

WARWICK TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2015

WARWICK TOWNSHIP
GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Warwick Township
Jamison, Pennsylvania

Report on the Financial Statements

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, 2015, 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 \$42,238,708, deferred outflows of resources of \$194,768, and total revenues of \$3,943,735 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, 2015 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 page 23, and the historical trend information on pages 66 through 69 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, basic financial statements. 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, this 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

July 11, 2016

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

This narrative overview and analysis of the financial statements of Warwick Township, Bucks County, Pennsylvania (the Township) for the calendar year ended December 31, 2015 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, 2015. 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 2015 and Comparative Analysis with 2014

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 \$18,750,272 (*net position*). Of this amount, \$6,500,918 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors. Compared to 2014, unrestricted net position decreased by \$696,153.
- \$9,251,466 of net position is the net investment in capital assets.
- \$2,997,888 is restricted for: Highways and streets, Firehouse equipment, Culture and recreation, Open space, Debt service, and Capital activity.
- During the year, the Township implemented two new accounting pronouncements, Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments.

Beginning net position on the Statement of Activities was restated from \$19,051,118 to \$16,995,603 to reflect the net pension liability at December 31, 2014.

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The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

- Warwick Township's total net position decreased by \$300,846. Most of the decrease was due to the 2015 change in the net pension liability, which increased by \$281,899.
- Real estate, transfer tax and earned income tax, the major revenue sources, remained stable, and were 95% of general revenues in both years.
- Total Revenues decreased \$115,639. Though the current year charges for services increased \$330,145, the prior year included a county grant of \$501,000 for open space purchases. Building permit revenues were 236% higher than the prior year due to completion of commercial developments within the Township in 2015.
- Total expenses decreased \$193,954. A decrease in general government expenses of \$380,882 was offset by an increase in the net pension liability of \$281,899.

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 \$12,552,772 an increase of \$1,370,931 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.

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

- *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).

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.

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- **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 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 general fund to demonstrate compliance with the budget.

- **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.

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MANAGEMENT DISCUSSION AND ANALYSIS

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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 \$18,750,272 at the close of 2015.

	Governmental Activities		Component Units		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 13,743,556	\$ 12,938,574	\$ 9,841,035	\$ 9,889,612	\$ 23,584,591	\$ 22,828,186
Capital assets	<u>16,128,364</u>	<u>16,295,754</u>	<u>32,397,673</u>	<u>33,228,072</u>	<u>48,526,037</u>	<u>49,523,826</u>
Total Assets	<u>29,871,920</u>	<u>29,234,328</u>	<u>42,238,708</u>	<u>43,117,684</u>	<u>72,110,628</u>	<u>72,352,012</u>
Total deferred outflows of resources	<u>722,195</u>	<u>53,609</u>	<u>194,768</u>	<u>204,506</u>	<u>916,963</u>	<u>258,115</u>
Long-term liabilities	9,377,453	7,788,050	5,781,985	6,056,431	15,159,438	13,844,481
Other liabilities	<u>2,268,191</u>	<u>2,448,769</u>	<u>1,616,047</u>	<u>1,882,047</u>	<u>3,884,238</u>	<u>4,330,816</u>
Total Liabilities	<u>11,645,644</u>	<u>10,236,819</u>	<u>7,398,032</u>	<u>7,938,478</u>	<u>19,043,676</u>	<u>18,175,297</u>
Total deferred inflows of resources	<u>198,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,199</u>	<u>-</u>
Net Position						
Invested in capital assets, net of debt	9,251,466	8,869,095	26,335,690	26,896,641	35,587,156	35,765,736
Restricted	2,997,888	2,984,952	2,375,887	2,969,354	5,373,775	5,954,306
Unrestricted	<u>6,500,918</u>	<u>7,197,071</u>	<u>6,323,867</u>	<u>5,517,717</u>	<u>12,824,785</u>	<u>12,714,788</u>
Total Net Position	<u>\$ 18,750,272</u>	<u>\$ 19,051,118</u>	<u>\$ 35,035,444</u>	<u>\$ 35,383,712</u>	<u>\$ 53,785,716</u>	<u>\$ 54,434,830</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 2015. The decrease in capital assets was due to recording depreciation on assets. The increase in long-term liabilities was due to the recognition of the net pension liability.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,441,980	\$ 1,111,835	\$ 3,860,868	\$ 3,777,637	\$ 5,302,848	\$ 4,889,472
Operating grants and contributions	739,136	705,019	-	-	739,136	705,019
Capital grants and contributions	40,227	525,384	-	-	40,227	525,384
General revenues						
Property taxes	3,227,999	3,189,612	-	-	3,227,999	3,189,612
Other taxes	3,681,882	3,707,084	-	-	3,681,882	3,707,084
Grants and contributions not restricted to specific programs						
Investment income	40,869	46,544	19,479	19,659	60,348	66,203
Gain (loss) on sale/retirement of assets	-	(1,824)	-	-	-	(1,824)
Miscellaneous	53,831	54,977	63,388	85,334	117,219	140,311
Total Revenues	<u>9,232,852</u>	<u>9,348,491</u>	<u>3,943,735</u>	<u>3,882,630</u>	<u>13,176,587</u>	<u>13,231,121</u>
EXPENSES						
General government	2,270,186	2,369,169	-	-	2,270,186	2,369,169
Codes and planning	421,741	393,903	-	-	421,741	393,903
Police and emergency service	2,689,924	2,732,893	-	-	2,689,924	2,732,893
Public works	1,543,953	1,575,396	-	-	1,543,953	1,575,396
Culture and recreation	552,379	600,776	-	-	552,379	600,776
Water and sewer	-	-	4,292,003	4,163,197	4,292,003	4,163,197
Total Expenses	<u>7,478,183</u>	<u>7,672,137</u>	<u>4,292,003</u>	<u>4,163,197</u>	<u>11,770,186</u>	<u>11,835,334</u>
Change in Net Position	1,754,669	1,676,354	(348,268)	(280,567)	1,406,401	1,395,787
Net Position - Beginning	<u>16,995,603</u>	<u>17,374,764</u>	<u>35,383,712</u>	<u>35,415,056</u>	<u>52,379,315</u>	<u>52,789,820</u>
Net Position - Ending	<u>\$ 18,750,272</u>	<u>\$ 19,051,118</u>	<u>\$ 35,035,444</u>	<u>\$ 35,134,489</u>	<u>\$ 53,785,716</u>	<u>\$ 54,185,607</u>

Revenues decreased \$115,639 in 2015. Charges for services revenues increased \$330,145 from the prior year, due mainly to an increase of \$247,608 in building permit income received for commercial development projects. However Capital grants decreased \$485,157 due to a county grant of \$501,000 for open space purchase received in the prior year.

