



EAST WHITELAND TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

EAST WHITELAND TOWNSHIP
FRAZER, PENNSYLVANIA

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FRAZER, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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July 28, 2014

Board of Township Supervisors
East Whiteland Township
Frazer, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township'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.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Township Supervisors
East Whiteland Township

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 East Whiteland Township, Frazer, Pennsylvania as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2012 statements have been restated to reflect the implementation of GASB Statement No. 65. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited East Whiteland Township's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated July 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and pension fund schedule of funding progress, schedule of contributions from employer and other contributing entities, and notes to required supplementary information on pages 50 through 54 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 East Whiteland Township's basic financial statements. The combining nonmajor fund financial statements and combining fiduciary fund financial statements are presented for purposes of additional

Board of Township Supervisors
East Whiteland Township

analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and combining fiduciary 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 nonmajor fund and combining fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014 on our consideration of East Whiteland Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Whiteland Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This discussion and analysis of East Whiteland Township, Frazer, Pennsylvania provides an overview of the Township's financial performance for the year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- **Assets** - The assets of East Whiteland Township exceeded its liabilities at the close of the most recent fiscal year by \$39,655,854 (representing its net position).
- **Cash and Investments** - Total Township assets included \$18,708,239 in cash and cash equivalents.
- **Governmental Fund Balances** - As of December 31, 2013, the Township's governmental funds' combined ending fund balance of \$7,758,823 was \$566,936 better than the prior year. Of this total, approximately \$5 million is in the General Fund and is "Unassigned" (available for spending at the Township's discretion).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and statement of activities on pages 13 and 14 provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 15 and include governmental, proprietary, and fiduciary funds. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The governmental and proprietary fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

Statement of Net Position and Statement of Activities

The analysis of the Township as a whole begins on pages 13 and 14 with the statement of net position and the statement of activities.

These statements provide information that will help the reader to determine if the Township is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position and the statement of activities report the Township's net position and the changes in them during the year. The reader can think of the Township's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the Township's financial health or financial position. Over time, increases or

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and employment and the condition of the Township's assets, to assess the overall health of the Township.

In the statement of net position and the statement of activities, the Township is divided into two kinds of activities:

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

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds provides detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for money designated for special use (e.g., Capital Improvement Fund). The Township's three kinds of funds – **governmental, proprietary, and fiduciary** – use different accounting approaches.

Governmental funds. Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations which follow the fund financial statements.

Proprietary fund. When the Township charges customers for the sewer services it provides, these services are reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Township's enterprise fund (a component of the proprietary fund) is the same as the business-type activities reported in the entity-wide statements but provides more detail and additional information, such as cash flows for the proprietary fund.

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. For 2013, the Township's fiduciary funds were the Police Pension Fund, the combined Non-Uniformed and Firefighters Pension Fund, and the OPEB Trust Fund.

THE TOWNSHIP AS A WHOLE

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of East Whiteland Township, assets and deferred outflows of resources totaling \$65,809,438 exceeded liabilities and deferred inflows of resources by \$39,655,854 at the close of 2013, as reflected in the statement of net position.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 8,983,110	\$ 7,370,920	\$ 10,818,807	\$ 8,655,869	\$ 19,801,917	\$ 16,026,789
Capital assets	17,102,467	18,790,492	28,604,988	18,253,693	45,707,455	37,044,185
Total Assets	<u>26,085,577</u>	<u>26,161,412</u>	<u>39,423,795</u>	<u>26,909,562</u>	<u>65,509,372</u>	<u>53,070,974</u>
Deferred outflows of resources	-	-	300,066	337,574	300,066	337,574
Total Assets and Deferred Outflows of Resources	<u>\$ 26,085,577</u>	<u>\$ 26,161,412</u>	<u>\$ 39,723,861</u>	<u>\$ 27,247,136</u>	<u>\$ 65,809,438</u>	<u>\$ 53,408,548</u>
Long-term liabilities outstanding	\$ 3,514,751	\$ 2,997,378	\$ 19,787,343	\$ 8,603,767	\$ 23,302,094	\$ 11,601,145
Other liabilities	1,282,399	205,814	1,569,091	1,172,251	2,851,490	1,378,065
Total Liabilities	<u>4,797,150</u>	<u>3,203,192</u>	<u>21,356,434</u>	<u>9,776,018</u>	<u>26,153,584</u>	<u>12,979,210</u>
Net Position:						
Net investment in capital assets	16,930,528	18,660,673	8,310,714	9,639,723	25,241,242	28,300,396
Restricted	-	-	201,785	-	201,785	-
Unrestricted	4,357,899	4,297,547	9,854,928	7,831,395	14,212,827	12,128,942
Total Net Position	<u>21,288,427</u>	<u>22,958,220</u>	<u>18,367,427</u>	<u>17,471,118</u>	<u>39,655,854</u>	<u>40,429,338</u>
Total Liabilities and Net Position	<u>\$ 26,085,577</u>	<u>\$ 26,161,412</u>	<u>\$ 39,723,861</u>	<u>\$ 27,247,136</u>	<u>\$ 65,809,438</u>	<u>\$ 53,408,548</u>

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

Township capital assets include infrastructure assets, incorporating approximately 45 miles of road, 77 miles of sewer pipeline, and traffic signals at 32 highway intersections. Total liabilities include \$20.3 million in outstanding debt for GOB sewer bonds. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Township's unrestricted net position of \$14,212,827 may be used to meet the Township's ongoing obligations to citizens and creditors. This compares with last year's total unrestricted net position of \$12,128,943.

At the end of the current fiscal year, the Township is able to report positive balances in net position, both for the government as a whole and for its business-type activities.

Governmental Activities

As reported below in Table 2, the net position decrease from the Township's governmental activities was \$1,669,793 for the year ended December 31, 2013.

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services	\$ 2,748,929	\$ 1,860,498	\$ 2,517,448	\$ 2,675,907	\$ 5,266,377	\$ 4,536,405
Operating grants and contributions	1,171,596	901,839	-	-	1,171,596	901,839
Capital grants and contributions	-	-	963,000	116,000	963,000	116,000
General revenues:						
Earned income taxes	4,693,510	4,397,004	-	-	4,693,510	4,397,004
Local services taxes	1,004,423	919,549	-	-	1,004,423	919,549
Real estate taxes	597,985	569,554	-	-	597,985	569,554
Real estate transfer taxes	574,812	760,791	-	-	574,812	760,791
Franchise fees	196,525	184,730	-	-	196,525	184,730
Other	76,699	68,132	24,090	66,446	100,789	134,578
TOTAL REVENUES	11,064,479	9,662,088	3,504,538	2,858,353	14,569,017	12,520,441
EXPENSES:						
General government	1,354,756	1,033,369	-	-	1,354,756	1,033,369
Public safety	7,689,219	6,445,697	-	-	7,689,219	6,445,697
Highways/streets	1,622,598	1,355,881	-	-	1,622,598	1,355,881
Other public works	11,811	11,300	-	-	11,811	11,300
Culture and recreation	181,090	169,114	-	-	181,090	169,114
Community development	528	1,717	-	-	528	1,717
Interest expense	6,721	5,276	-	-	6,721	5,276
Unallocated depreciation	1,867,549	1,865,883	-	-	1,867,549	1,865,883
Sewer operations	-	-	2,608,229	2,457,489	2,608,229	2,457,489
TOTAL EXPENSES	12,734,272	10,888,237	2,608,229	2,457,489	15,342,501	13,345,726
INCREASE (DECREASE) IN NET POSITION	(1,669,793)	(1,226,149)	896,309	400,864	(773,484)	(825,285)
NET POSITION, BEGINNING OF YEAR	22,958,220	24,184,369	17,471,118	17,070,254	40,429,338	41,254,623
NET POSITION, END OF YEAR	\$21,288,427	\$22,958,220	\$18,367,427	\$17,471,118	\$39,655,854	\$40,429,338

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

The cost of all governmental activities in 2013 was \$12,734,272, including \$2,111,390 in depreciation. This cost was funded primarily by tax revenue of \$6,870,730, including the earned income tax, the local services tax, real estate taxes, and real estate transfer taxes. Charges/fees for other services, including permits, accounted for an additional \$2,748,929 in revenue, and intergovernmental revenue accounted for another \$1,171,596.

As indicated by governmental activities expenses, public safety programs account for \$7,689,219, or approximately 60 percent of the total expenses of the Township's governmental activities. Public safety includes the police department plus a full-time staff of nine firefighters/EMTs who complement the local volunteer fire company. General administration and highways and streets services account for approximately 11 percent and 13 percent, respectively, of the total expenses for 2013.

