLOYEES'**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 148,553	\$ 132,470
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>148,553</u>	<u>132,470</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,832,804</u>	<u>\$ 1,847,086</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>8.11%</u>	<u>7.17%</u>

**NOTES TO THE SCHEDULE**

Valuation date January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.5%
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	Assumed life expectancies are based on the RP-2000 Healthy Annuitant Mortality Table

**WARRINGTON TOWNSHIP**

SCHEDULE OF NON-UNIFORM EMPLOYEES'

PENSION PLAN INVESTMENT RETURNS

LAST TWO FISCAL YEARS

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	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.10%</u>	<u>7.70%</u>

**WARRINGTON TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED DECEMBER 31, 2015**

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**SCHEDULE OF FUNDING PROGRESS**

**Police Plan**

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)
2008	\$ -	\$ 2,524,011	\$ 2,524,011	0%	\$ 2,249,885	112%
2011	-	2,321,248	2,321,248	0%	2,585,436	90%
2014	-	2,678,885	2,678,885	0%	2,794,482	96%

## **SUPPLEMENTARY INFORMATION SECTION**

**WARRINGTON TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	Special Revenue Fund <u>Highway Aid Fund</u>	<u>Capital Project Funds</u>		Total Other Governmental Funds
		Capital Fund	Capital Reserve Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 68,387	\$ 326,694	\$ 266,610	\$ 661,691
Due from other funds	-	903,705	92,664	996,369
	<u>68,387</u>	<u>1,230,399</u>	<u>359,274</u>	<u>1,658,060</u>
<b>TOTAL ASSETS</b>	<b>\$ 68,387</b>	<b>\$ 1,230,399</b>	<b>\$ 359,274</b>	<b>\$ 1,658,060</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,508	\$ -	\$ 2,775	\$ 4,283
Due to other funds	69,159	704,573	290	774,022
	<u>70,667</u>	<u>704,573</u>	<u>3,065</u>	<u>778,305</u>
<b>TOTAL LIABILITIES</b>	<b>70,667</b>	<b>704,573</b>	<b>3,065</b>	<b>778,305</b>
<b>FUND BALANCES</b>				
Restricted				
Capital improvements	-	-	356,209	356,209
Highway and street improvements	-	-	-	-
Assigned, capital projects	-	525,826	-	525,826
Unassigned	(2,280)	-	-	(2,280)
	<u>(2,280)</u>	<u>525,826</u>	<u>356,209</u>	<u>879,755</u>
<b>TOTAL FUND BALANCES</b>	<b>(2,280)</b>	<b>525,826</b>	<b>356,209</b>	<b>879,755</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 68,387</b>	<b>\$ 1,230,399</b>	<b>\$ 359,274</b>	<b>\$ 1,658,060</b>

**WARRINGTON TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Fund <u>Highway Aid Fund</u>	<u>Capital Project Funds</u>		Total Other Governmenta Funds
		<u>Capital Fund</u>	<u>Capital Reserve Fund</u>	
<b>REVENUES</b>				
Intergovernmental	\$ 561,972	\$ 94,180	\$ -	\$ 656,152
Investment income and rent	103	749	612	1,464
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>562,075</u>	<u>94,929</u>	<u>612</u>	<u>657,616</u>
<b>EXPENDITURES</b>				
Current				
General government	-	22,483	-	22,483
Public safety	-	-	108,107	108,107
Highways and roads	415,270	227,060	543,246	1,185,576
Culture and recreation	-	144,690	-	144,690
Debt service				
Principal	185,000	-	131,762	316,762
Interest and other charges	65,209	-	10,778	75,987
TOTAL EXPENDITURES	<u>665,479</u>	<u>394,233</u>	<u>793,893</u>	<u>1,853,605</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(103,404)</u>	<u>(299,304)</u>	<u>(793,281)</u>	<u>(1,195,989)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	420,376	420,376
Proceeds from sale of capital assets	-	-	21,928	21,928
Transfers in	53,505	580,000	339,000	972,505
Transfers out	-	(48,000)	-	(48,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,505</u>	<u>532,000</u>	<u>781,304</u>	<u>1,366,809</u>
NET CHANGE IN FUND BALANCES				
	(49,899)	232,696	(11,977)	170,820
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>47,619</u>	<u>293,130</u>	<u>368,186</u>	<u>708,935</u>
FUND BALANCES AT END OF YEAR				
	<u>\$ (2,280)</u>	<u>\$ 525,826</u>	<u>\$ 356,209</u>	<u>\$ 879,755</u>

# WARRINGTON TOWNSHIP

## COMBINING SCHEDULE OF FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

DECEMBER 31, 2015

	Pension Trust Funds		
	<u>Police Pension Fund</u>	<u>Non-Uniform Employees Pension Fund</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 140,994	\$ 62,050	\$ 203,044
Investments	12,212,134	4,848,028	17,060,162
Due from other funds	-	11,595	11,595
Receivable from pension administrator	<u>13,010</u>	<u>-</u>	<u>13,010</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>12,366,138</u></b>	<b>\$ <u>4,921,673</u></b>	<b>\$ <u>17,287,811</u></b>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ 10,750</u>	<u>\$ -</u>	<u>\$ 10,750</u>
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>12,355,388</u>	<u>4,921,673</u>	<u>17,277,061</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>12,366,138</u></b>	<b>\$ <u>4,921,673</u></b>	<b>\$ <u>17,287,811</u></b>

**WARRINGTON TOWNSHIP****COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2015**

	Pension Trust Funds		
	<u>Police Pension Fund</u>	<u>Non-Uniform Employees Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions			
Employer	\$ 378,510	\$ 148,553	\$ 527,063
Plan members	154,983	26,332	181,315
State	384,242	-	384,242
TOTAL CONTRIBUTIONS	<u>917,735</u>	<u>174,885</u>	<u>1,092,620</u>
Investment earnings			
Net decrease in fair value of investments	(348,155)	(163,273)	(511,428)
Dividends	297,428	122,377	419,805
Investment activity expense	(39,124)	(16,170)	(55,294)
INVESTMENT EARNINGS, net	<u>(89,851)</u>	<u>(57,066)</u>	<u>(146,917)</u>
TOTAL ADDITIONS	<u>827,884</u>	<u>117,819</u>	<u>945,703</u>
DEDUCTIONS			
Benefits	542,859	231,311	774,170
Administrative	11,790	5,280	17,070
TOTAL DEDUCTIONS	<u>554,649</u>	<u>236,591</u>	<u>791,240</u>
CHANGE IN NET POSITION	273,235	(118,772)	154,463
NET POSITION AT BEGINNING OF YEAR	<u>12,082,153</u>	<u>5,040,445</u>	<u>17,122,598</u>
NET POSITION AT END OF YEAR	<u>\$ 12,355,388</u>	<u>\$ 4,921,673</u>	<u>\$ 17,277,061</u>