

WARWICK TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2013

WARWICK TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Warwick Township
Jamison, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warwick Township, Bucks County, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. We did not audit the financial statements of Warwick Township Water and Sewer Authority, whose statements reflect total assets of \$42,738,903, deferred outflows of resources of \$204,506, and total revenues of \$4,170,985 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar, as it relates to the amounts included for that component unit, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Warwick Township, Pennsylvania, as of December 31, 2013 and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the budgetary comparison information on pages 25 through 27, and the historical trend information on pages 61 through 63 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 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 the Township of Warwick's, Bucks County, Pennsylvania, financial statements as a whole. The combining and individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

June 16, 2014

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

This narrative overview and analysis of the financial statements of Warwick Township, Bucks County, Pennsylvania (the Township) for the calendar year ended December 31, 2013 has been prepared by the Finance Director. The discussion and analysis of the Warwick Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 16.

This analysis only relates to the primary government, Warwick Township. For a discussion of the Township's component unit, see the financial statements for the Warwick Township Water and Sewer Authority.

Warwick Township is a Township of the Second Class under Pennsylvania law. The governing body of the Township is the Board of Supervisors comprised of three (3) members, who are elected at large and serve six (6) year staggered terms. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various boards and commissions.

Financial Highlights of 2013 and Comparative Analysis with 2012

From the perspective of Full Accrual Reporting

The government-wide financial statements report information about the Township as a whole using the economic resources measurement focus and full accrual basis of accounting. Using this reporting, the following highlights the Township's financial position:

- The assets of Warwick Township exceeded its liabilities at the close of the most recent fiscal year by \$17,374,764 (*net position*). Of this amount, \$6,044,929 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors. Compared to 2012, unrestricted net position increased by \$1,454,491.
- Real estate, transfer tax and earned income tax, the major revenue sources, were 95% of general revenues in both years. While real estate and transfer taxes were slightly less in 2013, earned income tax revenues were \$300,997 higher, due to both increased cash collections under Act 32, and an improving jobs market. Program expenses were \$105,800 lower due to reduced benefit costs negotiated in labor contracts, offset by payments made to buy out post retirement employment benefits.
- \$8,038,707 of net position is invested in capital assets, net of related debt.
- \$3,291,128 is restricted for:
 - Highways and streets
 - Firehouse equipment
 - Culture and recreation
 - Open space
 - Debt service
 - Capital activity
- Warwick Township's total net position increased by \$2,081,095.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

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From the perspective of Modified Accrual Reporting

The fund financial statements provide more detailed information about the Township's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

As of the close of the current fiscal year, Warwick Township's governmental funds reported combined ending fund balances of \$10,284,885 an increase of \$1,028,988 in comparison with the prior year.

Overview of the Financial Statements. This discussion and analysis is intended to serve as an introduction to Warwick Township's basic financial statements. The Township's basic financial statements are comprised of four components:

- ***Government-wide financial statements***, which provide both long-term and short-term information about the Township's overall financial condition.
- ***Fund financial statements***, which provide a detailed look at major individual portions, or funds, of the Township.
- ***Notes to the financial statements***, which explain some of the information contained in the financial statements and provide detailed data.
- ***Other supplementary information***, which further explains and supports the information in the financial statements, is also included.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Warwick Township's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all Township assets and liabilities, with differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Both of the government-wide financial statements distinguish functions of Warwick Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Warwick Township include general government, codes and planning, police and emergency services, public works, and culture and recreation.

The government-wide financial statements include Warwick Township itself (known as the *primary government*) and a component unit, Warwick Township Water and Sewer Authority. Warwick Fire Company, previously a component unit to these statements will have an independent external audit performed which will be submitted to the Township and then be available to the public for inspection.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities' objectives. Warwick Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Warwick Township maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and other major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Warwick Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with the budgets.

- **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Warwick Township's own programs. The fiduciary funds are presented using the accrual method of accounting.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Warwick Township, assets exceeded liabilities by \$17,374,764 at the close of 2013.

	<u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 12,149,525	\$ 11,113,861	\$ 8,509,909	\$ 8,161,405	\$ 20,659,434	\$ 19,275,266
Capital assets	15,651,134	15,646,284	34,228,994	34,690,330	49,880,128	50,336,614
Total Assets	<u>27,800,659</u>	<u>26,760,145</u>	<u>42,738,903</u>	<u>42,851,735</u>	<u>70,539,562</u>	<u>69,611,880</u>
Total deferred outflows of resources	<u>57,733</u>	<u>61,857</u>	<u>204,506</u>	<u>-</u>	<u>262,239</u>	<u>61,857</u>
Long-term liabilities	8,039,810	9,037,442	6,325,677	6,273,537	14,365,487	15,310,979
Other liabilities	2,443,818	2,490,891	1,202,676	1,151,487	3,646,494	3,642,378
Total Liabilities	<u>10,483,628</u>	<u>11,528,333</u>	<u>7,528,353</u>	<u>7,425,024</u>	<u>18,011,981</u>	<u>18,953,357</u>
Net Position						
Invested in capital assets, net of debt	8,038,707	7,367,348	27,633,317	28,140,645	35,672,024	35,507,993
Restricted	3,291,128	3,335,883	4,252,863	4,214,433	7,543,991	7,550,316
Unrestricted	6,044,929	4,590,438	3,528,876	3,071,633	9,573,805	7,662,071
Total Net Position	<u>\$ 17,374,764</u>	<u>\$ 15,293,669</u>	<u>\$ 35,415,056</u>	<u>\$ 35,426,711</u>	<u>\$ 52,789,820</u>	<u>\$ 50,720,380</u>

At the end of the current fiscal year, Warwick Township is able to report a positive balance in the category of *net position* for the government as a whole. For the Governmental Activities, the increase in current and other assets was the result of higher cash balances in 2013. The decrease in long-term liabilities was due to the repayment of debt.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

The following chart shows the revenues and expenses of the governmental activities and component unit business-type activities:

	<u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,187,218	\$ 1,263,526	\$ 3,555,770	\$ 3,194,677	\$ 4,742,988	\$ 4,458,203
Operating grants and contributions	695,712	712,983	-	-	695,712	712,983
Capital grants and contributions	22,050	22,637	89,953	83,140	112,003	105,777
General revenues						
Property taxes	3,197,133	3,226,929	-	-	3,197,133	3,226,929
Other taxes	3,783,165	3,473,986	-	-	3,783,165	3,473,986
Grants and contributions not restricted to specific programs	26,406	900	-	-	26,406	900
Investment income	33,445	46,171	23,100	21,735	56,545	67,906
Gain (loss) on sale/retirement of assets	1,250	4,300	-	-	1,250	4,300
Miscellaneous	59,449	80,001	174,068	165,898	233,517	245,899
Total Revenues	<u>9,005,828</u>	<u>8,831,433</u>	<u>3,842,891</u>	<u>3,465,450</u>	<u>12,848,719</u>	<u>12,296,883</u>
EXPENSES						
General government	2,442,269	2,227,336	-	-	2,442,269	2,227,336
Codes and planning	423,311	399,500	-	-	423,311	399,500
Police and emergency service	2,341,559	2,780,265	-	-	2,341,559	2,780,265
Public works	1,112,948	1,041,839	-	-	1,112,948	1,041,839
Culture and recreation	604,646	610,853	-	-	604,646	610,853
Water and sewer	-	-	4,040,320	4,055,494	4,040,320	4,055,494
Total Expenses	<u>6,924,733</u>	<u>7,059,793</u>	<u>4,040,320</u>	<u>4,055,494</u>	<u>10,965,053</u>	<u>11,115,287</u>
Change in Net Position	2,081,095	1,771,640	(197,429)	(590,044)	1,883,666	1,181,596
Net Position - Beginning (restated)	<u>15,293,669</u>	<u>13,522,029</u>	<u>35,284,391</u>	<u>35,995,058</u>	<u>50,578,060</u>	<u>49,517,087</u>
Net Position - Ending	<u>\$ 17,374,764</u>	<u>\$ 15,293,669</u>	<u>\$ 35,086,962</u>	<u>\$ 35,405,014</u>	<u>\$ 52,461,726</u>	<u>\$ 50,698,683</u>

Revenues increased \$174,395 in 2013 due mostly to an increase of \$300,997 in earned income tax collections under Act 32, offset by slightly lower program revenues, property taxes and investment income. Capital contributions include a \$17,000 right-of-way payment received from PADOT in connection with the Route 263 Project. Charges for services (public safety) revenues decreased \$40,670 from the prior year, mainly due to less building permits issued, as there were less lots available to be built out.

Expenses decreased \$135,060 in 2013 due mainly to lower Police and Emergency Service expenses. A new Collective Bargaining Agreement with the Police Benevolent Association was signed in 2013, providing changes in healthcare and pay scales for new officers. One new officer was hired replacing a retired officer. General government expenses are higher due to an incentive program initiated to buy out post-retirement health obligations for police. Though adding to current year expenditures, changes obtained in the renegotiated labor contracts, the pension, and OPEB will assist with managing exponential costs in the benefits areas, for the long term financial sustainability of the Township.