Expenses decreased \$193,954 in 2015. Included was an increase in the net pension liability, offset by greater decreases in general government expense. Codes and planning expenses include engineering costs for a planned new ambulance station. Police salaries increased with an additional officer added to the force.

Financial Analysis of the Government's Funds

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

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

At the end of the current fiscal year, Warwick Township's governmental funds reported combined ending fund balances of \$12,552,772. Of the total, \$7,181,467 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 \$7,219,993, while total fund balance reached \$8,983,961. The fund balance of the General Fund increased by \$1,252,217 during the fiscal year 2015.

General Fund Budgetary Highlights and 2015-2014 Comparisons

General Fund revenues exceeded budgeted revenues by \$563,670. Impacting revenues were higher building permit income received mainly from commercial projects, and increased earned income and transfer taxes due to a healthier job market and low interest rates improving housing sales. The increase in actual to budgeted amount was eight percent.

The Township general fund expenditures were lower than budgeted by \$306,434. The areas of savings were wages, employee benefits and insurance costs. Uniformed salary expense was less than budgeted. The budgeted incentive payments to buy out OPEB (Other Postemployment Benefits) weren't spent as there were no retirements in the Police force.

Projecting Forward

The economy is now in its sixth year of expansion and confidence among business leaders and consumers is approaching pre-recession reading. Permit revenue for 2016 is expected to be lower, as the larger commercial projects were completed this year. PENDOT's Route 263 reconstruction project continues, and is expected to be completed in 2017. Constructing an Ambulance Station building to better serve the residents will be completed in 2016. The Township will continue to reassess its human resource needs and add limited positions in areas that are affected by the increased growth and development. It is not anticipated that hiring will reach pre-2008 levels but some level of hiring will be necessary to maintain adequate services.

Interest rates remain low, which could stimulate the housing market. It is likely that the needs in this area will be evaluated over the next year or two. We will continue to conservatively budget real estate and earned income tax, our major revenue sources, at close to 2015 levels.

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The Collective Bargaining Agreement with the Police Benevolent Association will be negotiated in 2016. The impact of the new collective bargaining agreement is still to be determined. Health care costs will increase due to Obamacare (Affordable Care Act) provisions. Pension funding continues to be a major financial obligation for the Township for the foreseeable future.

Resident demands for services will remain high and possibly increase as the infrastructure continues to age. The road program for 2016 is budgeted to cost \$565,000. Some of these projects were deferred for years and have become a priority due to the safety of the residents and visitors. The “catch up” on infrastructure improvements is likely over the next few years.

Capital projects planned include construction of an Ambulance Station building, purchase of one Township police vehicle and a truck for Public Works, an update to the fueling system, and Public Works infrastructure projects. Funding of \$300,000 will come from the General Fund expenditures.

Park and Recreation capital projects planned include Moland Trail and Park planning costs, repairs to basketball courts and the spray pool.

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 2015, the capital projects included:

- Police Radio Equipment, One police vehicle, Body armor vests
- CCTV Upgrade (year two of two year project)
- Security camera expansion project
- Traffic Analyzer
- Three speed display units
- Basin Naturalization – ongoing project that anticipates naturalization of basins and open space areas
- Playground mulch for playground areas
- Pickle ball court repair and resurface
- Spray pool retaining wall replacement
- Guiderail at Community Park
- Moland Trail and Moland Park engineering and planning costs
- Two Lazer Exmark mowers
- New 2015 International truck lease and backhoe lease payments for Public Works

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

Capital Asset and Debt Administration

Capital Assets: Warwick Township's investment in capital assets for governmental activities as of December 31, 2015 amounts to \$16,128,364 (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 pickle ball court, spray pool and playgrounds.

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>1/1/15</u>	Net Additions (Deletions) <u>2015</u>	Ending Balance <u>12/31/15</u>
Non-Depreciable Assets			
Land	\$ 11,286,301	\$ -	\$ 11,286,301
Other Capital Assets			
Buildings and improvements	3,978,257	-	3,978,257
Machinery and equipment	768,108	13,352	781,460
Vehicles	1,235,044	93,806	1,328,850
Infrastructure	2,915,213	43,909	2,959,122
Less: accumulated depreciation on capital assets	<u>(3,887,169)</u>	<u>(318,457)</u>	<u>(4,205,626)</u>
Totals	<u>\$ 16,295,754</u>	<u>\$ (167,390)</u>	<u>\$ 16,128,364</u>

Outstanding Debt as of December 31, 2015

Long term debt and interest scheduled to be paid by 2027, totals \$4,582,000 for bonds, \$2,165,472 for notes, and \$129,426 for capital leases. More information and schedules of payment can be found on pages 46-47.

The Township called the 2010 bond debt in 2015 and refinanced with a 2.07% loan, saving over \$447,000 in interest payments. All Township debt has been refinanced in the past few years with current rates ranges from 1.5% to 2.7%. The savings will be applied to redirect real estate tax millage from the Debt Fund to the General fund going forward.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

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Revenues (Modified Accrual)

The 2015-2014 Budget comparatives of tax mills assessed

	<u>2015 mills</u>	<u>2014 mills</u>
General Fund	8.25	8.25
Parks and Recreation	1.50	1.50
Fire Protection	0.75	0.75
Road Machinery	0.25	0.25
General Obligation	<u>4.50</u>	<u>4.50</u>
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, and secondly real estate tax revenues. We can expect equal or slightly increasing revenues as the economy has stabilized and the housing market continues to recover from the downturn in 2008. We are seeing an uptick in new construction.