Real estate taxes, earned income taxes, and other general revenues not designated for specific programs provide the major revenue sources for governmental activities. Revenues generated from the local services tax are designated for police, fire and emergency services, and road construction and/or maintenance. The earned income tax is the largest revenue source for governmental activities and accounted for \$4,693,510, or 42 percent of all governmental activity revenue in 2013. The local services tax accounted for approximately nine percent of total revenues. Real estate taxes and real estate transfer taxes each provided five percent of total governmental activity revenue.

Revenues for governmental activities in 2013 were about \$1,402,391 better than 2012. This net increase was due primarily to the following:

- Increase in building permits and fees revenue of \$774,702 in 2013 vs. 2012.
- Increase in Earned Income Tax revenue of \$296,506 in 2013 vs. 2012.
- Increase in Local Services Tax revenue of \$84,874 in 2013 vs. 2012.
- Decrease in Real Estate Transfer Tax revenue of \$185,979 in 2013 vs. 2012.

Business-type (Proprietary Fund) Activities

East Whiteland Township's sewer system includes 13 sewer pumping stations and approximately 77 miles of pipeline. The Township accepts flows from the adjoining municipalities of East Goshen Township, Charlestown Township, and the Borough of Malvern and also collects sewer rental fees from these municipalities. The Township, in turn, pays sewer rental fees to neighboring Tredyffrin Township and the Valley Forge Sewer Authority for sewer pumping and waste treatment, respectively. As reflected in the statement of revenues, expenses, and changes in net position - proprietary fund on page 22, sewer operating expenses totaled \$2,206,189 for 2013. This included \$818,659 in sewer rental payments to Tredyffrin Township and the Valley Forge Sewer Authority. Operating expenses also included \$482,449 in depreciation in 2013.

The Board of Supervisors establishes and collects sewer rental fees from users of the Township's system. The sewer fund fees charged to residents and businesses were last increased in 2008. The rate will be increased for 2014.

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Major sources of sewer revenue in 2013 included:

- Sewer (usage) fees totaling \$2,517,448.

Major expenses included:

- Sewer operating rental payments to other municipalities totaling \$818,659.
- Bond interest expense, amortization, and agent fees totaling \$402,040.
- Sewer salaries, wages, and benefits totaling \$519,071.

As reflected in the statement of net position - proprietary fund on page 21, proprietary fund net position as of December 31, 2013 was \$18,367,427, an increase of \$896,309 from the previous year.

As also reflected in the statement of net position - proprietary fund, total assets for the proprietary fund as of December 31, 2013 were \$39,460,907. This included \$9,875,126 in cash accounts and \$28,604,988 of equipment and infrastructure assets, net of depreciation.

East Whiteland Township borrowed \$12,145,000 in 2013 to pay for its share of the costs of a major sewer upgrade and expansion project at the Valley Forge Sewer Authority treatment plant which is used by East Whiteland Township. The proceeds from this new 2013 bond issue will also be used to help finance the replacement of an East Whiteland sewer pumping station and the upgrade and expansion of sewer pipeline.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As shown on pages 15 and 17, as of December 31, 2013, the Township's governmental funds reported combined ending fund balance of \$7,758,823, an increase of \$566,936 from the prior year. Approximately 64 percent, or \$4,977,835, is an "unassigned" fund balance in the General Fund, which means that it is available for spending at the Township's discretion. The remainder of the fund balance is either "nonspendable," "restricted," or "assigned," which means that it is not available for new spending because it has been restricted for capital improvements, park development, or other special purposes.

Major funds maintained by the Township include the following:

The **General Fund** is the chief operating fund of East Whiteland Township. As of December 31, 2013, the total fund balance of the General Fund was \$4,991,335, a \$347,413 increase from 2012. As stated above, more than 99 percent of the General Fund's fund balance is "unassigned."

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

The *Capital Improvement Fund* provides funding for capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or other governmental funds. The total fund balance as of December 31, 2013 was \$2,424,377, an increase of approximately \$217,000 from 2012.

Historically, the major revenue and other financing sources for the Capital Improvement Fund usually are transfers from the General Fund, interest earnings and contributions from developers for specific infrastructure improvements. The General Fund also may transfer monies to the Capital Improvement Fund to reserve for capital expenditures associated with the general operation of the Township.

Proprietary Fund. The Township's proprietary fund provides the same type of information found in the entity-wide financial statements, but in more detail.

The unrestricted net position of the proprietary fund at the end of the year, as reported on page 21, amounted to \$9,854,928.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's General Fund budget and actual results can be found on pages 19 and 20 of the financial statements.

During 2013, there were no revisions to the original approved General Fund budget.

The very conservative 2013 budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$1,132,530; however, the Township ended the year with actual revenue and other financing sources exceeding expenditures and other financing uses by \$347,413, or \$1,479,943 better than budget.

This favorable budget variance was due primarily to:

- Revenue from building permit fees and other fees for services were \$896,654 better than budget.
- Earned Income Tax revenue was \$379,000 better than budget.
- Total expenditures across all major departments were \$30,661 better than budget after adjusting for a \$1,000,000 contribution to establish an OPEB trust fund, which was budgeted as an interfund transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2013, the Township's investment in depreciable capital assets for its governmental and business-type activities, as shown on page 13, amounted to \$45,707,455 net of accumulated depreciation. This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, infrastructure, vehicles, and land improvements. The total increase in the Township's investment in capital assets for the current fiscal year was \$8,663,270, net of accumulated depreciation due primarily to the Valley Forge Sewer Authority projects.

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Long-term Debt

At December 31, 2013, the Township had \$20,294,274 in General Obligation (Sewer) Bonds outstanding, net of the discount, and capital lease liabilities totaling \$171,939.

The Township borrowed \$12,145,000 in 2013 to help pay for its share of the costs for a major sewer upgrade and expansion project at the Valley Forge Sewer Authority treatment plant which is used by East Whiteland Township. The proceeds from this new bond issue will also be used to help finance the replacement of a sewer pumping station and the upgrade and expansion of a sewer pipeline.

Additional information about the Township's current long-term debt can be requested from the Township.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Because of the large number of businesses and workers in the Township, East Whiteland Township continues to rely on the earned income tax ("EIT") for a large portion (42 percent in 2013) of its revenue in the General Fund. It also should be noted that the EIT rate of 0.5 percent is relatively low compared to neighboring municipalities which also have an EIT.
- As businesses in the Township, by estimate, employ approximately 22,000 people, local business is a large importer of jobs in the region. The Township saw increases in the earned income tax and local services tax revenue related to new businesses and more employees for exiting employers. For 2014, we are conservatively budgeting both local earned income tax and local services tax revenues to be at the 2013 levels.
- The Township real estate tax rate is also relatively low compared to neighboring municipalities. The rate was not increased for 2013.
- Township real estate transfer tax revenues fell approximately \$186,000 in 2013 and it is budgeted to be flat for 2014.
- The Township maintains approximately \$15,000,000 in (insured or collateralized) cash accounts. Interest rates on these accounts have dropped significantly since 2008 and are forecasted to remain very low throughout 2014.
- CubeSmart built a new headquarters in Malvern which may bring an additional 200 employees into the Township.
- The Township adopted a 2014 General Fund budget in which revenues and expenses were balanced. The Township ended 2013 in a strong position, with a General Fund balance of \$5.0 million. Because of this strong fund balance, the Township began funding its other post-employment benefits liabilities ("OPEB") with an initial \$1.0 million that will be transferred into a separate OPEB Trust Fund in 2014.
- For 2014, the residential and business Sewer Rent was increased \$40 per year.

EAST WHITELAND TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

- Salary/wage and FICA costs are budgeted to increase by approximately four percent in 2014. This is due primarily to a reduction in OT and existing contractual bargaining unit (union) agreements. Seventy-seven percent (41 of 53) of the Township's full-time employees are represented by unions including the Police ("JNC") Union, the International Firefighters Association ("IAFF") and the American Federation of State, County and Municipal Employees ("AFSCME").
- The Township plans to build a new public works facility estimated to cost \$5,000,000 and also budgeted \$1,000,000 to renovate Swanenberg Park. The projects will be financed by a new bond issue in 2014 budgeted for \$6,000,000.

This financial report is designed to provide a general overview of East Whiteland Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, East Whiteland Township, 209 Conestoga Road, Frazer, PA 19355.

General information relating to East Whiteland Township can be found on its website, <http://www.eastwhiteland.org>.