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Financial Analysis of the Government's Funds

Warwick Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At the end of the current fiscal year, Warwick Township's governmental funds reported combined ending fund balances of \$10,284,885. Of the total, \$4,771,781 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been reserved for other Township projects, purchases, and contractual obligations, repayment of debt service, or taxes levied and collected for specific purposes, per the Second Class Township Code.

General Fund

The *General Fund* is the chief operating fund of Warwick Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,816,022, while total fund balance reached \$6,673,881. The fund balance of the General Fund increased by \$987,374 during the fiscal year 2013.

General Fund Budgetary Highlights and 2013-2012 Comparisons

General Fund revenues exceeded budgeted revenues by \$698,275. Impacting revenues were increased Earned Income Taxes (EIT), Charges for Services, transfer taxes and building permits. The increase in actual to budgeted amount was ten percent.

The Township general fund expenditures were lower than budgeted by \$500,061. Legal counsel costs were \$52,808 less than budgeted for labor contract negotiations with management staff performing the majority of the work for negotiations. Savings of \$94,565 were achieved by changing health plans. Salary expense was lower than budgeted due mainly to three disabled employees whose salaries were paid by disability insurance. It is anticipated that these savings are not long term and should not be looked at to readjust the upcoming year's budget. The incentive program costs to buy out OPEB (Other Postemployment Benefits) were already budgeted, via a Board of Supervisors Resolution to commit funds for the Net OPEB Obligation (Resolution 2012-17).

Projecting Forward

The economy is expected to grow at a slower pace in 2014. The financial markets continue to improve, although a rise in interest rates could have an adverse effect. The job market is improving, but wage growth is small. We will continue to conservatively budget real estate and earned income tax, our major revenue sources, at close to 2013 levels. We anticipate higher

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

permit revenue as commercial development in the Township business corridor moves through the land development process.

Collective Bargaining Agreements with the Police Benevolent Association and Maintenance Workers, expiring in 2016, will lower the benefit expenses for new hires in the areas of paid time off, deferred compensation costs, and slower salary scale increases. Health care costs will increase due to Obamacare (Affordable Care Act) provisions. The Township amended the Non-Uniform Pension Plan in 2013 to change from a Defined Benefit Pension Plan to a Defined Contribution Pension Plan for new hires. Pension funding continues to be a major financial obligation for the Township for the foreseeable future. The Township also will commit funds for the Net Annual OPEB Obligation.

Resident demands for services will remain high and possibly increase as the infrastructure continues to age. The road program for 2014 is budgeted to cost \$430,000.

Capital projects planned include purchase of two Township vehicles, HVAC unit replacement, generator, Police radio equipment, CCTV upgrade (two year project), and Public Works infrastructure projects. Some of these projects were deferred for years and have become a priority due to the safety of the residents and visitors. Funding of \$221,800 will come from the General Fund expenditures.

Capital Projects Fund

Capital projects were covered by general fund and capital reserve fund monies, transferred for the purpose of completing capital projects or making capital purchases.

For 2013, the capital projects included:

- Guinea Lane Pond Project (multiyear project)
- Pickleball courts
- Spraypool improvements
- Basin Naturalization – ongoing project that anticipates naturalization of basins and open space areas
- Park & Recreation program registration software
- Generator
- Two truck lease and backhoe lease payments for Public Works
- Four police vehicles
- Five body armor vests
- Police video camera system
- Administration vehicle
- Carpet replacement in Administration Department
- HVAC unit replacements

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Capital Asset and Debt Administration

Capital Assets: Warwick Township's investment in capital assets for governmental activities as of December 31, 2013 amounts to \$8,038,707 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and building improvements, vehicles, machinery and equipment. Capital asset additions during the year consisted of various department vehicle and equipment purchases and infrastructure improvements to the Guinea Lane Pond, pickleball courts, and the spraypool. Budgeted open space acquisitions were partially completed in 2013 with the Atkinson Century Farm remaining for settlement in 2014. This conservation easement will be done through a state grant, the county grant, and local tax dollars. The Township has now used all of its allocated County Open Space funding.

For the purpose of Financial Statement Capital Assets, open space easements are considered an asset. In practice, these properties, while valuable for the community as a whole, have no resale value since they are not owned by the Township.

	Beginning Balance <u>1/1/13</u>	Net Additions (Deletions) <u>2013</u>	Ending Balance <u>12/31/13</u>
Non-Depreciable Assets			
Land	\$ 10,439,092	\$ -	\$ 10,439,092
Other Capital Assets			
Buildings and improvements	3,965,264	12,993	3,978,257
Machinery and equipment	1,125,959	86,444	1,212,403
Vehicles	609,775	62,935	672,710
Infrastructure	2,793,554	94,079	2,887,633
Less: accumulated depreciation on capital assets	<u>(3,287,360)</u>	<u>(251,601)</u>	<u>(3,538,961)</u>
Totals	<u>\$ 15,646,284</u>	<u>\$ 4,850</u>	<u>\$ 15,651,134</u>

Outstanding Debt as of December 31, 2013

Long term debt and interest scheduled to be paid by 2027, totals \$5,290,000 for bonds, \$2,190,280 for notes, and \$132,146 for capital leases. More information and schedules of payment can be found on pages 46-47.

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MANAGEMENT DISCUSSION AND ANALYSIS

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Revenues (Modified Accrual)

The 2013-2012 Budget comparatives of tax mills assessed

	<u>2013 mills</u>	<u>2012 mills</u>
General Fund	8.75	8.75
Parks and Recreation	1.50	1.50
Fire Protection	0.75	0.75
Road Machinery	0.25	0.25
General Obligation	4.00	4.00
Total	<u>15.25</u>	<u>15.25</u>

Revenues in the General Fund (Modified Accrual)

The highest source of revenues for the General Fund remains the 0.5% earned income tax that it receives from taxpayers. This figure increased in 2013 due in part to a change in cash flow of collections with the new Tax Collector under Act 32, and also due to an improved employment environment. Real estate tax, the second largest source of income, is stabilizing, as the housing market improves. We are beginning to see an uptick in new construction.

Trends in Income

EIT and Real Estate income and transfer taxes are anticipated to stabilize at current levels as the economy grows at a slow pace. The lack of funds at the State and Federal government level impact programs which local government relies on for income. Fees for service continue to be increasingly significant to the overall income, allowing the Township to defer any tax increases. The Township business corridor growth will help improve this outlook with collections from businesses increasing as the business and industrial areas develop. The trend is toward business and industrial with some minor residential subdivisions. There are three commercial projects, an industrial project and some residential development at various stages in the land development process, that appear to be on track to be developed in the next few years.

Expenditures in the General Fund (Modified Accrual)

The general fund expenditures for 2013 were \$5,806,787 compared with expenditure of \$5,581,238 in 2012. Increases in expenditures were due to incentive payments to retired officers to buy out post-retirement health insurance obligations and to employees to switch from the defined benefit pension to a newly designed defined contribution pension. These incentive programs were enacted in an effort to manage the future obligations of the Township, and will save money in the long run. New non-uniform employees will enter the defined contribution pension plan.

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MANAGEMENT DISCUSSION AND ANALYSIS

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Trends in Expenditures

- Labor contracts, for both Police and Maintenance Employees were re-negotiated in 2011 and 2013 providing the Township continued savings over the life of the contracts through to 2016. The Non-Uniform Pension Plan was amended in 2013 to provide a defined contribution benefit for new employees, which will reduce the uncertainty in future pension obligation for those employees.
- Road and infrastructure maintenance costs will continue to be a high cost and high priority item, along with police services. The aging infrastructure will be a priority for repair and replacement to assure public safety. Maintenance needs of all Township owned buildings will increase due to aging of property.
- An exceptionally harsh winter will result in greater than usual storm and road expenses for 2014. This is not an area that can be forecasted year to year.
- Federally mandated narrow band radios were initially required for 2013. While the requirement was lifted by the Federal Government, the County is moving forward with the project. The cost to Warwick Township is \$211,093 financed through the County with a 1.5% loan, with payments due starting July, 2016. New storm water and TMDL requirements from the DEP and EPA increase costs of maintaining the ponds. The Guinea Lane Park Pond Project was completed in 2013.

Looking Forward

The Township has managed to build a sound fund balance, adhering to policies to weather the cyclical economic downturns. Moderate growth will continue in 2014 and may level off over the next few years. Operating expenses are expected to increase slightly over the next few years, including infrastructure maintenance projects and wage and benefit costs.

The Township property tax rate remains at 15.25 mills for 2014, but .25 mills is being appropriated from General to Debt Service Fund, to cover the debt incurred to purchase federally mandated Police narrow band radios.

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Large residential land development projects for 2014 include Ridings at Warwick, and Heritage Creek Golf Course Community. Phase I homes in the HCGC project have all been sold, and Phase II, Part 2 is beginning. The development of the fifty acre Moland Park, dedicated to the Township in 2012, relies on the access to it which will occur with Phase II, Part 2 of the HCGC project. Initial DEP and other permits have been applied for. Minor subdivisions are also being presented for development.