Trends in Income

EIT and Real Estate income and transfer taxes are anticipated at current levels as the economy appears to be steady, six years into its expansion. 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 2015 were \$6,045,837 compared with expenditures of \$5,723,019 in 2014. An officer was added to the Police force and a foreman hired for Public Works. An exceptionally harsh winter again in 2015 resulted in \$63,625 greater storm and road expense than 2014.

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DECEMBER 31, 2015

Trends in Expenditures

- 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.
- New storm water and TMDL requirements from the DEP and EPA increase costs of maintaining the ponds.

Looking Forward

The Township has managed to build a sound fund balance, adhering to policies to weather the cyclical economic downturns. Moderate growth is expected to continue in 2016 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 expects to complete construction of a new Ambulance Station Building in 2016. This improvement was necessitated by increasing demand and response times, and will be the first time ambulance service is available in Township. A Fire Service Study is also under way to assess viability of long term volunteer fire service. Plans for Moland Park are continuing.

Large residential land development projects for 2016 include Ridings at Warwick, Woodlands at Warwick and Warwick Mills. Approximately 4 lots are still available in the Ridings at Warwick development. Approximately 75 lots are still available in the Woodlands at Warwick project. Warwick Mill received final plan approval in 2016 for the construction of 40 lots. The development of the fifty acre Moland Park, dedicated to the Township in 2012, is likely to start in 2016, coinciding with the access road being completed.

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, 2015

	<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	\$ 10,781,501	\$ 3,266,083
Investments	1,257,429	-
Receivables	1,136,118	1,222,495
Due from others	2,747	-
Other assets	5,777	109,709
Temporarily restricted assets:		
Cash and cash equivalents	559,984	5,242,748
Land	11,286,301	967,506
Other capital assets (net of accumulated depreciation)	<u>4,842,063</u>	<u>31,430,167</u>
Total Assets	<u>29,871,920</u>	<u>42,238,708</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Unamortized deferred loss on refunding	48,735	194,768
Net difference between projected and actual earnings on pension plan investments	<u>673,460</u>	<u>-</u>
Total deferred outflows of resources	<u>722,195</u>	<u>194,768</u>
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	169,202	206,172
Accrued interest payable	17,106	72,604
Developers escrow payable	559,984	288,671
Due to others	696,608	-
Unearned revenue	-	768,600
Non-current liabilities:		
Due within one year	825,291	280,000
Due after one year	<u>9,377,453</u>	<u>5,781,985</u>
Total Liabilities	<u>11,645,644</u>	<u>7,398,032</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Differences between expected and actual experience on pension plan liability	<u>198,199</u>	<u>-</u>
Total deferred inflows of resources	<u>198,199</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	9,251,466	26,335,690
Restricted for:		
Highways and streets	303,518	-
Firehouse equipment	696,607	-
Culture and recreation	1,109,941	-
Open space	24,383	-
Debt service	445,044	440,160
Capital activity	418,395	1,935,727
Unrestricted	<u>6,500,918</u>	<u>6,323,867</u>
Total Net Position	<u>\$ 18,750,272</u>	<u>\$ 35,035,444</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, 2015

	<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	\$ 6,811,231	\$ 1,917,652	\$ 421,741	\$ 2,607,571
Depreciation	418,230	103,812	-	82,353
Interest on debt	248,722	248,722	-	-
Total Expenses	<u>7,478,183</u>	<u>2,270,186</u>	<u>421,741</u>	<u>2,689,924</u>
Program Revenues:				
Charges for services	1,441,980	352,514	742,505	94,130
Operating grants and contributions	739,136	214,001	-	136,774
Capital grants and contributions	40,227	-	-	-
Total Program Revenues	<u>2,221,343</u>	<u>566,515</u>	<u>742,505</u>	<u>230,904</u>
Net (Expense) Revenue	(5,256,840)	(1,703,671)	320,764	(2,459,020)
General Revenues:				
Taxes:				
Real estate	3,227,999			
Transfer	566,906			
Earned income tax	2,871,202			
Local service tax	199,344			
Admissions tax	44,430			
Grants and contributions not restricted to specific programs	6,928			
Investment earnings	40,869			
Miscellaneous	53,831			
Gain (loss) on sale of capital assets	-			
Total General Revenues	<u>7,011,509</u>			
Change in Net Position	1,754,669			
Net Position - Beginning (Restated)	<u>16,995,603</u>			
Net Position - Ending	<u>\$ 18,750,272</u>			

		Component Unit	
Public Works	Culture & Recreation	Water & Sewer Authority	
\$ 1,338,200	\$ 526,067	\$ 2,743,996	
205,753	26,312	1,401,272	
-	-	146,735	
<u>1,543,953</u>	<u>552,379</u>	<u>4,292,003</u>	
-	252,831	3,860,868	
388,361	-	-	
-	40,227	-	
<u>388,361</u>	<u>293,058</u>	<u>3,860,868</u>	
(1,155,592)	(259,321)	(431,135)	
		-	
		-	
		-	
		-	
		-	
		19,479	
		63,388	
		-	
		<u>82,867</u>	
		(348,268)	
		35,383,712	
		<u>\$ 35,035,444</u>	