**EAST WHITELAND TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

(With Summarized Comparative Data for December 31, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012*
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,833,113	\$ 9,673,341	\$ 18,506,454	\$ 15,300,995
Cash - restricted	-	201,785	201,785	-
Internal balances	37,112	(37,112)	-	-
Taxes receivable	30,183	-	30,183	255,552
Sewer rents receivable	-	475,797	475,797	424,744
Other receivables	69,202	504,996	574,198	28,998
Prepaid expenses	-	-	-	3,000
Deposits	13,500	-	13,500	13,500
Total Current Assets	<u>8,983,110</u>	<u>10,818,807</u>	<u>19,801,917</u>	<u>16,026,789</u>
Noncurrent Assets:				
Land	1,076,488	-	1,076,488	1,076,488
Construction-in-progress	125,062	15,681,316	15,806,378	4,847,572
Depreciable capital assets, net	15,900,917	12,923,672	28,824,589	31,120,125
Total Noncurrent Assets	<u>17,102,467</u>	<u>28,604,988</u>	<u>45,707,455</u>	<u>37,044,185</u>
TOTAL ASSETS	<u>26,085,577</u>	<u>39,423,795</u>	<u>65,509,372</u>	<u>53,070,974</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on bond refunding	-	300,066	300,066	337,574
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>300,066</u>	<u>300,066</u>	<u>337,574</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 26,085,577</u>	<u>\$ 39,723,861</u>	<u>\$ 65,809,438</u>	<u>\$ 53,408,548</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 1,201,806	\$ 119,610	\$ 1,321,416	\$ 553,311
Compensated absences	15,614	1,953	17,567	11,547
Unearned revenues	-	541,660	541,660	534,825
Accrued interest	954	198,531	199,485	64,500
Capital lease payable	64,025	-	64,025	33,155
Bonds payable, net of discount	-	707,337	707,337	180,727
Total Current Liabilities	<u>1,282,399</u>	<u>1,569,091</u>	<u>2,851,490</u>	<u>1,378,065</u>
Noncurrent Liabilities:				
Capital lease payable	107,914	-	107,914	96,664
Compensated absences	117,553	21,209	138,762	124,598
Bonds payable, net of discount	-	19,586,937	19,586,937	8,433,243
Other post-employment benefits obligation	3,289,284	179,197	3,468,481	2,946,640
Total Noncurrent Liabilities	<u>3,514,751</u>	<u>19,787,343</u>	<u>23,302,094</u>	<u>11,601,145</u>
Total Liabilities	<u>4,797,150</u>	<u>21,356,434</u>	<u>26,153,584</u>	<u>12,979,210</u>
NET POSITION:				
Net investment in capital assets	16,930,528	8,310,714	25,241,242	28,300,396
Restricted	-	201,785	201,785	-
Unrestricted	4,357,899	9,854,928	14,212,827	12,128,942
Total Net Position	<u>21,288,427</u>	<u>18,367,427</u>	<u>39,655,854</u>	<u>40,429,338</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,085,577</u>	<u>\$ 39,723,861</u>	<u>\$ 65,809,438</u>	<u>\$ 53,408,548</u>

* - Restated - see note 16

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

EAST WHITELAND TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Summarized Comparative Data for the Year Ended December 31, 2012)

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,354,756	\$ 326,703	\$ -	\$ (766,268)	\$ -	\$ (838,559)
Public safety	7,689,219	597,295	-	(4,656,713)	-	(4,178,128)
Public works - highways and streets	1,622,598	247,598	-	(1,375,000)	-	(1,105,327)
Public works - sanitation	11,811	-	-	(11,811)	-	(11,300)
Culture and recreation	181,090	-	-	(129,157)	-	(119,710)
Community development	528	-	-	(528)	-	(1,717)
Interest on long-term debt	6,721	-	-	(6,721)	-	(5,276)
Unallocated depreciation	1,867,549	-	-	(1,867,549)	-	(1,865,883)
TOTAL GOVERNMENTAL ACTIVITIES	12,734,272	1,171,596	-	(8,813,747)	-	(8,125,900)
BUSINESS-TYPE ACTIVITIES						
Sewer operations	2,608,229	-	963,000	-	872,219	334,418
TOTAL BUSINESS-TYPE ACTIVITIES	2,608,229	-	963,000	-	872,219	334,418
TOTAL PRIMARY GOVERNMENT	\$15,342,501	\$ 1,171,596	\$ 963,000	(8,813,747)	872,219	(7,791,482)
GENERAL REVENUES						
Taxes:						
Real estate taxes				597,985	-	597,985
Real estate transfer taxes				574,812	-	574,812
Earned income taxes				4,693,510	-	4,693,510
Local services tax				1,004,423	-	1,004,423
Franchise fees				196,525	-	196,525
Investment earnings				24,134	24,090	48,224
Gain on disposal of capital assets				39,525	-	39,525
Miscellaneous				13,040	-	13,040
TOTAL GENERAL REVENUES				7,143,954	24,090	7,168,044
CHANGE IN NET POSITION				(1,669,793)	896,309	(773,484)
NET POSITION, BEGINNING OF YEAR				22,958,220	17,471,118	40,429,338
NET POSITION, END OF YEAR				\$21,288,427	\$18,367,427	\$39,655,854

* - Restated - see note 16

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

**EAST WHITELAND TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(With Summarized Comparative Data for December 31, 2012)**

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
	2013	2013	2013	2012
ASSETS				
Cash and cash equivalents	\$ 5,961,948	\$ 2,527,909	\$ 343,256	\$ 8,833,113
Due from other funds	62,164	-	102	62,266
Taxes receivable	30,183	-	-	30,183
Other receivables	68,850	-	352	69,202
Prepaid expenses	-	-	-	3,000
Deposits	13,500	-	-	13,500
TOTAL ASSETS	<u>\$ 6,136,645</u>	<u>\$ 2,527,909</u>	<u>\$ 343,710</u>	<u>\$ 9,008,264</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 122,829	\$ 78,378	\$ 599	\$ 201,806
Due to other funds	1,000,000	25,154	-	1,025,154
Compensated absences	15,614	-	-	15,614
Total Liabilities	<u>1,138,443</u>	<u>103,532</u>	<u>599</u>	<u>1,242,574</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - delinquent taxes	6,867	-	-	6,867
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,867</u>	<u>-</u>	<u>-</u>	<u>6,867</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,145,310</u>	<u>103,532</u>	<u>599</u>	<u>1,249,441</u>
FUND BALANCES:				
Nonspendable	13,500	-	-	13,500
Restricted	-	2,424,377	103	2,424,480
Assigned	-	-	343,008	343,008
Unassigned	4,977,835	-	-	4,977,835
Total Fund Balances	<u>4,991,335</u>	<u>2,424,377</u>	<u>343,111</u>	<u>7,758,823</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,136,645</u>	<u>\$ 2,527,909</u>	<u>\$ 343,710</u>	<u>\$ 9,008,264</u>

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

**EAST WHITELAND TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,758,823

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$ 1,076,488	
Construction-in-progress	125,062	
Depreciable capital assets, net	<u>15,900,917</u>	17,102,467

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease	(171,939)	
Accrued interest	(954)	
Compensated absences	(117,553)	
Other post-employment benefits obligation	<u>(3,289,284)</u>	(3,579,730)

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 unavailable in the funds.

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 21,288,427</u></u>
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The accompanying notes are an integral part of these financial statements.

EAST WHITELAND TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Summarized Comparative Data for the Year Ended December 31, 2012)

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals	
	2013	2013	2013	2013	2012
REVENUES:					
Taxes	\$ 6,870,730	-	-	\$ 6,870,730	\$ 6,672,547
Licenses and permits	196,525	-	-	196,525	185,230
Fines, forfeits, and permits	156,817	-	-	156,817	191,211
Interest, dividends, and rents	16,857	7,127	150	24,134	25,477
Intergovernmental revenues	676,691	-	244,905	921,596	901,839
Charges for services/fees	2,581,399	-	10,713	2,592,112	1,668,787
Contributions from private sector	-	250,000	-	250,000	-
Miscellaneous revenue/other	13,039	-	-	13,039	23,686
TOTAL REVENUES	<u>10,512,058</u>	<u>257,127</u>	<u>255,768</u>	<u>11,024,953</u>	<u>9,668,777</u>
EXPENDITURES:					
General government	962,963	217,932	-	1,180,895	868,203
Public safety	6,714,351	-	1,091	6,715,442	6,129,167
Public works - highways and streets	1,446,676	19,206	7,185	1,473,067	1,494,120
Public works - sanitation	11,811	-	-	11,811	11,300
Culture and recreation	133,737	-	-	133,737	135,834
Community development	528	-	-	528	1,717
Contributions to OPEB trust fund	1,000,000	-	-	1,000,000	-
Other	13,720	-	-	13,720	10,182
Debt service:					
Principal	35,897	24,833	-	60,730	69,919
Interest	6,182	77	-	6,259	5,366
TOTAL EXPENDITURES	<u>10,325,865</u>	<u>262,048</u>	<u>8,276</u>	<u>10,596,189</u>	<u>8,725,808</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>186,193</u>	<u>(4,921)</u>	<u>247,492</u>	<u>428,764</u>	<u>942,969</u>
OTHER FINANCING SOURCES (USES):					
Refund of prior year revenue	(4,203)	-	-	(4,203)	(3,548)
Sale of capital assets	39,525	-	-	39,525	18,960
Proceeds from long-term financing	30,950	71,900	-	102,850	165,000
Interfund transfers in	244,948	150,000	-	394,948	248,487
Interfund transfers out	(150,000)	-	(244,948)	(394,948)	(248,487)
TOTAL OTHER FINANCING SOURCES (USES)	<u>161,220</u>	<u>221,900</u>	<u>(244,948)</u>	<u>138,172</u>	<u>180,412</u>
NET CHANGE IN FUND BALANCES	347,413	216,979	2,544	566,936	1,123,381
FUND BALANCES, BEGINNING OF YEAR	4,643,922	2,207,398	340,567	7,191,887	6,068,506
FUND BALANCES, END OF YEAR	<u>\$ 4,991,335</u>	<u>\$ 2,424,377</u>	<u>\$ 343,111</u>	<u>\$ 7,758,823</u>	<u>\$ 7,191,887</u>

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

**EAST WHITELAND TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 566,936

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$2,111,390 exceeded capital outlays of \$423,365 in the period. (1,688,025)

Capital lease proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurrence of a capital lease increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which capital lease proceeds of \$102,850 exceeded capital lease repayments of \$60,730. (42,120)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (462)

In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) and special termination benefits (early retirement)—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). This is the amount by which current period amounts earned exceeded current period compensated absences paid.