PADOT started a full reconstruction project in 2014 which anticipates full depth reclamation with some roadway improvements for the entire York Road corridor. The project is scheduled to be a multi-year project. Other projects in the York Road corridor nearing completion or going through land development include: Warwick Village Commons (Wawa), the expansion of the Meyer Warehouse storage units, and Bridges at Warwick. There is also some redevelopment of older business properties underway.

Request for Information

The financial report is designed to provide a general overview of the Township's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Warwick Township, 1733 Township Greene, Jamison, PA 18929 or through the Right To Know Act by completing a form on the Township website at www.warwick-bucks.org or coming in person to the Township offices to complete the request. All requests will be handled within the guideline of the right to know law.

WARWICK TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2013

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Water & Sewer</u>
	<u>Activities</u>	<u>Authority</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 8,592,259	\$ 1,695,037
Investments	1,275,208	-
Receivables	1,349,386	871,076
Due from others	2,497	-
Other assets	3,762	110,803
Temporarily restricted assets:		
Cash and cash equivalents	791,675	5,832,993
Net pension asset	134,738	-
Land	10,439,092	551,571
Construction in progress	-	1,079,521
Other capital assets (net of accumulated depreciation)	5,212,042	32,597,902
Total Assets	<u>27,800,659</u>	<u>42,738,903</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Unamortized deferred loss on refunding	57,733	204,506
Total deferred outflows	<u>57,733</u>	<u>204,506</u>
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	186,347	312,890
Accrued interest payable	52,974	78,054
Developers escrow payable	791,675	148,952
Due to others	738,044	-
Unearned revenue	-	392,780
Non-current liabilities:		
Due within one year	674,778	270,000
Due after one year	8,039,810	6,325,677
Total Liabilities	<u>10,483,628</u>	<u>7,528,353</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	8,038,707	27,633,317
Restricted for:		
Highways and streets	523,739	-
Firehouse equipment	767,374	-
Culture and recreation	1,240,930	-
Open space	98,367	-
Debt service	211,460	517,754
Capital activity	449,258	3,735,109
Unrestricted	6,044,929	3,528,876
Total Net Position	<u>\$ 17,374,764</u>	<u>\$ 35,415,056</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	<u>Governmental Activities</u>			
	<u>Total Primary Government</u>	<u>General Government</u>	<u>Codes & Planning</u>	<u>Police and Emergency Services</u>
Expenses:				
Program expenses	\$ 6,326,728	\$ 2,088,538	\$ 423,311	\$ 2,311,341
Depreciation	338,135	93,861	-	30,218
Interest on debt	259,870	259,870	-	-
Total Expenses	<u>6,924,733</u>	<u>2,442,269</u>	<u>423,311</u>	<u>2,341,559</u>
Program Revenues:				
Charges for services	1,187,218	323,743	595,331	69,971
Operating grants and contributions	695,712	212,805	-	152,393
Capital grants and contributions	22,050	-	-	-
Total Program Revenues	<u>1,904,980</u>	<u>536,548</u>	<u>595,331</u>	<u>222,364</u>
Net (Expense) Revenue	(5,019,753)	(1,905,721)	172,020	(2,119,195)
General Revenues:				
Taxes:				
Real estate	3,197,133			
Transfer	488,932			
Earned income tax	3,039,023			
Local service tax	198,817			
Admissions tax	56,393			
Grants and contributions not restricted to specific programs	26,406			
Investment earnings	33,445			
Miscellaneous	59,449			
Gain on sale of capital assets	1,250			
Total General Revenues	<u>7,100,848</u>			
Change in Net Position	2,081,095			
Net Position - Beginning	<u>15,293,669</u>			
Net Position - Ending	<u>\$ 17,374,764</u>			

		Component Unit	
Public Works	Culture & Recreation	Water & Sewer Authority	
\$ 915,351	\$ 588,187	\$ 2,473,187	
197,597	16,459	1,398,558	
<u>-</u>	<u>-</u>	<u>168,575</u>	
<u>1,112,948</u>	<u>604,646</u>	<u>4,040,320</u>	
-	198,173	3,555,770	
330,514	-	328,094	
<u>-</u>	<u>22,050</u>	<u>89,953</u>	
<u>330,514</u>	<u>220,223</u>	<u>3,973,817</u>	
(782,434)	(384,423)	(66,503)	
		-	
		-	
		-	
		-	
		-	
		-	
		23,100	
		174,068	
		<u>-</u>	
		<u>197,168</u>	
		130,665	
		<u>35,284,391</u>	
		<u>\$ 35,415,056</u>	

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP

BALANCE SHEET

December 31, 2013

	<u>General</u>	<u>Firehouse Equipment</u>	<u>Park & Recreation</u>	<u>Park & Recreation Capital</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,853,586	\$ 802,268	\$ 374,092	\$ 1,199,501
Investments	1,275,208	-	-	-
Receivables				
Taxes	602,061	2,170	4,341	-
Accounts	4,580	-	-	-
Prepaid expenses	3,762	-	-	-
Due from other funds	88,719	116	232	588
Due from others	2,497	-	-	-
Cash - restricted	791,675	-	-	-
Total Assets	<u>\$ 7,622,088</u>	<u>\$ 804,554</u>	<u>\$ 378,665</u>	<u>\$ 1,200,089</u>
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 139,491	\$ 35,694	\$ 5,644	\$ 3,400
Due to other funds	1,006	112	9,513	-
Developers escrows payable - restricted	791,675	-	-	-
Total Liabilities	<u>932,172</u>	<u>35,806</u>	<u>15,157</u>	<u>3,400</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	16,035	1,374	2,749	-
Total deferred inflows of resources	<u>16,035</u>	<u>1,374</u>	<u>2,749</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable - prepaid items	3,762	-	-	-
Restricted for:				
Highways and streets	98,097	-	-	-
Firehouse equipment	-	767,374	-	-
Culture and recreation	-	-	-	1,240,930
Open space	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Emergency reserve	1,065,673	-	-	-
Other post-employment benefits	690,327	-	-	-
Culture and recreation	-	-	360,759	-
Assigned to:				
Capital projects	-	-	-	-
Unassigned:	4,816,022	-	-	(44,241)
Total Fund Balances	<u>6,673,881</u>	<u>767,374</u>	<u>360,759</u>	<u>1,196,689</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,622,088</u>	<u>\$ 804,554</u>	<u>\$ 378,665</u>	<u>\$ 1,200,089</u>

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 207,190	\$ 1,155,622	\$ 8,592,259
-	-	1,275,208
11,576	724	620,872
-	-	4,580
-	-	3,762
619	39	90,313
-	-	2,497
-	-	791,675
<u>\$ 219,385</u>	<u>\$ 1,156,385</u>	<u>\$ 11,381,166</u>
\$ -	\$ 2,118	\$ 186,347
595	79,087	90,313
-	-	791,675
<u>595</u>	<u>81,205</u>	<u>1,068,335</u>
<u>7,330</u>	<u>458</u>	<u>27,946</u>
<u>7,330</u>	<u>458</u>	<u>27,946</u>
-	-	3,762
-	425,642	523,739
-	-	767,374
-	-	1,240,930
-	98,367	98,367
211,460	-	211,460
-	449,258	449,258
-	-	1,065,673
-	-	690,327
-	-	360,759
-	101,455	101,455
-	-	4,771,781
<u>211,460</u>	<u>1,074,722</u>	<u>10,284,885</u>
<u>\$ 219,385</u>	<u>\$ 1,156,385</u>	<u>\$ 11,381,166</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

For the Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 16)
are different because:

Total fund balances--total governmental funds (page 19-20)	\$	10,284,885
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Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	19,190,095	
Accumulated depreciation	<u>(3,538,961)</u>	15,651,134

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred revenues
in the governmental funds and thus are not included in fund balance.

886,617

Governmental funds report the effect of issuance costs, premiums, discounts,
and similar items when debt is first issued. This amount is the net effect
of the treatment of long-term debt and related items.