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

WARWICK TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2015

	<u>General</u>	<u>Park & Recreation Capital</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,199,086	\$ 1,067,959	\$ 440,990	\$ 2,073,466	\$ 10,781,501
Investments	1,257,429	-	-	-	1,257,429
Receivables:					
Taxes	677,576	-	13,275	7,374	698,225
Accounts	6,383	-	-	1,260	7,643
Prepaid expenses	4,097	-	-	1,680	5,777
Due from other funds	-	5,000	-	7,000	12,000
Due from others	2,747	-	-	-	2,747
Cash - restricted	559,984	-	-	-	559,984
Total Assets	<u>\$ 9,707,302</u>	<u>\$ 1,072,959</u>	<u>\$ 454,265</u>	<u>\$ 2,090,780</u>	<u>\$ 13,325,306</u>
<u>LIABILITIES</u>					
Accounts payable and accrued wages	\$ 134,453	\$ 1,544	\$ -	\$ 33,205	\$ 169,202
Due to other funds	12,000	-	-	-	12,000
Developers escrows payable - restricted	559,984	-	-	-	559,984
Total Liabilities	<u>706,437</u>	<u>1,544</u>	<u>-</u>	<u>33,205</u>	<u>741,186</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	16,904	-	9,221	5,223	31,348
Total deferred inflows of resources	<u>16,904</u>	<u>-</u>	<u>9,221</u>	<u>5,223</u>	<u>31,348</u>
<u>FUND BALANCES</u>					
Nonspendable - prepaid items	4,097	-	-	1,680	5,777
Restricted for:					
Highways and streets	13,841	-	-	289,677	303,518
Firehouse equipment	-	-	-	696,607	696,607
Culture and recreation	-	1,109,941	-	-	1,109,941
Open space	-	-	-	24,383	24,383
Debt service	-	-	445,044	-	445,044
Capital projects	-	-	-	418,395	418,395
Committed to:					
Emergency reserve	1,106,258	-	-	-	1,106,258
Other post-employment benefits	639,772	-	-	-	639,772
Culture and recreation	-	-	-	517,708	517,708
Assigned to:					
Capital projects	-	-	-	103,902	103,902
Unassigned:	7,219,993	(38,526)	-	-	7,181,467
Total Fund Balances	<u>8,983,961</u>	<u>1,071,415</u>	<u>445,044</u>	<u>2,052,352</u>	<u>12,552,772</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,707,302</u>	<u>\$ 1,072,959</u>	<u>\$ 454,265</u>	<u>\$ 2,090,780</u>	<u>\$ 13,325,306</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, 2015

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

Total fund balances--total governmental funds (page 19) \$ 12,552,772

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

Cost of capital assets	20,333,990	
Accumulated depreciation	<u>(4,205,626)</u>	16,128,364

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.

461,598

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	48,735	48,735
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Deferred inflows and outflows or resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Net difference between projected and actual earnings on pension plan investments	673,460	
Differences between expected and actual experience on pension plan liability	<u>(198,199)</u>	475,261

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	(4,582,000)	
Notes payable	(2,165,472)	
Leases payable	(129,426)	
Interest payable	(17,106)	
Due to others	(696,608)	
Net pension liability	(2,209,979)	
Net postemployment benefits obligation	(639,772)	
Compensated absences	<u>(476,095)</u>	<u>(10,916,458)</u>

Net position of governmental activities (page 16) \$ 18,750,272

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

WARWICK TOWNSHIP

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

For the Year Ended December 31, 2015

	General	Park & Recreation Capital	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Real estate	\$ 1,838,800	\$ -	\$ 1,002,108	\$ 557,095	\$ 3,398,003
Transfer	566,906	-	-	-	566,906
Earned income tax	3,076,710	-	-	-	3,076,710
Local services tax	199,344	-	-	-	199,344
Admissions tax	44,430	-	-	-	44,430
Fees, licenses and permits	374,409	-	-	-	374,409
Investment income and rent	75,821	2,785	1,343	5,170	85,119
Intergovernmental revenues	372,485	-	-	366,651	739,136
Fines and forfeitures	58,360	-	-	-	58,360
Charges for services	756,380	-	-	252,831	1,009,211
Other	11,409	5,000	-	40,327	56,736
Total Revenues	<u>7,375,054</u>	<u>7,785</u>	<u>1,003,451</u>	<u>1,222,074</u>	<u>9,608,364</u>
Expenditures					
Current:					
General government	827,200	-	17,400	-	844,600
Public safety	3,043,511	-	-	188,915	3,232,426
Highways and streets	987,266	-	-	497,214	1,484,480
Culture and recreation	4,500	-	-	499,351	503,851
Employee benefits, insurance, and oth	1,183,360	-	-	-	1,183,360
Debt service:					
Principal	-	-	703,459	53,324	756,783
Interest	-	-	224,355	845	225,200
Fiscal agent fees	-	-	34,801	-	34,801
Capital projects	-	78,382	-	100,572	178,954
Total Expenditures	<u>6,045,837</u>	<u>78,382</u>	<u>980,015</u>	<u>1,340,221</u>	<u>8,444,455</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>1,329,217</u>	<u>(70,597)</u>	<u>23,436</u>	<u>(118,147)</u>	<u>1,163,909</u>
Other Financing Sources (Uses)					
Proceeds from note issuance	-	-	5,015,000	-	5,015,000
Proceeds from capital lease	-	-	-	132,022	132,022
Refunding bonds	-	-	(4,940,000)	-	(4,940,000)
Transfers in	-	-	-	93,500	93,500
Transfers out	<u>(77,000)</u>	<u>-</u>	<u>-</u>	<u>(16,500)</u>	<u>(93,500)</u>
Total Other Financing Sources (Uses)	<u>(77,000)</u>	<u>-</u>	<u>75,000</u>	<u>209,022</u>	<u>207,022</u>
Net Change in Fund Balance	1,252,217	(70,597)	98,436	90,875	1,370,931
Fund Balance - Beginning	7,731,744	1,142,012	346,608	1,961,477	11,181,841
Fund Balance - Ending	<u>\$ 8,983,961</u>	<u>\$ 1,071,415</u>	<u>\$ 445,044</u>	<u>\$ 2,052,352</u>	<u>\$ 12,552,772</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, 2015