Compensated absences	\$ (14,163)	
Other post-employment benefits	<u>(491,959)</u>	<u>(506,122)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,669,793)

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

**EAST WHITELAND TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
Real estate	\$ 586,310	\$ 597,985	\$ 11,675
Real estate - transfer	610,295	574,812	(35,483)
Earned income	4,314,510	4,693,510	379,000
Local services tax	925,000	1,004,423	79,423
Licenses and permits	183,700	196,525	12,825
Fines, forfeits, and permits	160,000	156,817	(3,183)
Interest, dividends, and rents	18,000	16,857	(1,143)
Intergovernmental revenues	630,186	676,691	46,505
Charges for service/fees	1,684,745	2,581,399	896,654
Miscellaneous revenue/other	18,050	13,039	(5,011)
TOTAL REVENUES	9,130,796	10,512,058	1,381,262
EXPENDITURES			
General government:			
Administration	468,547	444,207	24,340
Auditing and other professional services	45,151	22,071	23,080
Tax collection	11,735	92,016	(80,281)
Legal	45,500	61,662	(16,162)
Engineering	158,700	198,426	(39,726)
Building maintenance	58,220	51,718	6,502
Other general administration	139,093	92,863	46,230
Total General Government	926,946	962,963	(36,017)
Public safety:			
Police	4,313,307	4,321,612	(8,305)
Fire protection	1,615,641	1,607,815	7,826
Code enforcement	856,616	747,203	109,413
Planning and zoning	26,830	37,564	(10,734)
Emergency management	2,600	157	2,443
Total Public Safety	6,814,994	6,714,351	100,643
Public works - highways and streets:			
General services	935,708	919,524	16,184
Winter maintenance	112,625	95,847	16,778
Traffic control devices	69,896	103,248	(33,352)
Street lighting	26,880	21,315	5,565
Road maintenance and repair	128,863	161,125	(32,262)
Road construction	170,000	145,617	24,383
Total Public Works - Highways and Streets	1,443,972	1,446,676	(2,704)
Public works - sanitation:			
Bulk trash pickup	6,000	4,703	1,297
Household hazardous waste collection	3,100	2,066	1,034
Contracted services	7,800	5,042	2,758
Total Public Works - Sanitation	16,900	11,811	5,089

Continued on next page.

**EAST WHITELAND TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Culture and recreation:			
Parks and recreation	91,661	87,034	4,627
Library	46,703	46,703	-
Total Culture and Recreation	<u>138,364</u>	<u>133,737</u>	<u>4,627</u>
Community development	4,550	528	4,022
Contributions to OPEB trust fund	-	1,000,000	(1,000,000)
Other	10,800	13,720	(2,920)
Debt service:			
Principal	-	35,897	(35,897)
Interest	-	6,182	(6,182)
Total Debt Service	<u>-</u>	<u>42,079</u>	<u>(42,079)</u>
TOTAL EXPENDITURES	<u>9,356,526</u>	<u>10,325,865</u>	<u>(969,339)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(225,730)</u>	<u>186,193</u>	<u>411,923</u>
OTHER FINANCING SOURCES (USES)			
Refund of prior year revenue	(5,000)	(4,203)	797
Proceeds from long-term financing	-	30,950	30,950
Sale of capital assets	10,000	39,525	29,525
Interfund transfer out	(1,150,000)	(150,000)	1,000,000
Interfund transfer in	238,200	244,948	6,748
TOTAL OTHER FINANCING SOURCES	<u>(906,800)</u>	<u>161,220</u>	<u>1,068,020</u>
NET CHANGE IN FUND BALANCE	<u>\$(1,132,530)</u>	347,413	<u>\$ 1,479,943</u>
FUND BALANCE, BEGINNING OF YEAR		<u>4,643,922</u>	
FUND BALANCE, END OF YEAR		<u>\$ 4,991,335</u>	

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

EAST WHITELAND TOWNSHIP
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2013
(With Comparative Data for December 31, 2012)

	Sewer Fund	
	2013	2012*
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,673,341	\$ 8,231,125
Cash - restricted	201,785	-
Sewer rents receivable	475,797	424,744
Other receivables	504,996	-
Total Current Assets	10,855,919	8,655,869
Noncurrent Assets:		
Construction-in-progress	15,681,316	4,847,572
Depreciable capital assets, net	12,923,672	13,406,121
Total Noncurrent Assets	28,604,988	18,253,693
TOTAL ASSETS	39,460,907	26,909,562
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	300,066	337,574
TOTAL DEFERRED OUTFLOWS OF RESOURCES	300,066	337,574
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 39,760,973	\$ 27,247,136
 LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 119,610	\$ 390,794
Due to other funds	37,112	-
Compensated absences	1,953	1,897
Unearned revenue	541,660	534,825
Accrued interest	198,531	64,008
Bonds payable, net of discount	707,337	180,727
Total Current Liabilities	1,606,203	1,172,251
Noncurrent Liabilities:		
Compensated absences	21,209	21,209
Bonds payable, net of discount	19,586,937	8,433,243
Other post-employment benefits obligation	179,197	149,315
Total Noncurrent Liabilities	19,787,343	8,603,767
Total Liabilities	21,393,546	9,776,018
 NET POSITION		
Net investment in capital assets	8,310,714	9,639,723
Restricted	201,785	-
Unrestricted	9,854,928	7,831,395
Total Net Position	18,367,427	17,471,118
 TOTAL LIABILITIES AND NET POSITION	\$ 39,760,973	\$ 27,247,136

* - Restated - see note 16

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

EAST WHITELAND TOWNSHIP
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Data for the Year Ended December 31, 2012)

	Sewer Fund	
	2013	2012*
OPERATING REVENUES:		
Fees	\$ 2,517,448	\$ 2,675,907
Total Operating Revenues	2,517,448	2,675,907
OPERATING EXPENSES:		
Sewer collection fees	818,659	762,470
Salaries and wages	311,897	295,385
Repairs and maintenance	133,409	125,892
Employee benefits	207,174	196,951
Utilities	86,786	83,778
Engineering fees	61,156	43,105
Insurance	37,140	38,842
Administration	40,282	34,116
Depreciation	482,449	485,363
Supplies	27,237	25,769
Total Operating Expenses	2,206,189	2,091,671
OPERATING INCOME	311,259	584,236
NONOPERATING REVENUE (EXPENSES):		
Interest income	24,090	25,664
Insurance recoveries	-	40,782
Bond issuance costs	(148,768)	(40,089)
Amortization expense	(60,171)	(55,552)
Interest expense	(193,101)	(270,177)
Total Nonoperating Expenses	(377,950)	(299,372)
CONTRIBUTIONS		
Capital contributions - tap fees	963,000	116,000
CHANGE IN NET POSITION	896,309	400,864
NET POSITION, BEGINNING OF YEAR	17,471,118	17,070,254
NET POSITION, END OF YEAR	\$18,367,427	\$17,471,118

* - Restated - see Note 16

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

EAST WHITELAND TOWNSHIP
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Data for the Year Ended December 31, 2012)