Unamortized deferred loss on refunding	<u>57,733</u>	57,733
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Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Bonds payable	(5,290,000)	
Notes payable	(2,190,280)	
Leases payable	(132,146)	
Interest payable	(52,974)	
Due to others	(738,044)	
Net postemployment benefits obligation	(690,327)	
Compensated absences	<u>(411,834)</u>	<u>(9,505,605)</u>

Net position of governmental activities (page 16)	\$	<u>17,374,764</u>
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The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

	<u>General</u>	<u>Firehouse Equipment</u>	<u>Park & Recreation</u>	<u>Park & Recreation Capital</u>
Revenues				
Taxes:				
Real estate	\$ 1,939,646	\$ 166,459	\$ 332,585	\$ -
Transfer	488,932	-	-	-
Earned income tax	2,938,487	-	-	-
Local services tax	198,817	-	-	-
Admissions tax	56,393	-	-	-
Fees, licenses and permits	345,267	-	-	-
Investment income and rent	69,372	2,671	1,190	3,736
Intergovernmental revenues	386,405	-	-	-
Fines and forfeitures	57,101	-	-	-
Charges for services	586,677	-	198,173	-
Other	<u>37,392</u>	<u>-</u>	<u>22,050</u>	<u>-</u>
Total Revenues	<u>7,104,489</u>	<u>169,130</u>	<u>553,998</u>	<u>3,736</u>
Expenditures				
Current:				
General government	799,950	2,903	5,800	-
Public safety	2,888,709	245,144	-	-
Highways and streets	809,755	-	-	-
Culture and recreation	4,765	-	534,224	-
Employee benefits, insurance, and other	1,303,608	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal agent fees	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,795</u>
Total Expenditures	<u>5,806,787</u>	<u>248,047</u>	<u>540,024</u>	<u>90,795</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,297,702</u>	<u>(78,917)</u>	<u>13,974</u>	<u>(87,059)</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	1,250	-	-	-
Transfers in	522	-	-	-
Transfers out	<u>(312,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(310,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	987,374	(78,917)	13,974	(87,059)
Fund Balance - Beginning	<u>5,686,507</u>	<u>846,291</u>	<u>346,785</u>	<u>1,283,748</u>
Fund Balance - Ending	<u>\$ 6,673,881</u>	<u>\$ 767,374</u>	<u>\$ 360,759</u>	<u>\$ 1,196,689</u>

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 887,453	\$ 55,486	\$ 3,381,629
-	-	488,932
-	-	2,938,487
-	-	198,817
-	-	56,393
-	-	345,267
1,256	2,822	81,047
-	310,168	696,573
-	-	57,101
-	-	784,850
-	-	59,442
<u>888,709</u>	<u>368,476</u>	<u>9,088,538</u>
15,476	-	824,129
-	-	3,133,853
-	107,836	917,591
-	-	538,989
-	-	1,303,608
588,360	78,150	666,510
236,578	7,490	244,068
250	-	250
-	341,007	431,802
<u>840,664</u>	<u>534,483</u>	<u>8,060,800</u>
<u>48,045</u>	<u>(166,007)</u>	<u>1,027,738</u>
-	-	1,250
-	332,100	332,622
-	(20,522)	(332,622)
<u>-</u>	<u>311,578</u>	<u>1,250</u>
48,045	145,571	1,028,988
163,415	929,151	9,255,897
<u>\$ 211,460</u>	<u>\$ 1,074,722</u>	<u>\$ 10,284,885</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

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

For the Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities (page 17-18)
are different because:

Net change in fund balances--total governmental funds (page 22-23)	\$ 1,028,988
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	342,985	
Depreciation expense	<u>(338,135)</u>	4,850

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	75,021
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of debt	666,509	
Amortization of premiums, discounts, refundings	(4,124)	
Due to others	79,944	
Interest payable	<u>4,049</u>	746,378

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension asset	(8,847)	
Net postemployment benefits obligation	206,127	
Compensated absences	<u>28,578</u>	<u>225,858</u>

Change in net position of governmental activities (pages 17-18)	<u>\$ 2,081,095</u>
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The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2013

	<u>GENERAL FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate	\$ 1,925,800	\$ 1,925,800	\$ 1,939,646	\$ 13,846
Transfer	430,000	430,000	488,932	58,932
Earned income tax	2,625,000	2,625,000	2,938,487	313,487
Local service tax	150,000	150,000	198,817	48,817
Admissions tax	25,000	25,000	56,393	31,393
Fees, licenses and permits	270,700	270,700	345,267	74,567
Interest and rent	68,320	68,320	69,372	1,052
Intergovernmental revenues	346,294	346,294	386,405	40,111
Fines and forfeitures	61,600	61,600	57,101	(4,499)
Charges for services	493,500	493,500	586,677	93,177
Other	10,000	10,000	37,392	27,392
Total Revenues	<u>6,406,214</u>	<u>6,406,214</u>	<u>7,104,489</u>	<u>698,275</u>
Expenditures				
Current				
General government	943,454	943,454	799,950	(143,504)
Public safety	3,100,574	3,100,574	2,888,709	(211,865)
Highways and streets	858,050	858,050	809,755	(48,295)
Culture and recreation	11,000	11,000	4,765	(6,235)
Employee benefits, insurance, and other	1,393,770	1,393,770	1,303,608	(90,162)
Total Expenditures	<u>6,306,848</u>	<u>6,306,848</u>	<u>5,806,787</u>	<u>(500,061)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>99,366</u>	<u>99,366</u>	<u>1,297,702</u>	<u>1,198,336</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	23,500	23,500	1,250	(22,250)
Transfers in	500	500	522	22
Transfers out	(383,100)	(383,100)	(312,100)	71,000
Total Other Financing Sources (Uses)	<u>(359,100)</u>	<u>(359,100)</u>	<u>(310,328)</u>	<u>48,772</u>
Net Change in Fund Balance	(259,734)	(259,734)	987,374	1,247,108
Fund Balance - Beginning	<u>260,000</u>	<u>260,000</u>	<u>5,686,507</u>	
Fund Balance - Ending	<u>\$ 266</u>	<u>\$ 266</u>	<u>\$ 6,673,881</u>	

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

FIREHOUSE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2013

	<u>FIREHOUSE EQUIPMENT FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Real estate taxes	\$ 165,175	\$ 165,175	\$ 166,459	\$ 1,284
Interest	2,500	2,500	2,671	171
Total Revenues	<u>167,675</u>	<u>167,675</u>	<u>169,130</u>	<u>1,455</u>
Expenditures				
Current				
General government	2,903	2,903	2,903	-
Public safety	<u>1,026,472</u>	<u>1,026,472</u>	<u>245,144</u>	<u>(781,328)</u>
Total Expenditures	<u>1,029,375</u>	<u>1,029,375</u>	<u>248,047</u>	<u>(781,328)</u>
Net Change in Fund Balance	(861,700)	(861,700)	(78,917)	782,783
Fund Balance - Beginning	<u>861,700</u>	<u>861,700</u>	<u>846,291</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,374</u>	

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

PARK & RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2013

	<u>PARK & RECREATION FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Real estate taxes	\$ 329,950	\$ 329,950	\$ 332,585	\$ 2,635
Interest	1,700	1,700	1,190	(510)
Charges for services	214,400	214,400	198,173	(16,227)
Other	17,850	17,850	22,050	4,200
Total Revenues	<u>563,900</u>	<u>563,900</u>	<u>553,998</u>	<u>(9,902)</u>
Expenditures				
Current				
General government	5,800	5,800	5,800	-
Culture and recreation	543,750	543,750	534,224	(9,526)
Total Expenditures	<u>549,550</u>	<u>549,550</u>	<u>540,024</u>	<u>(9,526)</u>
Net Change in Fund Balance	14,350	14,350	13,974	(376)
Fund Balance - Beginning	-	-	346,785	
Fund Balance - Ending	<u>\$ 14,350</u>	<u>\$ 14,350</u>	<u>\$ 360,759</u>	

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2013

<u>ASSETS</u>	<u>Pension</u> <u>Trust Funds</u>
Assets	
Cash	\$ 455,780
Contributions receivable	4,326
Accrued interest	8,962
Investments, at fair value	
Mutual Fund - Equity	2,336,462
Common Stocks	4,658,655
U.S. Government Obligations	1,063,317
Corporate Bonds	<u>500,920</u>
Total Investments	<u>8,559,354</u>
 Total Assets	 <u>9,028,422</u>
 <u>NET POSITION</u>	
Net Position - Restricted for Pension Benefits	<u>\$ 9,028,422</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2013

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee	\$ 101,315
Employer	335,347
State allocation	<u>201,986</u>
Total Contributions	<u>638,648</u>
Investment Earnings	
Net appreciation in fair value of investments	1,252,044
Dividends and interest	<u>182,512</u>
Total Investment Earnings	1,434,556
Less investment expense	<u>(66,822)</u>
Net Investment Earnings	<u>1,367,734</u>
Total Additions	<u>2,006,382</u>
Deductions	
Actuary fees	10,710
Benefits	<u>200,098</u>
Total Deductions	<u>210,808</u>
Change in Net Position	1,795,574
Net Position - Restricted for Pension Benefits	
Beginning of Year	<u>7,232,848</u>
End of Year	<u>\$ 9,028,422</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies

A. *Reporting entity*

Warwick Township is a municipal corporation existing and operating under the Second Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the government and certain component units, entities for which the government is considered to be financially accountable. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit: The following component unit is included in the financial statements, as the Township appoints the Board of the Municipal Authority:

Warwick Township Water and Sewer Authority

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices as follows: Warwick Township Water and Sewer, 1733 Township Greene, P.O. Box 315, Jamison, PA 18929.

B. *Government-wide and fund financial statements*

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

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation* (continued)

The *firehouse equipment fund* receives accounts for the financial resources to be used to purchase firehouse equipment. The primary revenue source is tax millage.

The *park & recreation fund* accounts for the financial resources to be used to fund programs for park and recreation. The primary revenue sources are tax millage and program fees.

The *park & recreation capital fund* accounts for the financial resources to be used to pay for various capital projects.