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 21)		\$ 1,370,931
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	250,840	
Depreciation expense	<u>(418,230)</u>	(167,390)
The effect of sales of capital assets is to decrease net assets.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(206,180)
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.		
Debt issuance	(5,147,022)	
Repayment of debt	5,696,783	
Amortization of premiums, discounts, refundings	(4,874)	
Due to others	19,581	
Interest payable	<u>33,553</u>	598,021
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 liability and deferred items	193,362	
Net postemployment benefits obligation	(32,685)	
Compensated absences	<u>(1,390)</u>	<u>159,287</u>
Change in net position of governmental activities (pages 17-18)		<u>\$ 1,754,669</u>

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, 2015

	<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	\$ 1,828,950	\$ 1,828,950	\$ 1,838,800	\$ 9,850
Transfer	430,000	430,000	566,906	136,906
Earned income tax	3,000,000	3,000,000	3,076,710	76,710
Local service tax	190,000	190,000	199,344	9,344
Admissions tax	30,000	30,000	44,430	14,430
Fees, licenses and permits	318,900	318,900	374,409	55,509
Interest and rent	78,250	78,250	75,821	(2,429)
Intergovernmental revenues	360,184	360,184	372,485	12,301
Fines and forfeitures	52,500	52,500	58,360	5,860
Charges for services	497,600	497,600	756,380	258,780
Other	25,000	25,000	11,409	(13,591)
Total Revenues	<u>6,811,384</u>	<u>6,811,384</u>	<u>7,375,054</u>	<u>563,670</u>
Expenditures				
Current				
General government	870,524	870,524	827,200	(43,324)
Public safety	3,194,534	3,194,534	3,043,511	(151,023)
Highways and streets	962,050	962,050	987,266	25,216
Culture and recreation	11,000	11,000	4,500	(6,500)
Employee benefits, insurance, and other	<u>1,314,163</u>	<u>1,314,163</u>	<u>1,183,360</u>	<u>(130,803)</u>
Total Expenditures	<u>6,352,271</u>	<u>6,352,271</u>	<u>6,045,837</u>	<u>(306,434)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>459,113</u>	<u>459,113</u>	<u>1,329,217</u>	<u>870,104</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	5,000	5,000	-	(5,000)
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(77,000)</u>	<u>43,000</u>
Total Other Financing Sources (Uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(77,000)</u>	<u>38,000</u>
Net Change in Fund Balance	344,113	344,113	1,252,217	908,104
Fund Balance - Beginning	<u>(344,113)</u>	<u>(344,113)</u>	<u>7,731,744</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,983,961</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, 2015

<u>ASSETS</u>	<u>Pension</u> <u>Trust Funds</u>
Assets	
Cash	\$ 323,757
Contributions receivable	776
Investments, at fair value	
ETF Funds	9,860,697
Mutual Funds	<u>77,201</u>
Total Investments	<u>9,937,898</u>
 Total Assets	 <u>\$ 10,262,431</u>
 <u>NET POSITION</u>	
Net Position - Restricted for Pensi	<u>\$ 10,262,431</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, 2015

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee	\$ 98,835
Employer	481,602
State allocation	<u>203,883</u>
Total Contributions	<u>784,320</u>
Investment Earnings	
Net appreciation in fair value of in	(271,740)
Dividends and interest	<u>220,820</u>
Total Investment Earnings	(50,920)
Less investment expense	<u>(38,888)</u>
Net Investment Earnings	<u>(89,808)</u>
Total Additions	<u>694,512</u>
Deductions	
Actuary fees	10,600
Benefits	285,606
Return of principal	<u>9,725</u>
Total Deductions	<u>305,931</u>
Change in Net Position	388,581
Net Position - Restricted for Pension Benefits	
Beginning of Year	<u>9,873,850</u>
End of Year	<u>\$ 10,262,431</u>

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

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015

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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I. Summary of significant accounting policies (Continued)

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

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.

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, 2015

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position 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, 2015, 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, 2015.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position 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, 2015 are recognized as revenue for the year ending December 31, 2015.

Discretely Presented Component Unit – The Warwick Township Water and Sewer Authority customer billings are computed from meter readings and billed quarterly based on the amount consumed in the previous quarter. All bills are due and payable within thirty days after the end of the service period covered. If not paid by the due date, the bills are considered delinquent. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Authority is permitted to lien the customer's property if the customer does not remit payment timely.

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, 2015

I. Summary of significant accounting policies (Continued)

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

5. Inventory

Discretely Presented Component Unit – The Warwick Township Water and Sewer Authority inventory consists of materials, supplies, chemicals and water meters. Inventory is stated at cost, which is determined using the first-in, first-out method.

6. 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, 2015

I. Summary of significant accounting policies (Continued)

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

7. 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.

Discretely Presented Component Unit – The Authority does not compensate unpaid sick time upon employees' termination or retirement. The estimated value of vacation time owed to employees who may be paid in subsequent years or upon termination or retirement and, therefore, payable from future resources is recorded in the current year.

8. 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.

9. 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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I. Summary of significant accounting policies (Continued)

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

9. Deferred Outflows/Inflows of Resources (continued)

The Township has two items that qualify for reporting in this category:

1. *Unamortized deferred loss on refunding* is 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.
2. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.

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 two types of items that qualify for reporting in this category.

1. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Unavailable revenue – property taxes* is reported in 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.

Discretely Presented Component Unit – 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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I Summary of significant accounting policies (Continued)

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

10. Net Position

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

Net investment in capital assets - 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.

Net Investment in Capital Assets	
Capital assets not being depreciated	\$ 11,286,301
Capital assets being depreciated, net of	4,842,063
Less: Long-term debt outstanding	<u>(6,876,898)</u>
Total Net Investment in Capital Ass	<u>\$ 9,251,466</u>

Restricted net position - This category represents 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.

11. 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.

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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I Summary of significant accounting policies (Continued)

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

11. Fund Balance (continued)

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 percent (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 but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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, 2015

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 2015.

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.