	Sewer Fund	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,968,234	\$ 2,608,428
Cash payments to suppliers for goods and services	(1,326,543)	(924,396)
Cash payments to employees for services	(489,133)	(459,985)
NET CASH PROVIDED BY OPERATING ACTIVITIES	152,558	1,224,047
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions - tap fees	963,000	116,000
Interest paid	(58,578)	(337,007)
Proceeds from issuance of long-term debt	11,847,643	8,745,479
Principal payments on long-term debt	(190,000)	(8,665,000)
Bond issuance costs	(148,768)	(44,171)
Cash payments for the acquisition of capital assets	(10,945,944)	(1,257,810)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,467,353	(1,442,509)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	24,090	25,664
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,090	25,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,644,001	(192,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,231,125	8,423,923
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,875,126	\$ 8,231,125
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 9,673,341	\$ 8,231,125
Cash - restricted	201,785	-
TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	\$ 9,875,126	\$ 8,231,125
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 311,259	\$ 584,236
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	482,449	485,363
Increase in sewer rents receivable	(51,053)	(77,878)
Increase in other receivables	(504,996)	-
Increase in due to other funds	37,112	-
(Decrease) Increase in accounts payable	(158,986)	189,576
Increase in accrued compensated absences	56	1,638
Increase in unearned revenue	6,835	10,399
Increase in other post-employment benefits obligation	29,882	30,713
Total adjustments	(158,701)	639,811
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 152,558	\$ 1,224,047
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:		
Amortization expense	\$ 60,171	\$ 55,552
Capital assets acquired by the incurrence of accounts payable	\$ 79,428	\$ 191,628

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

EAST WHITELAND TOWNSHIP
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013
(With Comparative Data for December 31, 2012)

	Trust Funds	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 353,126	\$ 215,093
Due from other fund	1,000,000	-
Investments:		
Mutual funds	12,870,114	10,925,572
TOTAL ASSETS	\$ 14,223,240	\$ 11,140,665
LIABILITIES AND NET POSITION		
LIABILITIES	\$ -	\$ -
NET POSITION		
Restricted for pension benefits	13,223,240	
Restricted for other post-employment benefits	1,000,000	11,140,665
TOTAL LIABILITIES AND NET POSITION	\$ 14,223,240	\$ 11,140,665

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

EAST WHITELAND TOWNSHIP
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Data for the Year Ended December 31, 2012)

	Trust Funds	
	2013	2012
ADDITIONS		
Contributions:		
State aid	\$ 291,327	\$ 268,208
Employer contribution	1,390,601	285,007
Employee contribution	180,203	160,853
Total Contributions	1,862,131	714,068
Investment income:		
Net realized/unrealized gain on investments	1,859,234	1,258,479
Net Investment Income	1,859,234	1,258,479
TOTAL ADDITIONS	3,721,365	1,972,547
DEDUCTIONS		
Benefits paid	582,092	414,554
Administrative expenses	56,698	36,583
TOTAL DEDUCTIONS	638,790	451,137
CHANGE IN PLAN NET POSITION	3,082,575	1,521,410
NET POSITION, BEGINNING OF YEAR	11,140,665	9,619,255
NET POSITION, END OF YEAR	\$ 14,223,240	\$ 11,140,665

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

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Whiteland Township ("the Township") was established in 1765 and is an organized township having the powers, duties, and privileges granted townships by the Commonwealth of Pennsylvania Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), reenacted and amended November 9, 1995 (P.L. 350, No. 60). The Township is governed by a three-member board of supervisors elected for a six-year term by the citizens of the Township. The Board is organized with a chairman and vice-chairman elected annually at the reorganization meeting held on the first Monday of the year.

The Township complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

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

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their net position use.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. The nonmajor governmental funds are presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are represented by fund type.

The Township reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Improvement Fund** accounts for the resources to be used for the acquisition, construction, or improvement of major capital assets for general government purposes.

The Township reports the following major proprietary fund:

- The **Sewer Fund** accounts for operations related to the collection of wastewater and the operation of sewage pumping stations. The sewage is transported to a sewer treatment plant not owned by the Township.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Fund

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the General Fund and the Capital Improvement Fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the Street Light Fund, the State Fund, the Park Development Fund, and the DARE Fund.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary fund is an enterprise fund.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are user fees. Operating expenses for the Township's enterprise funds include sewer disposal, salaries, recycling, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the Township in a trustee capacity. These include the Pension Trust Funds and OPEB Trust Fund. The Pension Trust Funds account for the activities of the Police Pension Fund and the Non-Uniformed and Firemen Pension Fund. The OPEB Trust Fund accounts for resources set aside for future post-employment benefits. Pension Trust Funds and the OPEB Trust Fund are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical.

Budgets and Budgetary Accounting

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board of Supervisors is then called for the purpose of adopting the proposed budget.
- Prior to December 31, the budget is legally enacted through passage of a resolution by the Board of Supervisors.
- The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Supervisors. Amendments are presented to the Board at its regular meetings. Each amendment must have the Board's approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law.

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Supervisors. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

Cash and Cash Equivalents

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. The Township capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Township reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the entity-wide financial statements regardless of their amount. Such assets are recorded at historical cost if purchased or constructed. In accordance with GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," the Township capitalizes contributions to the Valley Forge Sewer Authority for the purchase of additional sewer treatment capacity.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

Site improvements	20 years
Buildings and improvements	20-40 years
Infrastructure	15-50 years
Machinery and equipment	3-12 years
Vehicles	3-12 years

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums. Certain employees may carry over 40 hours of unused vacation time into the following year or receive compensation for those hours. Certain employees may accumulate up to 480 hours of unused sick time and, depending on years of service, may receive payment for some or all of that time at retirement or resignation. The liability for these compensated absences is recorded as long-term debt in the entity-wide and proprietary fund financial statements. In the fund financial statements, governmental funds report a liability for compensated absences only if they have matured. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental activities. Compensated absences associated with business-type activities are liquidated from the fund in which the liability was generated.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on the refunding of debt are amortized over the shorter of the life of the old debt or new debt. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balances

As of December 31, 2013, fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

EAST WHITELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Implementation of GASB Statements

During the current year, the Township implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 TAXES

For 2013, the following tax was levied on assessed value of real estate:

- .445 mills for general purposes

The taxable assessed valuation of property as of December 31, 2013 was \$1,352,321,293.

The real estate tax collection calendar is as follows:

Initial billing	-	March 1
Discount period	-	March 1 - April 30
Face period	-	May 1 - June 30
Penalty period	-	July 1 and thereafter
Lien date	-	January 31

Other taxes levied in 2013:

Real estate transfer	-	.5% of sale price
Earned income tax	-	.5% of gross income
Local services tax	-	\$52 per person

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2013, the carrying amount of the Township's deposits was \$18,708,239 and the bank balance was \$18,743,489. Of the bank balance, \$932,668 was covered by federal depository insurance and \$16,110,411 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

The remaining deposits of \$1,700,410 were with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2013, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

See Notes 8, 9, and 10 for the fiduciary fund deposit disclosures.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013 is as follows:

<u>Receivable To:</u>	<u>Amount</u>	<u>Payable From:</u>	<u>Amount</u>
General Fund	\$ 37,010	Sewer Fund	\$ 37,010
General Fund	25,154	Capital Improvement Fund	25,154
OPEB Trust Fund	1,000,000	General Fund	1,000,000
Street Light Fund	102	Sewer Fund	102
	<u>\$ 1,062,266</u>		<u>\$ 1,062,266</u>

Interfund transfers for the year ended December 31, 2013 are as follows:

<u>Transfers In:</u>		<u>Transfers Out:</u>	
General Fund	\$ 244,948	State Fund	\$ 244,948
Capital Improvement Fund	150,000	General Fund	150,000
	<u>\$ 394,948</u>		<u>\$ 394,948</u>

Transfers represent State Liquid Fuels funds transferred to the General Fund from the State Fund to pay for allowable street expenditures and transfers from the General Fund to the Capital Improvement and OPEB Trust Funds for future capital expenditures and other post-employment benefits.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance</u> <u>01/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/13</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,076,488	\$ -	\$ -	\$ 1,076,488
Construction-in-progress	-	125,062	-	125,062
Total capital assets not being depreciated	<u>1,076,488</u>	<u>125,062</u>	<u>-</u>	<u>1,201,550</u>
Capital assets being depreciated:				
Site improvements	825,074	-	-	825,074
Building and improvements	1,132,745	12,525	-	1,145,270
Infrastructure	41,764,260	-	-	41,764,260
Machinery and equipment	874,385	136,364	-	1,010,749
Vehicles	1,680,525	149,414	213,936	1,616,003
Total capital assets being depreciated	<u>46,276,989</u>	<u>298,303</u>	<u>213,936</u>	<u>46,361,356</u>