The *debt service fund* accounts for the financial resources to be used to pay down debt.

Additionally, the government reports the following fund types:

The *pension trust fund* accounts for the activities of the Police and Non Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Discretely Presented Component Units – The financial statements are prepared on the accrual basis of accounting. The accounting policies are based upon accounting principles generally accepted for self-supporting governmental enterprises funds. Their revenues are recognized when they are earned and expenses when they are incurred.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

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

Investments for the government, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and other activities are reported in the government-wide financial statements as "internal balances".

At December 31, 2013, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore is not included in outstanding property taxes at December 31, 2013.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

2. Receivables and payables (continued)

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2013 are recognized as revenue for the year ending December 31, 2013.

3. Restricted assets

Certain cash deposits have been classified as restricted assets on the balance sheet because they are held by the Township in a custodial capacity for developers and others. There is a corresponding restricted liability on the balance sheet for these funds.

Discretely Presented Component Unit – The Warwick Township Water and Sewer Authority restricts assets for the repayment of long-term debt, as required by the Trust Funds. The net asset restriction includes the excess of assets over certain liabilities to be used for debt service on the revenue bonds. Restricted assets also include developer escrows. The developer deposits held by the Authority are to be used to reimburse the Authority of certain engineering, legal, inspection costs, and administrative fees associated with the respective developers' projects. .

4. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively.

Discretely Presented Component Unit – The Warwick Township Water and Sewer Authority defines assets with initial, individual cost of more than \$500 and an estimated useful life exceeding one year. Capital contributions include distribution and collection line, pumping stations, wells and storage and treatment facilities constructed and installed by developers and dedicated to the Authority. Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized.

Property, plant, and equipment of the primary government, as well as its component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Roads and bridges	45
Storm sewers	100
Collection lines	50
Lighting	20
Machinery, equipment, vehicles	5-15

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

6. *Compensated absences*

The Township allows employees to carry over certain paid time off as follows:

- Police employees are allowed to carry over 7 days of vacation for twelve months, and may accumulate a sick leave bank. At retirement, Police are compensated for sick time carried over to a maximum of 540 accumulated hours, and unused vacation and personal days.
- Non-uniformed employees are allowed to carry over 400 PTO hours in the next vacation year, and are compensated for all unused PTO at retirement.

7. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

8. *Deferred Outflows/Inflows of Resources (continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the government-wide statement and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements do not report any unavailable revenues.

Discretely Presented Component Units – Developers pay the Authority for tapping fees prior to the construction of distribution and collection lines. The fees are recorded as deferred income when received and recognized as nonoperating revenues when the developer connects the water and sewer lines to the system.

9. *Net Position*

In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

10. *Fund Balance*

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds consist of the following.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

10. Fund Balance (continued)

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Emergency Reserve – By Board Resolution, fifteen (15%) of all regular general fund operating revenues as determined by the Township financial statements shall be held in reserve and not be available for normal expenditure in annual budgets or to supplement normal and ordinary budgetary operational and capital expenses. Through emergency or board resolution the funds may be spent.

Assigned Fund Balance – includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Supervisors or (b) a body (a budget, finance committee, or Township Manager and Finance Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance – this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All annual appropriations lapse at fiscal year-end.

During October, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Supervisors. There were no budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2013.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

As of year-end, the carrying amount of deposits for the governmental activities was \$9,383,934 and the bank balance was \$9,485,571. Of the bank balance, \$500,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The investment in externally pooled investments and certificates of deposit are considered cash equivalents due to the short maturities of those investments and are included above.

The carrying amount of deposits for Warwick Township Water and Sewer Authority, a discretely presented component unit, was \$7,528,030, and the bank balance was \$7,648,441. Of the bank balance, \$877,598 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, E, 1.

At year-end balances were as follows:

	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>< 1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>> 10 years</u>
GOVERNMENTAL FUNDS					
Externally Pooled Investments	\$ 249,783	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	<u>1,275,208</u>	<u>772,000</u>	<u>503,208</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>\$ 1,524,991</u>	<u>\$ 772,000</u>	<u>\$ 503,208</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY FUNDS					
Money Market Funds	\$ 455,780	\$ 455,780	\$ -	\$ -	\$ -
Mutual Fund - Equity	2,336,462	-	-	-	-
Common Stocks	4,658,655	-	-	-	-
U.S. Government Obligations	1,063,317	156,311	470,084	212,358	224,564
Corporate Bonds	<u>500,920</u>	<u>40,311</u>	<u>272,062</u>	<u>188,547</u>	<u>-</u>
Total Fiduciary Funds	<u>\$ 9,015,134</u>	<u>\$ 652,402</u>	<u>\$ 742,146</u>	<u>\$ 400,905</u>	<u>\$ 224,564</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the maximum maturity of a security to no longer than twenty years, with the average maturity of the portfolio being no longer than ten years.

Discretely Presented Component Units: Warwick Township Water and Sewer Authority have adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government does not have a formal investment policy for credit risk. The government's investments in U.S. Government Obligations ranged from a rating of AA+ to AAA by Moody's. The investments in corporate bonds ranged from a rating of BBB- to AA+ by Moody's. The investments in the external investment pool and the money market funds were rated AAAM by Standard & Poor's.

Discretely Presented Component Units: Warwick Township Water and Sewer Authority follows state statute as it relates to certain credit ratings.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

Discretely Presented Component Units: There were no concentrations of credit risk for Warwick Township Water and Sewer Authority.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

B. Receivables and due from other governments

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Firehouse Equipment</u>	<u>Park & Recreation</u>	<u>Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 602,061	\$ 2,170	\$ 4,341	\$ 11,576	\$ 724	\$ -	\$ 620,872
Accounts	4,580	-	-	-	-	-	4,580
Contributions	-	-	-	-	-	4,326	4,326
Interest	-	-	-	-	-	8,962	8,962
Total Receivables	<u>\$ 606,641</u>	<u>\$ 2,170</u>	<u>\$ 4,341</u>	<u>\$ 11,576</u>	<u>\$ 724</u>	<u>\$ 13,288</u>	<u>\$ 638,740</u>

During the course of the year, the Township bills the Water and Sewer Authority for reimbursement of certain expenses. At December 31, 2013, the balance outstanding from the Water and Sewer Authority was \$2,497.

Discretely Presented Component Units:

Warwick Township Water & Sewer Authority: Notes receivable relate to tapping and connection fees billed to residential customers. The notes accrue interest at 6% and are payable over five years.

Scheduled future maturities of note receivables at December 31, 2013 are:

<u>Year Ending</u>	<u>Principal</u>
2014	\$ 14,955
2015	19,403
2016	5,989
2017	1,901
	<u>\$ 42,248</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. *Capital assets*

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not depreciated				
Land	\$ 10,439,092	\$ -	\$ -	\$ 10,439,092
Total Capital Assets, not depreciated	<u>10,439,092</u>	<u>-</u>	<u>-</u>	<u>10,439,092</u>
Capital Assets, being depreciated				
Building and Improvements	3,965,264	12,993	-	3,978,257
Vehicles	1,125,959	172,978	(86,534)	1,212,403
Equipment	609,775	62,935	-	672,710
Infrastructure	<u>2,793,554</u>	<u>94,079</u>	<u>-</u>	<u>2,887,633</u>
Total Capital Assets, being depreciated	<u>8,494,552</u>	<u>342,985</u>	<u>(86,534)</u>	<u>8,751,003</u>
Less Accumulated Depreciation				
Building and Improvements	1,513,401	100,326	-	1,613,727
Vehicles	881,026	94,363	(86,534)	888,855
Equipment	426,501	49,173	-	475,674
Infrastructure	<u>466,432</u>	<u>94,273</u>	<u>-</u>	<u>560,705</u>
Total Accumulated Depreciation	<u>3,287,360</u>	<u>338,135</u>	<u>(86,534)</u>	<u>3,538,961</u>
Total Capital Assets, being depreciation, net	<u>5,207,192</u>	<u>4,850</u>	<u>-</u>	<u>5,212,042</u>
Governmental Activities Capital Assets, net	<u>\$ 15,646,284</u>	<u>\$ 4,850</u>	<u>\$ -</u>	<u>\$ 15,651,134</u>

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

Governmental Activities	
Administrative	\$ 93,860
Police & Emergency Services	30,218
Public Works	197,598
Park & Recreation	<u>16,459</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 338,135</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. Capital assets (continued)

Discretely Presented Component Units:

Warwick Township Water and Sewer Authority

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital Assets, not depreciated				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	936,522	590,781	(447,782)	1,079,521
Total Capital Assets, not depreciated	<u>\$ 1,488,093</u>	<u>\$ 590,781</u>	<u>\$ (447,782)</u>	<u>\$ 1,631,092</u>
Capital Assets, being depreciated				
Plant facilities	\$ 48,867,110	\$ 698,542	\$ -	\$ 49,565,652
Plant equipment	502,590	14,871	-	517,461
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	162,995	2,003	-	164,998
Vehicles	187,841	32,046	(30,531)	189,356
Total Plant and Equipment	50,042,163	747,462	(30,531)	50,759,094
Accumulated depreciation	(16,839,926)	(1,351,797)	30,531	(18,161,192)
Total Capital Assets, being depreciation, net	<u>\$ 33,202,237</u>	<u>\$ (604,335)</u>	<u>\$ -</u>	<u>\$ 32,597,902</u>
Component Unit Activities Capital Assets, net	<u>\$ 34,690,330</u>	<u>\$ (13,554)</u>	<u>\$ (447,782)</u>	<u>\$ 34,228,994</u>

Construction in progress – In February 2012, the Authority retained the services of an engineering consulting firm to perform a feasibility study and cost analysis for modifying the Fish Creek Water Treatment Plant. In September 2012, the Authority accepted a bid for \$297,587 for Phase II of this project, for the design and construction management of plant upgrades. Construction bids will go out in 2014. The project will be paid for with the proceeds of the 2012 Series Bonds.