As of year-end, the carrying amount of deposits for the governmental activities was \$11,341,485 and the bank balance was \$11,422,181. 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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

The carrying amount of deposits for Warwick Township Water and Sewer Authority, a discretely presented component unit, was \$8,508,831, and the bank balance was \$8,630,521. Of the bank balance, \$880,165 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, D, 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>
GOVERNMENTAL FUNDS			
Externally Pooled Investments	\$ 4,945	\$ -	\$ -
Certificates of Deposit	<u>1,257,429</u>	<u>252,761</u>	<u>1,004,668</u>
Total Governmental Funds	<u>\$ 1,262,374</u>	<u>\$ 252,761</u>	<u>\$ 1,004,668</u>
FIDUCIARY FUNDS			
Money Market Funds	\$ 323,757	\$ 323,757	\$ -
Mutual Funds - Equity	77,201	77,201	-
Exchange Traded Funds (ETFs)	<u>9,860,697</u>	<u>9,860,697</u>	-
Total Fiduciary Funds	<u>\$ 10,261,655</u>	#####	<u>\$ -</u>

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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

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 Note 1, D, 1. The government does not have a formal investment policy for credit risk. The government's 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.

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>Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 677,576	\$ 13,275	\$ 7,374	\$ -	\$ 698,225
Accounts	6,383	-	1,260	-	7,643
Contributions	-	-	-	776	776
Total Receivables	<u>\$ 683,959</u>	<u>\$ 13,275</u>	<u>\$ 8,634</u>	<u>\$ 776</u>	<u>\$ 706,644</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

B. Receivables and due from other governments (Continued)

During the course of the year, the Township bills the Water and Sewer Authority for reimbursement of certain expenses. At December 31, 2015, the balance outstanding from the Water and Sewer Authority was \$2,747.

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, 2015 are:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2016	\$ 49,072
2017	41,810
2018	40,935
2019	26,800
2020	26,800
Thereafter	<u>40,200</u>
	<u>\$ 225,617</u>

The remaining amount reported in receivables for Warwick Township Water & Sewer Authority are amounts receivable from customer usage of water and sewer services.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital asset activity for the year ended December 31, 2015 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not depreciated				
Land	\$ 11,286,301	\$ -	\$ -	\$ 11,286,301
Total Capital Assets, not depreciated	<u>11,286,301</u>	<u>-</u>	<u>-</u>	<u>11,286,301</u>
Capital Assets, being depreciated				
Building and Improvements	3,978,257	-	-	3,978,257
Vehicles	1,235,044	184,609	(90,803)	1,328,850
Equipment	768,108	22,322	(8,970)	781,460
Infrastructure	2,915,213	43,909	-	2,959,122
Total Capital Assets, being depreciated	<u>8,896,622</u>	<u>250,840</u>	<u>(99,773)</u>	<u>9,047,689</u>
Less Accumulated Depreciation				
Building and Improvements	1,715,352	101,627	-	1,816,979
Vehicles	961,994	142,263	(90,803)	1,013,454
Equipment	545,422	70,471	(8,970)	606,923
Infrastructure	664,401	103,869	-	768,270
Total Accumulated Depreciation	<u>3,887,169</u>	<u>418,230</u>	<u>(99,773)</u>	<u>4,205,626</u>
Total Capital Assets, being depreciated	<u>5,009,453</u>	<u>(167,390)</u>	<u>-</u>	<u>4,842,063</u>
Governmental Activities Capital Assets	<u>\$ 16,295,754</u>	<u>\$ (167,390)</u>	<u>\$ -</u>	<u>\$ 16,128,364</u>

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

Governmental Activities	
Administrative	\$ 103,812
Police & Emergency Services	82,353
Public Works	205,753
Park & Recreation	<u>26,312</u>
Total Depreciation Expense - Govern	<u>\$ 418,230</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

C. *Capital assets (continued)*

Discretely Presented Component Units - Warwick Township Water and Sewer Authority capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not depreciated				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	969,267	349,384	(902,716)	415,935
Total Capital Assets, not depreciated	<u>\$ 1,520,838</u>	<u>\$ 349,384</u>	<u>\$ (902,716)</u>	<u>\$ 967,506</u>
Capital Assets, being depreciated				
Plant facilities	\$ 50,004,161	\$ 1,008,748	\$ -	\$ 51,012,909
Plant equipment	527,442	98,799	(140,248)	485,993
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	178,402	1,365	(47,842)	131,925
Vehicles	189,356	-	-	189,356
Total Plant and Equipment	51,220,988	1,108,912	(188,090)	52,141,810
Accumulated depreciation	(19,513,754)	(1,385,979)	188,090	(20,711,643)
Total Capital Assets, being depreciation, net	<u>\$ 31,707,234</u>	<u>\$ (277,067)</u>	<u>\$ -</u>	<u>\$ 31,430,167</u>
Component Unit Activities Capital Assets, net	<u>\$ 33,228,072</u>	<u>\$ 72,317</u>	<u>\$ (902,716)</u>	<u>\$ 32,397,673</u>

Construction in progress – The Authority has signed a 10-year renewable term agreement with the North Wales Water Authority to provide a minimum flow interconnection for supplemental water supply. This agreement will ensure a redundant supply of water into the future for the customers of the Warwick service area. In 2013, the Authority began receiving water through the interconnection and the construction is substantially complete.

In 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. The design of the wastewater treatment plant upgrades are complete and under technical review by Authority staff and the process manufacturer. The public bidding process was completed in 2015 with the start of construction set to begin during March 2016.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

C. Capital assets (continued)

In 2014, the Authority entered into an agreement with the Pennsylvania Department of Transportation concerning relocation of public water lines in connection with the York Road Reconstruction Project. The negotiated agreement with PennDot provides for a 75% reimbursement to the Authority of the \$1,175,000 expenses related to the facility relocation. The project is expected to last three years.