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Less accumulated depreciation for:				
Site improvements	359,158	33,279	-	392,437
Building and improvements	836,246	32,046	-	869,292
Infrastructure	25,570,221	1,867,549	-	27,437,770
Machinery and equipment	720,176	52,553	-	772,729
Vehicles	1,077,184	124,963	213,936	988,211
Total accumulated depreciation	<u>28,562,985</u>	<u>2,111,390</u>	<u>213,936</u>	<u>30,460,439</u>
Total capital assets being depreciated, net	<u>17,714,004</u>	<u>(1,813,087)</u>	<u>-</u>	<u>15,900,917</u>
Governmental Activities, Net	<u>\$18,790,492</u>	<u>\$ (1,688,025)</u>	<u>\$ -</u>	<u>\$17,102,467</u>
Business-type Activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 4,847,572	\$10,833,744	\$ -	\$15,681,316
Total capital assets not being depreciated	<u>4,847,572</u>	<u>10,833,744</u>	<u>-</u>	<u>15,681,316</u>
Capital assets being depreciated:				
Sewer infrastructure	23,154,785	-	-	23,154,785
Machinery and equipment	99,324	-	-	99,324
Vehicles	202,208	-	-	202,208
Total capital assets being depreciated	<u>23,456,317</u>	<u>-</u>	<u>-</u>	<u>23,456,317</u>
Less accumulated depreciation for:				
Sewer infrastructure	9,887,391	464,906	-	10,352,297
Machinery and equipment	48,831	6,481	-	55,312
Vehicles	113,974	11,062	-	125,036
Total accumulated depreciation	<u>10,050,196</u>	<u>482,449</u>	<u>-</u>	<u>10,532,645</u>
Total capital assets being depreciated, net	<u>13,406,121</u>	<u>(482,449)</u>	<u>-</u>	<u>12,923,672</u>
Business-type Activities, Net	<u>\$18,253,693</u>	<u>\$10,351,295</u>	<u>\$ -</u>	<u>\$28,604,988</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 49,474
Public safety	83,691
Public works - highways and streets	77,396
Parks and recreation	33,280
Unallocated	<u>1,867,549</u>
Total Governmental Activities	<u>\$2,111,390</u>
Business-type Activities:	
Sewer	<u>\$ 482,449</u>
Total Business-type Activities	<u>\$ 482,449</u>

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE

The Township entered into lease agreements as lessee for financing the acquisition of various equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of future minimum lease payments as of the inception date.

Equipment and vehicles acquired through capital leases	\$ 266,048
Less: accumulated depreciation	<u>(75,055)</u>
 TOTAL	 <u>\$ 190,993</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 72,320
2015	69,844
2016	36,296
2017	7,581
2018	<u>2,914</u>
 Total minimum lease payments	 188,955
Less: amount representing interest	<u>(17,016)</u>
 Net present value of minimum lease payments	 <u>\$ 171,939</u>

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

NOTE 7 LONG-TERM DEBT

The Township has issued General Obligation Bonds for its business-type activities as follows:

General Obligation Bonds, Series of 2012A, issued in the original amount of \$4,685,000. Interest rates range from 0.9% to 3.0% with interest payable semi-annually and principal payable annually from September 2013 through September 2020.

\$ 4,495,000

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT

General Obligation Bonds, Series of 2012B issued in the original amount of \$4,130,000. Interest rates range from 1.0% to 3.0% with interest payable semi-annually and principal payable annually from September 2020 through September 2025, with an initial payment in September 2012. 4,030,000

General Obligation Bonds, Series of 2013A issued in the original amount of \$12,145,000. Interest rates range from 2.0% to 3.6% with interest payable semi-annually from September 2013 through September 2038. Principal is payable annually from September 2014 through September 2038. These bonds were issued to finance sewer expansions and upgrades. 12,145,000

Total \$ 20,670,000

Bonds payable is comprised of the following:

	June 30, 2013	June 30, 2012
Bonds payable, at face	\$ 20,670,000	\$ 8,715,000
Unamortized discount	(375,726)	(101,030)
Bonds payable, net	\$ 20,294,274	\$ 8,613,970

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations is as follows:

Year Ending December 31,	Principal	Interest
2014	\$ 730,000	\$ 593,963
2015	710,000	585,864
2016	720,000	576,610
2017	725,000	564,774
2018	745,000	551,107
2019-2023	3,760,000	2,491,146
2024-2028	3,905,000	1,973,753
2029-2033	4,290,000	1,356,944
2034-2038	5,085,000	562,044
TOTAL	\$ 20,670,000	\$ 9,256,205

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

A schedule of changes in long-term liabilities is as follows:

	Outstanding 01/01/13	Increases	Decreases	Outstanding 12/31/13	Amounts Due in One Year
Governmental Activities:					
Capital lease	\$ 129,819	\$ 102,850	\$ 60,730	\$ 171,939	\$ 64,025
Compensated absences	113,039	20,128	-	133,167	15,614
Other post-employment benefits	<u>2,797,325</u>	<u>491,959</u>	<u>-</u>	<u>3,289,284</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,040,183</u>	<u>\$ 614,937</u>	<u>\$ 60,730</u>	<u>\$ 3,594,390</u>	<u>\$ 79,639</u>
Business-type Activities:					
General obligation bonds	\$ 8,715,000	\$12,145,000	\$ 190,000	\$20,670,000	\$ 730,000
Less: Bond discount	101,030	297,357	22,661	375,726	22,663
Subtotal	<u>8,613,970</u>	<u>11,847,643</u>	<u>167,339</u>	<u>20,294,274</u>	<u>707,337</u>
Compensated absences	23,106	56	-	23,162	1,953
Other post-employment benefits	<u>149,315</u>	<u>29,882</u>	<u>-</u>	<u>179,197</u>	<u>-</u>
Total Business-type Activities	<u>\$ 8,786,391</u>	<u>\$11,877,581</u>	<u>\$ 167,339</u>	<u>\$20,496,633</u>	<u>\$ 709,290</u>

For the year ended December 31, 2013, interest expense on long-term debt was \$416,186. Of this total, \$193,101 was charged to the sewer function as a direct expense on the statement of activities and \$223,085 was capitalized in construction-in-progress as part of the ongoing sewer projects for which the debt was incurred.

NOTE 8 POLICE PENSION FUND

Plan description and provisions:

The Police Pension Fund is a single-employer defined benefit pension plan. The plan is governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to TCG Investment Advisory, Inc.

Plan Membership

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

Active employees	16
Retirees and beneficiaries currently receiving benefits	<u>12</u>
Total	<u>28</u>

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

All full-time members of the Police Force join the plan upon employment. Members who retire at or after age 50 with 25 years of continuous service are eligible for normal retirement and are entitled to 50 percent of the average total monthly compensation during the last 36 months of employment plus a service increment of \$25 per month for each year of service in excess of 25 years but not more than \$100 additional per month.

If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount.

Members are eligible for early retirement after 20 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the accrued normal retirement benefit amount.

An active member is eligible for a disability benefit if the member is totally and permanently disabled in the line of duty. The disability retirement benefit is equal to 50 percent of the member's monthly salary at the time of disability and shall be reduced by any benefits payable under the federal social security laws. If a disabled participant dies before he has received disability benefits in an amount equal to the total contributions made by him to the pension fund, then the unpaid balance shall be paid in a lump sum to his designated beneficiary.

A member becomes 100 percent vested in the benefit accrued after 12 or more years of continued service. Payments continue after the member's death to the surviving spouse, or eligible child, equal to 50 percent of the monthly pension payable to the member at the time of death.

If a member dies before becoming 100 percent vested, then the surviving spouse or eligible child is entitled to receive repayment of all the contributions made by that member into the plan plus interest or other increases to the value of the member's interest in the pension fund.

If a member is killed in service, then the member's widow or eligible child shall receive a monthly benefit equal to 100 percent of the member's salary at the time of death.

Method Used to Value Investments

Investments are reported at fair value.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2013, the carrying amount of the Police Pension Fund's deposits was \$170,235 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

The investment objective of the Police Pension Fund is to maintain a balanced portfolio comprised of equity and fixed income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in mutual funds, which do not have a maturity date.

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

	<u>Fair Value</u>
Domestic equity mutual funds	\$ 3,854,228
International equity mutual funds	621,620
Fixed income mutual funds	2,682,362
Real estate mutual funds	<u>381,505</u>
TOTAL	<u>\$ 7,539,715</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and paid from the General Fund, which is reimbursed as pension investments are liquidated.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent of eligible compensation into the plan during the first nine months of 2013 and zero percent thereafter. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$6,875,791	\$8,657,790	\$1,781,999	79.4%	\$1,716,259	103.8%

The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial Methods and Assumptions

In the January 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2013 was nine years.

NOTE 9 NON-UNIFORMED AND FIREMEN PENSION FUNDS

Plan descriptions and provisions:

The Non-Uniformed and Firemen Pension Funds are single-employer defined benefit pension plans. The plans are governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage plan assets to TCG Investment Advisory, Inc. The assets of both the Non-Uniformed and Firemen Pension Funds are included in one trust fund.