In 2013, the Authority entered into an agreement with the Pennsylvania Department of Transportation concerning relocation of public water lines in connection with the Commonwealth's York Road Reconstruction Project.

In August 2013, the Authority awarded a bid of \$321,800 for completion of the SCADA System Project, which will regulate and monitor purchases from Aqua Pennsylvania, Inc. and the North Wales Water Authority.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

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

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund	\$ 88,719	\$ 1,006
Firehouse Equipment	116	112
Park & Recreation	232	9,513
Park & Recreation Capital	588	-
Debt Service	619	595
Non Major Funds	39	79,087
Total	<u>\$ 90,313</u>	<u>\$ 90,313</u>

Interfund balances are primarily a result of:

- (1) allocation of real estate taxes
- (2) reimbursement of expenditures

Interfund transfers:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 522	\$ 312,100
Non Major Funds	332,100	20,522
Total	<u>\$ 332,622</u>	<u>\$ 332,622</u>

Interfund transfers are primarily a result of:

- (1) to fund capital projects and acquisitions

E. Leases

Operating Leases

The Authority leases office space from the Township on the 3rd floor of the Township building. The lease is for five years and expires on December 31, 2018. The current monthly rent is \$4,000. Rent expense for 2013 was \$47,352. Annual rent expense through December 31, 2018 will amount to \$48,000 with a total rent commitment of \$240,000. The Authority may elect to extend the lease for an additional five-year term with rent to be increased based on the increase in the Consumer Price Index (CPI) at the end of the lease.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Leases (continued)

Capital Leases

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 395,484
Less: Accumulated depreciation	<u>(213,192)</u>
Total	<u>\$ 182,292</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

	<u>Governmental Activities</u>
<u>Year Ending Dec. 31</u>	
2014	\$ 85,639
2015	25,787
2016	<u>25,787</u>
Total minimum lease payments	137,213
Less: amount representing interest	<u>(5,067)</u>
Present value of minimum lease payments	<u>\$ 132,146</u>

F. *Long-term debt*

General Obligation Bonds and Notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities, the purchase of open space, and other capital projects.

The original amount of general obligation bonds and notes issued in prior years was \$9,407,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 15-20 year serial bonds with varying amounts of principal maturing each year.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

General Obligation Bonds and Notes (continued)

General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	2-5%	<u>\$ 7,480,280</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending</u>	<u>General Obligation Bonds</u>			<u>General Obligation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 350,000	\$ 262,465	\$ 612,465	\$ 243,360	\$ 44,914	\$ 288,274
2015	425,000	246,820	671,820	243,360	43,588	286,948
2016	425,000	228,820	653,820	243,360	38,071	281,431
2017	430,000	207,932	637,932	243,360	32,337	275,697
2018	440,000	185,912	625,912	243,360	26,711	270,071
2019-2023	2,310,000	551,149	2,861,149	973,480	50,633	1,024,113
2024-2027	910,000	70,700	980,700	-	-	-
	<u>\$ 5,290,000</u>	<u>\$ 1,753,798</u>	<u>\$ 7,043,798</u>	<u>\$ 2,190,280</u>	<u>\$ 236,254</u>	<u>\$ 2,426,534</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 5,635,000	\$ -	\$ (345,000)	\$ 5,290,000	\$ 350,000
Deferred amounts:					
For issuance premiums	-	-	-	-	-
For issuance discounts	-	-	-	-	-
On refunding	(61,857)	-	4,124	(57,733)	-
Total bonds payable	5,573,143	-	(340,876)	5,232,267	350,000
Note payable	2,433,640	-	(243,360)	2,190,280	243,360
Capital lease	210,296	-	(78,150)	132,146	81,418
Net OPEB obligation	896,454	65,363	(271,490)	690,327	-
Compensated absences	440,412	-	(28,578)	411,834	-
Governmental activity					
Long-term liabilities	<u>\$ 9,553,945</u>	<u>\$ 65,363</u>	<u>\$ (962,454)</u>	<u>\$ 8,656,854</u>	<u>\$ 674,778</u>

Due to Others:

The Township has a payable recorded as due to others in the amount of \$738,044, which is an accumulation of real estate taxes collected to support fire protection services.

Discretely Presented Component Unit:

Warwick Township Water and Sewer Authority

In 2012, the Authority issued Water and Sewer Revenue Bonds, Series of 2012, in the principal amount of \$6,905,000. The proceeds were used to (1) provide funds for the Authority's capital improvement program, (2) refund the Authority's Series 2007 Bonds, (3) fund the Debt Service Reserve Fund in an amount equal to maximum annual debt service on the Series 2013 Bonds, and (4) pay costs of issuance of the Series 2012 Bonds. The Series 2007 Bonds are considered defeased.

The amount currently outstanding is as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Water and Sewer	3.5 to 4.35%	<u>\$ 6,665,000</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Discretely Presented Component Unit (continued):

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 270,000	\$ 156,109	\$ 426,109
2015	275,000	150,709	425,709
2016	280,000	145,209	425,209
2017	300,000	139,609	439,609
2018	300,000	130,609	430,609
2019-2023	1,545,000	581,245	2,126,245
2024-2028	1,730,000	407,067	2,137,067
2029-2033	<u>1,965,000</u>	<u>170,197</u>	<u>2,135,197</u>
	<u>6,665,000</u>	<u>\$ 1,880,754</u>	<u>\$ 8,545,754</u>
Less current maturities	(270,000)		
Less unamortized costs	<u>(69,323)</u>		
Net Due After One Year	<u>\$ 6,325,677</u>		

IV. Other information

A. Risk management

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

B. Contingent liabilities

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

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

B. Contingent liabilities (continued)

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

Warwick Township Water and Sewer Authority

The Authority is currently the defendant in a lawsuit. The Authority has litigation arising from the normal course of business. In the Authority's management opinion, the outcome of any such litigation will not materially affect the Authority's financial condition.

C. Commitments

Warwick Township Water and Sewer Authority

Water Service Contract

Effective November 1, 1998, the Authority signed a twenty-five year contract with Aqua Pennsylvania to provide water to its service area.

For the period November 28, 2010 through November 27, 2012, the monthly charge was \$44,158 for up to 600,000 gallons per day, and \$2.14 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.08 for every thousand gallons in excess of 800,000 gallons per day.

For the period November 28, 2012 through November 27, 2014, the monthly charge is \$45,007 for up to 600,000 gallons per day, and \$2.18 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.12 for every thousand gallons in excess of 800,000 gallons per day.

Sewage Disposal Contract

On January 25, 2010, the Authority entered into an agreement with Warminster Township Municipal Authority for the Warminster Authority to provide sewage disposal services to certain parcels of real estate located in the Township of Warwick. The agreement is effective for twenty years, with each party able to terminate the agreement after twenty years, with one year's notice. In addition, the Authority may elect to terminate the agreement at any time with one year's notice to the Warminster Authority.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

C. Commitments (continued)

Warwick Township Water and Sewer Authority

North Wales Water Authority – Water Supply Agreement

In November 2011, the Authority signed a ten year agreement (with a five year renewal option) with the North Wales Water Authority for the supply of water to the Authority for sale to customers. The agreement has a minimum daily consumption rate of 100,000 gallons per day and a maximum of 800,000 gallons per day. In addition, the Authority shall purchase on an annual basis an average of 200,000 gallons per day from North Wales Water Authority. The Authority will be charged \$2.50 (the base rate) per thousand gallons up to 800,000 gallons per day and 1.5 times the base rate per thousand gallons over 800,000 gallons per day for a period of 48 months, at which point the base rate will be adjusted.

In December 2012, a bid was awarded in the amount of \$126,905 for the construction of a water system interconnection which will allow the Authority to supply water to customers covered by the Water Supply Agreement. This project is expected to be completed in 2014.

D. Defined Benefit Pension Plans

The Township sponsors two single employer pension plans, the Employees' Pension Plan and the Police Pension Plan. All full time police participate, and non-uniform employees hired before September 9, 2013 participate, in the plans. Following are details of these two plans.

Defined Benefit Plan Description

Warwick Township sponsors two defined benefit pension plans to provide pension benefits for employees of the Township. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports.