The Authority has completed the first phase of its Supervisory Control and Data Acquisition (SCADA) system to regulate and monitor various facilities in the Water and Wastewater systems.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2015, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 12,000
Park & Recreation Capital	5,000	-
Non Major Funds	7,000	-
Total	<u>\$ 12,000</u>	<u>\$ 12,000</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	\$ -	\$ 77,000
Non Major Funds	93,500	16,500
Total	<u>\$ 93,500</u>	<u>\$ 93,500</u>

Interfund transfers are primarily a result of:

- (1) to fund capital projects and acquisitions

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

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 2015 was \$48,000. Annual rent expense through December 31, 2018 will amount to \$48,000 annually 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.

Capital Leases

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>
Asset:	
Machinery and equipment	\$ 268,607
Less: Accumulated depreciation	<u>(113,667)</u>
Total	<u>\$ 154,940</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

	Governmental <u>Activities</u>
<u>Year Ending Dec. 31</u>	
2016	\$ 50,284
2017	25,416
2018	26,369
2019	<u>27,358</u>
Total minimum lease payments	129,427
Less: amount representing interest	<u>(8,869)</u>
Present value of minimum lease payments	<u>\$ 120,558</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

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 \$9,918,093. 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.

In 2015, the Township issued a \$5,015,000 general obligation note to currently refund the existing 2010 general obligation bond balance of \$4,940,000. As a result, the 2010 Series Bonds are considered to be defeased and the liability for that debt has been removed from the financial statements. The refunding resulted in a cash flow savings of \$447,571.

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>\$ 6,747,472</u>

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

<u>Year Ending</u> <u>December 31,</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>
2016	475,000	89,930	564,930	300,007	99,544	399,551
2017	479,000	80,057	559,057	301,218	88,460	389,678
2018	488,000	70,048	558,048	302,439	77,230	379,669
2019	485,000	59,978	544,978	303,688	65,912	369,600
2020	491,000	49,876	540,876	304,956	54,542	359,498
2021-2025	<u>2,164,000</u>	<u>154,743</u>	<u>2,318,743</u>	<u>653,164</u>	<u>20,069</u>	<u>673,233</u>
	<u>\$ 4,582,000</u>	<u>\$ 504,632</u>	<u>\$ 5,086,632</u>	<u>\$ 2,165,472</u>	<u>\$ 405,757</u>	<u>\$ 2,571,229</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 4,940,000	\$ 5,015,000	\$ (5,373,000)	\$ 4,582,000	\$ 475,000
Deferred amounts:					
For issuance discounts	<u>(53,609)</u>	<u>-</u>	<u>53,609</u>	<u>-</u>	<u>-</u>
Total bonds payable	4,886,391	5,015,000	(5,319,391)	4,582,000	475,000
Note payable	2,435,931	-	(270,459)	2,165,472	300,007
Capital lease	50,728	132,022	(53,324)	129,426	50,284
Net pension liability (restated)	1,928,080	281,899	-	2,209,979	-
Net OPEB obligation	607,087	70,109	(37,424)	639,772	-
Compensated absences	<u>474,705</u>	<u>1,390</u>	<u>-</u>	<u>476,095</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 10,382,922</u>	<u>\$ 5,500,420</u>	<u>\$ (5,680,598)</u>	<u>\$ 10,202,744</u>	<u>\$ 825,291</u>

Debt service for general obligation bonds, notes, and capital leases are funded primarily from taxes for governmental activities. Any liabilities for compensated absences, net pension liabilities, or OPEB obligations are generally liquidated by the general fund for governmental activities.

Due to Others - The Township has a payable recorded as due to others in the amount of \$696,608, 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 2015 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>	Interest <u>Rates</u>	<u>Amount</u>
Water and Sewer	3.5 to 4.35%	<u>\$ 6,120,000</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Discretely Presented Component Unit – Warwick Township Water and Sewer Authority
(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>
2016	\$ 280,000	\$ 145,209	\$ 425,209
2017	300,000	139,609	439,609
2018	300,000	130,609	430,609
2019	300,000	127,009	427,009
2020	300,000	122,659	422,659
2021-2025	1,610,000	518,856	2,128,856
2026-2030	1,815,000	319,578	2,134,578
2031-2033	<u>1,215,000</u>	<u>70,487</u>	<u>1,285,487</u>
	<u>6,120,000</u>	<u>\$ 1,574,016</u>	<u>\$ 7,694,016</u>
Less current maturities	(280,000)		
Less unamortized costs	<u>(58,015)</u>		
Net Due After One Year	<u>\$ 5,781,985</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, 2015

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.

Discretely Presented Component Unit – Warwick Township Water and Sewer Authority: The Authority was the defendant in a lawsuit. During 2015, the lawsuit was settled with no significant loss to the Authority. 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

Discretely Presented Component Unit – 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, 2012 through November 27, 2015, 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.

For the period November 28, 2015 through November 27, 2016, 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, 2015

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 complete and the Authority is now utilizing the interconnection.

D. Defined Benefit Pension Plans

Plan Description and Membership

The Township sponsors two single employer defined benefit pension plans, the Non-Uniformed Employees' Pension Plan and the Police Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2015. Details below are from the valuation.

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. An employee enters the plan on the day he becomes a full-time police officer.

Non-Uniformed Employees' Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the Plan on the first day of the month coincident with or following the completion of one year of service and attainment of age 21. The plan was closed to new entrants hired after September 9, 2013.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

The Pension Plans are governed by the Board of Supervisors who have established a Finance Advisory Committee authorized to make recommendations to the Board in its finance and investment-related planning, including review of pension plan finances for both the Police Pension Plan and the Non-Uniform Pension Plan. The Finance Advisory Committee consists of five members appointed by the Board, plus a Police employee representative from the Police Benevolent Association. The Committee meets quarterly for the purpose of reviewing the investment performance with the investment manager.