Plan Membership

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED AND FIREMEN PENSION FUNDS (cont'd)

	Non-Uniformed	Fire
Active employees	22	9
Retirees and beneficiaries currently receiving benefits	7	-
Vested terminated members	1	-
Total	30	9

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

Non-Uniformed Employees

All full-time employees (other than police officers) join the plan upon employment. For employees hired prior to January 1, 2006, employees are eligible for normal retirement at or after age 63 with 10 years of continuous service and entitled to 50 percent of the average monthly compensation during the last 36 months of employment. For employees hired on or after January 1, 2006, employees are eligible for normal retirement at or after age 65 with 10 years of continuous service and entitled to 1.5 percent of the average monthly compensation during the last 60 months of employment multiplied by years of service.

If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount.

Members are eligible for early retirement at age 55 with 10 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the accrued benefit amount multiplied by the percentage specified in the plan.

An active member is eligible for a disability benefit if the member is totally and permanently disabled in accordance with the Federal Social Security Act. The disability retirement benefit is equal to the accrued retirement benefit amount and shall commence at the normal retirement date.

For employees hired prior to January 1, 2006, a member becomes 100 percent vested in the benefit accrued after five or more years of continued service. For employees hired on or after January 1, 2006, a member becomes 100 percent vested in the benefit accrued after 10 or more years of continued service. Members who terminate employment for any reason other than retirement, disability, or death shall receive a refund of their contributions plus interest credited at a rate of six percent.

If a member dies prior to retirement, the member's designated beneficiary will receive a lump sum payment equal to the member's contribution plus interest at a rate of six percent.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED AND FIREMEN PENSION FUNDS (cont'd)

Firemen

All full-time employees join the plan upon employment. Employees are eligible for normal retirement at or after age 50 with 25 years of service and entitled to 50 percent of the average monthly compensation during the last 36 months of employment.

If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount.

Members are eligible for early retirement with 20 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the accrued benefit amount multiplied by the percentage specified in the plan.

An active member is eligible for a disability benefit if the member is totally and permanently disabled. The disability retirement benefit is equal to the accrued retirement benefit amount and shall commence at the normal retirement date.

Members become 100 percent vested in the benefit accrued after 12 or more years of continued service. Members who terminate employment for any reason other than retirement, disability, or death shall receive a refund of their contributions plus interest credited at a rate of six percent.

If a member dies prior to retirement, the member's designated beneficiary shall receive a lump sum payment equal to the member's contribution plus interest at a rate of six percent.

Method Used to Value Investments

Investments are reported at fair value.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2013, the carrying amount of the Non-Uniformed and Firemen Pension Funds' deposits was \$182,891 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

The investment objective of the Non-Uniformed and Firemen Pension Funds is to maintain a balanced portfolio comprised of equity and fixed income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in mutual funds, which do not have a maturity date.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED AND FIREMEN PENSION FUNDS (cont'd)

As of December 31, 2013, the Non-Uniformed and Firemen Pension Funds had the following investments:

	Fair Value
Domestic equity mutual funds	\$ 2,914,169
International equity mutual funds	935,690
Fixed income mutual funds	1,260,876
Real estate mutual funds	219,664
TOTAL	\$ 5,330,399

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and paid from the General Fund, which is reimbursed as pension investments are liquidated.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Non-Uniformed employees and the Firemen were required to contribute two percent and five percent, respectively, to the plan during 2013. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows:

<u>Non-Uniformed Pension Fund</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$3,545,828	\$4,530,683	\$984,855	78.3%	\$1,395,699	70.6%

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED AND FIREMEN PENSION FUNDS (cont'd)

Firemen Pension Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$ 745,740	\$1,039,551	\$ 293,811	71.7%	\$ 533,925	55.0%

The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial Methods and Assumptions

Non-Uniformed Pension Fund

In the January 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2013 was nine years.

Firemen Pension Fund

In the January 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2013 was 14 years.

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance and life insurance benefits to eligible retirees. Spouses and other dependents are not covered under the plan. The Board of Supervisors assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of Supervisors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of

EAST WHITELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Supervisors. For fiscal year 2013, the Township contributed \$146,918 to the plan for current premiums, or approximately 15 percent of total premiums. Member contributions are not required under the plan.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

Annual required contribution	\$ 717,060
Interest on net OPEB obligation	132,598
Adjustment to annual required contribution	<u>(180,899)</u>
Annual OPEB cost (expense)	668,759
Contributions made	<u>(146,918)</u>
Increase in net OPEB obligation	521,841
Net OPEB obligation - beginning of year	<u>2,946,640</u>
Net OPEB obligation - end of year	<u>\$ 3,468,481</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2010	\$ -	\$6,967,060	\$6,967,060	0.00%	\$3,436,043	202.8%
1/1/2007	\$ -	\$7,559,573	\$7,559,573	0.00%	\$3,181,233	237.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

In December 2013, the Township created an irrevocable trust to account for contributions to the plan. In addition, the Board authorized a \$1,000,000 contribution to the trust that will be paid in 2014.

Actuarial Methods and Assumptions

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

In the January 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent, reduced by decrements to an ultimate rate of 4.2 percent in 2099 and later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at December 31, 2013 was 24 years.

NOTE 11 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2013:

Tax collection	\$	80,281
Legal	\$	16,162
Engineering	\$	39,726
Police	\$	8,305
Planning and zoning	\$	10,734
Traffic control devices	\$	33,352
Road maintenance and repair	\$	32,262
OPEB trust contributions	\$	1,000,000
Other expenses	\$	2,920
Debt service	\$	42,079

The excess expenditures were covered by actual revenues exceeding budgeted revenues. OPEB trust contributions were budgeted as interfund transfers, and the excess expenditure in this account above is offset by an equal savings in General Fund interfund transfers out.

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 12 FUND BALANCES

As of December 31, 2013, fund balances are composed of the following:

	General Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Deposits	\$ 13,500	\$ -	\$ -	\$ 13,500
Restricted:				
Capital improvement	-	2,424,377	-	2,424,377
Streets and highways	-	-	103	103
Assigned:				
Park development	-	-	324,462	324,462
Public safety	-	-	306	306
Streets and highways	-	-	18,240	18,240
Unassigned	4,977,835	-	-	4,977,835
Total Fund Balances	<u>\$ 4,991,335</u>	<u>\$ 2,424,377</u>	<u>\$ 343,111</u>	<u>\$ 7,758,823</u>

NOTE 13 CONTINGENT LIABILITIES

The Township participates in state and county-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 14 RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages of the 2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 COMMITMENT

The Township anticipates the need for additional borrowing in future years related to its share of the costs for two major sewer projects currently being planned by Tredyffrin Township and the Valley Forge Sewer Authority. Tredyffrin Township is planning to upgrade a major pumping station which accepts flow from East Whiteland Township. In addition, the Valley Forge Sewer Authority is planning a major expansion to its treatment plant which treats all of the waste from East Whiteland Township. The Township's share of the cost for these projects is estimated to be approximately \$15,000,000. As of December 31, 2013, the Township has incurred capitalized costs of \$11,085,242 for these projects.

EAST WHITELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 15 COMMITMENT (cont'd)

The Township is also incurring costs under a number of committed construction contracts. The Township is undertaking a significant renovation to its Mill Lane Pumping Station which includes two committed construction contracts in the total amount of \$3,659,830. As of December 31, 2013, the Township has incurred capitalized costs of \$3,388,759, and the Township's remaining commitment related to these agreements is \$271,071. Additionally, the Township is undertaking a Sewer Main Replacement project, which includes a committed construction contract in the total amount of \$857,230. As of December 31, 2013, the Township has incurred capitalized costs of \$79,430, and the Township's remaining commitment related to this agreement is \$777,800. The Township also has a committed contract related to the design of a new public works building, in the total amount of \$156,400. The Township has incurred capitalized costs of \$48,590 as of December 31, 2013, and the Township's remaining commitment under this contract is \$107,810.

In addition, the Township has incurred costs in the amount of \$1,204,357 for other sewer improvement projects that are not under formal commitments as of December 31, 2013.

NOTE 16 RESTATEMENT OF NET POSITION

The Township has decreased its January 1, 2012 sewer fund and enterprise fund net position by \$120,806 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. In addition, an additional \$26,666 has been charged to expense for 2012, which is comprised of \$40,089 in issuance costs incurred in 2012, net of a \$13,423 reduction in amortization during 2012. The total effect as a result of implementing GASB Statement No. 65 was a decrease to the net position in the amount of \$147,472 as of December 31, 2012.

NOTE 17 RESTRICTED CASH

The Township established and maintains a Sinking Fund held by the paying agent of the General Obligation Bonds, Series of 2013A. The Sinking Fund is in an account segregated from all other funds of the Township, in the name of the Township, but subject to withdrawal only by the paying agent. The Township has covenanted and agreed to deposit in the Sinking Fund, not later than March 1 and September 1 of each year beginning September 1, 2013, the debt service payable on the bonds, on such dates, all as set forth in the Official Statement. As of December 31, 2013, the balance of the Sinking Fund was \$201,785.