The most recent valuation was as of January 1, 2013. Details below are from the valuation.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

Defined Benefit Plan Description (continued)

At January 1, 2013, Warwick Township Defined Benefit Pension Plans consisted of the following:

	<u>Non-Uniform</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	4	1
Disabled member	0	1
Terminated employees entitled to benefits but not yet receiving them	11	5
Active employees	<u>19</u>	<u>16</u>
	<u>34</u>	<u>23</u>

Description of Non Uniform Defined Benefit Pension Plan

The plan is a single employer defined benefit plan that covers all full-time permanent, non-uniformed employees as of the effective date of the Plan which was January 1, 1986. However, the plan was closed to new entrants hired after September 9, 2013.

Each full-time employee is eligible to be a member of the plan after attaining age 21 and completing one year of service. The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. The normal retirement benefit is a monthly benefit equal to 1.2 % of the first \$800 of Average Monthly Compensation plus 1.8% of any excess of the Average Monthly Compensation over \$800, all multiplied by years and completed month of full-time employment. Compensation is averaged over the last 36 months of W-2 pay. Benefits and Contribution provisions are established by Pennsylvania law. All benefits are vested after five years of credited service. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Description of the Police Pension Defined Benefit Plan

The plan is a single employer defined benefit plan that covers all full time police employees. The plan provides retirement, death, and disability to the plan members and their beneficiaries. Monthly retirement benefit is equal to 50% of the officer's 36-month average monthly pay at retirement. All benefits are vested after twelve years of credited service. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

1. Defined Benefit Plans - Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Pension Plan investments are reported at smoothed value methods, which is an asset valuation methodology that, while reflecting fair market values, incorporates a specific algorithm for smoothing market fluctuations. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

2. Defined Benefit Plans - Contributions Required and Contributions Made

Non Uniform members hired after October 1, 2005, and all Police members, contribute 5% of their pay. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

3. Defined Benefit Plans - Funded Status and Funding Progress

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

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Payroll</u>
Non-Uniform	\$ 2,473,151	\$ 2,862,625	\$ 389,474	86.4%	\$ 1,073,564	36.3%
Police	4,837,214	6,976,494	2,139,280	69.3%	1,659,076	128.9%

The required schedule of funding progress 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 actuarial liability for benefits.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

4. Defined Benefit Plans - Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	Non-Uniform	Police
Annual required contribution	\$ 141,959	\$ 391,343
Interest on net pension obligation	(4,264)	(6,504)
Adjustments to annual required contribution	7,767	11,848
Annual pension cost	145,462	396,687
Contributions made	(141,959)	(391,343)
Increase (decrease) in net pension obligation	3,503	5,344
Net pension obligation (asset) at beginning of year	(56,856)	(86,729)
Net pension obligation (asset) at end of year	\$ (53,353)	\$ (81,385)

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the following assumptions:

	Non-Uniform	Police
Date of actuarial valuation	1/1/2013	1/1/2013
Investment rate of return	7.5%	7.5%
Projected salary increases due to inflation	5.0%	5.0%
Actuarial asset value	Five-Year Smoothed	Five-Year Smoothed
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar - Closed	Level Dollar - Closed
Amortization period	12	12
Cost of living increases	2.0%	2.5%

5. Defined Benefit Plans - Three Year Trend Information

NON-UNIFORM

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>Ending</u>			
12/31/2011	\$ 168,967	97.3%	\$ (60,589)
12/31/2012	149,524	97.5%	(56,856)
12/31/2013	145,462	97.6%	(53,353)

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

5. Three Year Trend Information (continued)

POLICE

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 356,263	98.7%	\$ (92,423)
12/31/2012	367,066	98.4%	(86,729)
12/31/2013	396,687	98.7%	(81,385)

E. Defined Contribution Pension Plan

Description Non Uniform Defined Contribution Pension Plan

Warwick Township sponsors a defined contribution pension plan to provide pension benefits for all full-time non-uniformed employees of the Township hired after, or who opted into the Plan after, the transition date of September 9, 2013. As of December 31, 2013, there were 4 active participants in the plan. The Township is required to contribute 6% of eligible compensation annually. Employer contributions to the plan for 2013 totaled \$3,068. Participants are not required to contribute but may make voluntary contributions. There were only rollover employee contributions during 2013. Plan provisions and contribution requirements are established and may be amended by ordinance enacted by the Warwick Township Board of Supervisors.

Each full-time, permanent, non-uniformed employee of the Township hired on or after September 9, 2013 shall become eligible upon completion of six months of service and attaining age 21. The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. All amounts are fully vested. Administrative costs of the Plan are financed through investment earnings. The Plan is managed by an outside trustee appointed by the Township.

This plan is reported as Pension Trust Fund in the accompanying financial statements and does not issue stand-alone reports. Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension Plan investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date. Market related value of assets is used to determine the indicated Township contribution.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

F. *Post-employment benefits*

Warwick Township sponsors a single-employer public employee retirement system to provide post-employment benefits for employees of the Township. At January 1, 2013 the plan consisted of the following:

	Police <u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	5
Active employees	<u>16</u> <u>23</u>

Description of the Plan

Established through police contract, the Township administers a single-employer defined benefit plan to provide for certain postemployment healthcare benefits. The Township will provide and continue in effect the then current medical, hospitalization, major medical, vision care, and cafeteria fund coverage for a Police Employee and covered dependents for five years following the date of retirement of such Police Employee who is eligible for pension benefits under the Plan. In the event of the death or disability of a Police Employee while they are an employee, their spouse and dependent children will be covered for five years.

In 2013, per the renegotiated Police Labor Contract, The Township offered a secondary option for retired health: a one-time \$60,000 in lieu of receiving five years post-retirement health. Four employees accepted the buy-out in 2013 for \$240,000, and one employee in 2014 for \$60,000, which reduced the total liability for the post-retirement plan.

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

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The contribution requirements of the Township and plan members have been established and may be amended through Board Resolution and Police Labor Contracts. The Township is accounting for these expenditures on a “pay-as-you-go” basis. The Board has Committed fund balance in the General Fund in the amount of \$690,327 to recognize the unfunded liability of the benefits. There are currently two retirees receiving these benefits. The amount paid out for insurance premiums during 2013 totaled \$31,490.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

F. Post-employment benefits (continued)

Funding Status and Funding Progress

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

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Payroll</u>
OPEB	\$ -	\$ 827,052	\$ 827,052	0.0%	\$ 1,659,076	49.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as *required supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

F. *Post-employment benefits (continued)*

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Standards Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years

The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Township's net OPEB obligation:

	<u>Police OPEB</u>
Annual required contribution	\$ 80,058
Interest on net OPEB obligation	40,340
Adjustments to annual required contribution	<u>(55,035)</u>
Annual OPEB cost	65,363
Contributions made	<u>(271,490)</u>
Increase (decrease) in net OPEB obligation	(206,127)
Net OPEB obligation (asset) at beginning of year	<u>896,454</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ 690,327</u></u>

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The January 1, 2013 actuarial valuation used the following assumptions:

	<u>Police OPEB</u>
Date of actuarial valuation	1/1/2013
Investment rate of return	4.5%
Projected salary increases due to inflation	5.0%
Actuarial asset value	Market Value
Cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Amortization period	30

Healthcare trend rate: 7% in 2013, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

F. Post-employment benefits (continued)

Three Year Trend Information

POLICE OPEB

Fiscal Year	Annual OPEB	Percentage of APC	Net OPEB Obligation
Ending	Cost (APC)	Contributed	(Asset)
12/31/2011	\$ 231,312	3.6%	\$ 707,496
12/31/2012	211,131	10.5%	896,454
12/31/2013	65,363	415.4%	690,327

G. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2013, \$791,675 represents the balance of these monies held in escrow.

H. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 23, 2014, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

Warwick Township Water and Sewer Authority: Effective January 1, 2014, the Authority approved a rate increase that is estimated to increase average water and sewer charges by approximately 3%

**REQUIRED
SUPPLEMENTAL INFORMATION**

WARWICK TOWNSHIP

SCHEDULE 1

POLICE PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Payroll</u>
1/1/2009	\$ 2,920,916	\$ 4,446,811	\$ 1,525,895	65.7%	\$ 1,543,527	98.9%
1/1/2011	4,069,319	5,467,622	1,398,303	74.4%	1,598,590	87.5%
1/1/2013	4,837,214	6,976,494	2,139,280	69.3%	1,659,076	128.9%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

<u>Annual Calendar Year</u>	<u>Annual Required Contribution</u>	<u>From Employer</u>	<u>Percentage Contributed</u>
2008	\$ 307,545	\$ 307,545	100%
2009	305,655	305,655	100%
2010	318,862	408,990	128%
2011	351,603	351,603	100%
2012	361,372	361,372	100%
2013	391,343	391,343	100%

WARWICK TOWNSHIP

SCHEDULE 2

NON-UNIFORMED PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Payroll</u>
1/1/2009	\$ 1,670,201	\$ 2,017,550	\$ 347,349	82.8%	\$ 885,613	39.2%
1/1/2011	2,095,146	2,357,946	262,800	88.9%	879,856	29.9%
1/1/2013	2,473,151	2,862,625	389,474	86.4%	1,073,564	36.3%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

<u>Annual Calendar Year</u>	<u>Annual Required Contribution</u>	<u>From Employer</u>	<u>Percentage Contributed</u>
2008	\$ 155,230	\$ 155,230	100%
2009	156,119	156,119	100%
2010	150,951	197,276	131%
2011	164,352	164,352	100%
2012	145,791	145,791	100%
2013	141,959	141,959	100%

WARWICK TOWNSHIP

SCHEDULE 3

POLICE OTHER POSTEMPLOYMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Payroll</u>
1/1/2009	\$ -	\$ 2,011,703	\$ 2,011,703	0.0%	\$ 1,621,759	124.0%
1/1/2012	-	2,126,421	2,126,421	0.0%	1,608,130	132.2%
1/1/2013	-	827,052	827,052	0.0%	1,659,076	49.9%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

<u>Annual Calendar Year</u>	<u>Annual Required Contribution</u>	<u>From Employer</u>	<u>Percentage Contributed</u>
2009	\$ 245,894	\$ -	0%
2010	242,209	-	0%
2011	238,603	8,218	3%
2012	225,317	22,173	10%
2013	80,058	271,490	339%

WARWICK TOWNSHIP

SCHEDULE 4

COMBINING BALANCE SHEET-NONMAJOR
GOVERNMENT FUNDS

December 31, 2013

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>	
	<u>Road Machinery</u>	<u>Highway Aid</u>	<u>Total</u>	<u>Open Space</u>	<u>Capital Projects</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 117,858	\$ 307,516	\$ 425,374	\$ 177,417	\$ 103,573
Taxes Receivable	724	-	724	-	-
Due from other funds	39	-	39	-	-
Total Assets	<u>\$ 118,621</u>	<u>\$ 307,516</u>	<u>\$ 426,137</u>	<u>\$ 177,417</u>	<u>\$ 103,573</u>
<u>LIABILITIES</u>					
Accounts payable and accrued wages	\$ -	\$ -	\$ -	\$ -	\$ 2,118
Due to other funds	37	-	37	79,050	-
Total Liabilities	<u>37</u>	<u>-</u>	<u>37</u>	<u>79,050</u>	<u>2,118</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	458	-	458	-	-
Total deferred inflows of resources	<u>458</u>	<u>-</u>	<u>458</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Restricted for:					
Highways and streets	118,126	307,516	425,642	-	-
Open Space	-	-	-	98,367	-
Capital projects	-	-	-	-	-
Assigned for:					
Capital projects	-	-	-	-	101,455
Total Fund Balances	<u>118,126</u>	<u>307,516</u>	<u>425,642</u>	<u>98,367</u>	<u>101,455</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 118,621</u>	<u>\$ 307,516</u>	<u>\$ 426,137</u>	<u>\$ 177,417</u>	<u>\$ 103,573</u>

<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Capital Reserve</u>	<u>Total</u>	
\$ 449,258	\$ 730,248	\$ 1,155,622
-	-	724
-	-	39
<u>\$ 449,258</u>	<u>\$ 730,248</u>	<u>\$ 1,156,385</u>
\$ -	\$ 2,118	\$ 2,118
-	79,050	79,087
<u>-</u>	<u>81,168</u>	<u>81,205</u>
<u>-</u>	<u>-</u>	<u>458</u>
<u>-</u>	<u>-</u>	<u>458</u>
-	-	425,642
	98,367	98,367
449,258	449,258	449,258
-	101,455	101,455
<u>449,258</u>	<u>649,080</u>	<u>1,074,722</u>
<u>\$ 449,258</u>	<u>\$ 730,248</u>	<u>\$ 1,156,385</u>

WARWICK TOWNSHIP

SCHEDULE 5

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENT FUNDS

For the Year Ended December 31, 2013

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>	
	<u>Road Machinery</u>	<u>Highway Aid</u>	<u>Total</u>	<u>Open Space</u>	<u>Capital Projects</u>
Revenues					
Real estate taxes	\$ 55,486	\$ -	\$ 55,486	\$ -	\$ -
Investment income	359	935	1,294	357	283
Intergovernmental revenues	-	310,168	310,168	-	-
Total Revenues	<u>55,845</u>	<u>311,103</u>	<u>366,948</u>	<u>357</u>	<u>283</u>
Expenditures					
Current:					
Highways and streets	9,447	98,389	107,836	-	-
Debt service:					
Principal	78,150	-	78,150	-	-
Interest	7,490	-	7,490	-	-
Capital projects	-	-	-	27,049	313,958
Total Expenditures	<u>95,087</u>	<u>98,389</u>	<u>193,476</u>	<u>27,049</u>	<u>313,958</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(39,242)</u>	<u>212,714</u>	<u>173,472</u>	<u>(26,692)</u>	<u>(313,675)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	20,000	312,100
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>312,100</u>
Net Change in Fund Balance	(39,242)	212,714	173,472	(6,692)	(1,575)
Fund Balance - Beginning	<u>157,368</u>	<u>94,802</u>	<u>252,170</u>	<u>105,059</u>	<u>103,030</u>
Fund Balance - Ending	<u>\$ 118,126</u>	<u>\$ 307,516</u>	<u>\$ 425,642</u>	<u>\$ 98,367</u>	<u>\$ 101,455</u>

<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Capital Reserve</u>	<u>Total</u>	
\$ -	\$ -	\$ 55,486
888	1,528	2,822
-	-	310,168
<u>888</u>	<u>1,528</u>	<u>368,476</u>
-	-	107,836
-	-	78,150
-	-	7,490
-	<u>341,007</u>	<u>341,007</u>
-	<u>341,007</u>	<u>534,483</u>
<u>888</u>	<u>(339,479)</u>	<u>(166,007)</u>
-	332,100	332,100
<u>(20,522)</u>	<u>(20,522)</u>	<u>(20,522)</u>
<u>(20,522)</u>	<u>311,578</u>	<u>311,578</u>
(19,634)	(27,901)	145,571
<u>468,892</u>	<u>676,981</u>	<u>929,151</u>
<u>\$ 449,258</u>	<u>\$ 649,080</u>	<u>\$ 1,074,722</u>

WARWICK TOWNSHIP

SCHEDULE 6

COMBINING STATEMENT OF NET POSITION
FUDUCIARY FUNDS

December 31, 2013

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>	<u>Total</u>
<u>ASSETS</u>			
Assets			
Cash	\$ 296,039	\$ 159,741	\$ 455,780
Contributions receivable	2,939	1,387	4,326
Accrued interest	6,011	2,951	8,962
Investments, at fair value			
Mutual Fund - Equity	1,550,065	786,397	2,336,462
Common Stocks	3,128,124	1,530,531	4,658,655
U.S. Government Obligations	714,427	348,890	1,063,317
Corporate Bonds	<u>335,255</u>	<u>165,665</u>	<u>500,920</u>
Total Investments	<u>5,727,871</u>	<u>2,831,483</u>	<u>8,559,354</u>
TOTAL ASSETS	<u>\$ 6,032,860</u>	<u>\$ 2,995,562</u>	<u>\$ 9,028,422</u>
<u>NET POSITION</u>			
Net Position - Restricted for Pension Benefits	<u>\$ 6,032,860</u>	<u>\$ 2,995,562</u>	<u>\$ 9,028,422</u>

WARWICK TOWNSHIP

SCHEDULE 7

COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2013

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>	<u>Total</u>
Additions			
Contributions			
Employee	\$ 84,266	\$ 17,049	\$ 101,315
Employer	259,275	76,072	335,347
State allocation	<u>132,068</u>	<u>69,918</u>	<u>201,986</u>
Total Contributions	<u>475,609</u>	<u>163,039</u>	<u>638,648</u>
Investment Earnings			
Net appreciation (depreciation)			
in fair value of investments	823,495	428,549	1,252,044
Dividends and interest	<u>124,430</u>	<u>58,082</u>	<u>182,512</u>
Total Investment Earnings	947,925	486,631	1,434,556
Less investment expense	<u>(44,464)</u>	<u>(22,358)</u>	<u>(66,822)</u>
Net Investment Earnings	<u>903,461</u>	<u>464,273</u>	<u>1,367,734</u>
Total Additions	<u>1,379,070</u>	<u>627,312</u>	<u>2,006,382</u>
Deductions			
Actuary fees	4,735	5,975	10,710
Benefits	<u>122,598</u>	<u>77,500</u>	<u>200,098</u>
Total Deductions	<u>127,333</u>	<u>83,475</u>	<u>210,808</u>
Change in Net Position	1,251,737	543,837	1,795,574
Net Position - Restricted for Pension Benefits			
Beginning of Year	<u>4,781,123</u>	<u>2,451,725</u>	<u>7,232,848</u>
End of Year	<u>\$ 6,032,860</u>	<u>\$ 2,995,562</u>	<u>\$ 9,028,422</u>