NOTE 18 SUBSEQUENT EVENTS

In May of 2014, the East Whiteland Township Volunteer Fire Association ("the Association") issued a \$4,000,000 Guaranteed Fire Association Revenue Note, Series of 2014 to DNB First, National Association ("the Lender") for a planned capital project. The Township simultaneously entered into

EAST WHITELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 18 SUBSEQUENT EVENTS (cont'd)

a guaranty agreement with the Association and Lender to provide for the unconditional guarantee by the Township of the timely payment of the principal of, and interest on, the note and the pledge by the Township of its full faith, credit, and taxing power to discharge all of its obligations under the Guarantee Agreement.

The Township has evaluated all subsequent events through July 28, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST WHITELAND TOWNSHIP
SCHEDULE OF FUNDING PROGRESS - PENSION FUNDS**

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is as follows (for the last three biennial valuation dates):

Actuarial Valuation Date	Pension Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
01/01/13	Police	6,875,791	8,657,790	1,781,999	79.4%	1,716,259	103.8%
	Non-Uniformed	3,545,828	4,530,683	984,855	78.3%	1,395,699	70.6%
	Firemen	745,740	1,039,551	293,811	71.7%	533,925	55.0%
01/01/11	Police	6,395,715	7,204,796	809,081	88.8%	1,690,468	47.9%
	Non-Uniformed	2,758,568	4,145,626	1,387,058	66.5%	1,385,203	100.1%
	Firemen	493,991	884,338	390,437	55.9%	530,853	73.5%
01/01/09	Police	6,255,725	6,302,228	46,503	99.3%	1,804,731	2.6%
	Non-Uniformed	2,137,242	3,398,484	1,261,242	62.9%	1,312,671	96.1%
	Firemen	265,799	658,039	392,260	40.4%	506,425	77.5%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

EAST WHITELAND TOWNSHIP
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

POLICE PENSION FUND

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	98,537	100.0%
2009	76,886	100.0%
2010	58,240	100.0%
2011	138,040	100.0%
2012	121,233	100.0%
2013	226,207	100.0%

NON-UNIFORMED PENSION FUND

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	283,152	100.0%
2009	285,648	100.0%
2010	297,146	100.0%
2011	366,573	100.0%
2012	353,331	100.0%
2013	373,698	100.0%

EAST WHITELAND TOWNSHIP
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES (cont'd)

FIREMEN PENSION FUND

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	71,685	100.0%
2009	71,675	100.0%
2010	73,580	100.0%
2011	79,007	100.0%
2012	78,651	100.0%
2013	82,023	100.0%

EAST WHITELAND TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

POLICE PENSION FUND

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	9 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

NON-UNIFORMED PENSION FUND

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	9 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

EAST WHITELAND TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (cont'd)

FIREMEN PENSION FUND

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	14 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

**EAST WHITELAND TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES
DECEMBER 31, 2013**

	Street Light Fund	State Fund	Park Development Fund	DARE Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 18,385	\$ 103	\$ 324,462	\$ 306	\$ 343,256
Due from other funds	102	-	-	-	102
Accounts receivable	352	-	-	-	352
TOTAL ASSETS	<u>\$ 18,839</u>	<u>\$ 103</u>	<u>\$ 324,462</u>	<u>\$ 306</u>	<u>\$ 343,710</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 599	-	-	-	\$ 599
Total Liabilities	<u>599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599</u>
FUND BALANCES:					
Restricted	-	103	-	-	103
Assigned	18,240	-	324,462	306	343,008
Total Fund Balances	<u>18,240</u>	<u>103</u>	<u>324,462</u>	<u>306</u>	<u>343,111</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,839</u>	<u>\$ 103</u>	<u>\$ 324,462</u>	<u>\$ 306</u>	<u>\$ 343,710</u>

EAST WHITELAND TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Street Light Fund	State Fund	Park Development Fund	DARE Fund	Totals
REVENUES:					
Investment earnings	\$ 5	\$ 36	\$ 109	\$ -	\$ 150
Intergovernmental revenues	-	244,905	-	-	244,905
Charges for services	10,713	-	-	-	10,713
Total Revenues	10,718	244,941	109	-	255,768
EXPENDITURES:					
Public safety	-	-	-	1,091	1,091
Public works - highways and streets	7,185	-	-	-	7,185
Total Expenditures	7,185	-	-	1,091	8,276
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,533	244,941	109	(1,091)	247,492
OTHER FINANCING USES:					
Interfund transfers out	-	(244,948)	-	-	(244,948)
Total Other Financing Uses	-	(244,948)	-	-	(244,948)
NET CHANGE IN FUND BALANCES	3,533	(7)	109	(1,091)	2,544
FUND BALANCES, BEGINNING OF YEAR	14,707	110	324,353	1,397	340,567
FUND BALANCES, END OF YEAR	\$ 18,240	\$ 103	\$ 324,462	\$ 306	\$ 343,111

**EAST WHITELAND TOWNSHIP
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Non-Uniformed and Firemen Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 182,891	\$ 170,235	-	\$ 353,126
Due from other funds	-	-	1,000,000	1,000,000
Investments:				
Mutual funds	<u>5,330,399</u>	<u>7,539,715</u>	<u>-</u>	<u>12,870,114</u>
TOTAL ASSETS	<u>\$ 5,513,290</u>	<u>\$ 7,709,950</u>	<u>\$ -</u>	<u>\$ 14,223,240</u>
LIABILITIES AND NET POSITION				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
NET POSITION				
Restricted for pension benefits	<u>5,513,290</u>	<u>7,709,950</u>	<u>-</u>	<u>13,223,240</u>
Restricted for other post employment benefits	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,513,290</u>	<u>\$ 7,709,950</u>	<u>\$ 1,000,000</u>	<u>\$ 14,223,240</u>

**EAST WHITELAND TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Non-Uniformed and Firemen Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS				
Contributions:				
State aid	\$ 65,120	\$ 226,207	\$ -	\$ 291,327
Employer contribution	390,601	-	1,000,000	1,390,601
Employee contribution	90,656	89,547	-	180,203
Total Contributions	<u>546,377</u>	<u>315,754</u>	<u>1,000,000</u>	<u>1,862,131</u>
Investment income:				
Net realized/unrealized gain on investments	804,166	1,055,068	-	1,859,234
Net Investment Income	<u>804,166</u>	<u>1,055,068</u>	<u>-</u>	<u>1,859,234</u>
TOTAL ADDITIONS	<u>1,350,543</u>	<u>1,370,822</u>	<u>1,000,000</u>	<u>3,721,365</u>
DEDUCTIONS				
Benefits paid	100,212	481,880	-	582,092
Administrative expenses	20,501	36,197	-	56,698
TOTAL DEDUCTIONS	<u>120,713</u>	<u>518,077</u>	<u>-</u>	<u>638,790</u>
CHANGE IN PLAN NET POSITION	1,229,830	852,745	1,000,000	3,082,575
NET POSITION, BEGINNING OF YEAR	<u>4,283,460</u>	<u>6,857,205</u>	<u>-</u>	<u>11,140,665</u>
NET POSITION, END OF YEAR	<u>\$ 5,513,290</u>	<u>\$ 7,709,950</u>	<u>\$ 1,000,000</u>	<u>\$ 14,223,240</u>

INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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July 28, 2014

Board of Supervisors
East Whiteland Township
Frazer, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of East Whiteland Township, Frazer, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise East Whiteland Township's basic financial statements, and have issued our report thereon dated July 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Whiteland Township's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Whiteland Township's internal control. Accordingly, we do not express an opinion on the effectiveness of East Whiteland Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item #07-3 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Supervisors
East Whiteland Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Whiteland Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Whiteland Township's Response to the Finding

East Whiteland Township's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. East Whiteland Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

EAST WHITELAND TOWNSHIP
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

CASH RECEIPTS - SEGREGATION OF DUTIES

07-3 Finding

During a previous year audit, we noted that the same accounting clerk opens sewer payments received in the mail, prepares the checks for deposit, prepares the deposit ticket, and posts the payments to the customer's account. Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected. This condition was the result of management oversight.

Recommendation

We recommended that, in order to strengthen internal controls, these duties be segregated. The Township should have the receptionist open the mail and prepare a list of payments received. The accounting clerk then would post the payments to the customer's account, with another individual being responsible for preparing the deposit slip and comparing it to the list of payments prepared by the receptionist.

Status

We noted that, due to staff size limitations, the Township was unable to institute an effective solution to this finding. This finding is still applicable for the current year.

Corrective Action Plan

The Township has evaluated its current position and has revised procedures during 2014 in response to this recommendation. The Township as of May of 2014 separated the posting of payments from the preparation of the checks for deposit and the preparation of the deposit ticket. Additionally, the individual who prepares the deposit maintains a separate listing of payments, which is reconciled to the billing system by an individual other than the person posting payments.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.