At December 31, 2015, Warwick Township Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits	3	6
Inactive employees entitled to benefits but not yet receiving them	5	13
Active employees	<u>17</u>	<u>11</u>
	<u>25</u>	<u>30</u>

Benefits Provided

Police Pension Defined Benefit Pension Plan: 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. An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the salary used for computing retirement benefits. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. For Police employees hired prior to January 1, 2013, the disability pension is equal to 75% of the officer's 36 month average salary at the time of disability. For Police employees hired after January 1, 2013, the disability is equal to 50% of the officer's 36-month average salary at the time of disability. 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, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not less than one year nor more than five years. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

Non-Uniformed Defined Benefit Pension Plan: The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A member is eligible for normal retirement after attainment of age 65. 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. A member is eligible for early retirement after attainment of age 55 and completion of 10 years of service. The early retirement pension is the actuarial equivalent of the member's accrued benefit payable at normal retirement. If a member suffers a total and permanent disability as defined in the Plan and has completed 10 years of full-time employment, he is eligible for disability pension. The disability pension is equal to the benefit based on the accrued pension as of the date of disability reduced by the full amount of worker's compensation. The disability pension shall commence 6 months after the date of disablement. An annual cost-of-living adjustment of 2% per year is made to retirees with a maximum total cost-of-living increase of 30%. Employees hired after January 1, 2012, shall not receive any cost-of-living increase from the Plan. 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.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

Method Used to Value Investments: Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Non Uniform members hired after October 1, 2005, and all Police members, contribute 5% of their pay. Interest is credited to each member's account annually at 4% annual interest for police members, and at the fund's rate of return for non-uniformed members. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$203,883 for the pensions for the year ended December 31, 2015.

Investments

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

Rate of Return: For the year ended December 31, 2015, the annual money-weighted rate of return on Plan investments, net of investment expense was -.94% for the Police Plan and -.95% for the Non-Uniformed Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

Net Pension Liability

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

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 9,089,956	\$ 3,304,477
Plan fiduciary net position	<u>(6,986,647)</u>	<u>(3,197,807)</u>
Net pension liability	<u>\$ 2,103,309</u>	<u>\$ 106,670</u>

Plan fiduciary net position as a		
percentage of the total pension liability	77%	97%

Actuarial Assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.0%	3.0%	
Salary Increases	5.0%	5.0%	(average, including inflation)
Investment Rate of Return	7.5%	7.5%	(including inflation)
Postretirement Cost of Living Increase	2.5%	2.0%	

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males or females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The net pension liability for Police was measured as of December 31, 2015 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2015 as summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	50.0%	5.50% - 7.50%
International Equity	21.0%	4.50% - 6.50%
Fixed Income	26.0%	1.00% - 3.00%
Real Estate	0.0%	4.50% - 6.50%
Cash	3.0%	0.00% - 1.00%

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for both the Non-Uniformed and Police Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2014	\$ 8,344,890	\$ 6,646,323	\$ 1,698,567
Changes for the year:			
Service cost	244,892	-	244,892
Interest	641,158	-	641,158
Change of benefit terms	-	-	-
Differences between expected and actu	58,958	-	58,958
Change of assumptions	-	-	-
Contributions - employer	-	517,082	(517,082)
Contributions - employee	-	89,040	(89,040)
Net investment income	-	(60,556)	60,556
Benefit payments, including refunds of	(199,942)	(199,942)	-
Administrative expense	-	(5,300)	5,300
Other changes	-	-	-
Net Changes	745,066	340,324	404,742
Balance at December 31, 2015	\$ 9,089,956	\$ 6,986,647	\$ 2,103,309

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2014	\$ 3,383,410	\$ 3,153,897	\$ 229,513
Changes for the year:			
Service cost	86,456	-	86,456
Interest	233,533	-	233,533
Change of benefit terms	-	-	-
Differences between expected and actu	(313,258)	-	(313,258)
Change of assumptions	-	-	-
Contributions - employer	-	153,581	(153,581)
Contributions - employee	-	9,794	(9,794)
Net investment income	-	(28,501)	28,501
Benefit payments, including refunds of	(85,664)	(85,664)	-
Administrative expense	-	(5,300)	5,300
Other changes	-	-	-
Net Changes	(78,933)	43,910	(122,843)
Balance at December 31, 2015	\$ 3,304,477	\$ 3,197,807	\$ 106,670

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability			
Police	\$ 3,434,245	\$ 2,103,309	\$ 995,969
Nonuniformed	520,024	106,670	(242,124)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2015, the Township recognized pension expense of \$410,167 for Police Pension and \$67,136 for Non-Uniformed Pension. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 52,407	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>459,252</u>	<u>-</u>
Total	<u>\$ 511,659</u>	<u>\$ -</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 250,606
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>214,208</u>	<u>-</u>
Total	<u>\$ 214,208</u>	<u>\$ 250,606</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

D. Defined Benefit Pension Plans (continued)

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

Year Ended			
<u>December 31:</u>		<u>Police</u>	<u>Non-Uniformed</u>
2016	\$	121,364	\$ (9,100)
2017		121,364	(9,100)
2018		121,364	(9,100)
2019		121,364	(9,098)
2020		6,551	-
Thereafter		(1)	-
Total	\$	<u>492,006</u>	\$ <u>(36,398)</u>

Payable to the Pension Plan: For the year ended December 31, 2015, there was no amount payable for contributions to the pension plan.

Deferred Retirement Option Program

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. A member is eligible to enter the DROP program on or after his normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The member must retire within 60 months after entering the DROP. As of December 31, 2015, there was no DROP account balance held by the plan pursuant to a DROP.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

E. Defined Contribution Pension Plan

Non-Uniformed 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, 2015, 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 2015 totaled \$15,246. Participants are not required to contribute but may make voluntary contributions. There were no employee contributions during 2015. 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 part of the Non-Uniformed Employees' Pension Plan. It 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. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

	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, two employees in 2014 for \$118,000, and no employees took the buy-out in 2015. This reduced the total liability for the post-retirement plan.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

F. Post-employment benefits (continued)

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 \$639,774 to recognize the unfunded liability of the benefits. There are currently two retirees receiving these benefits. The amount paid out for insurance premiums during 2015 totaled \$37,422.

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:

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Payroll
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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

F. *Post-employment benefits (continued)*

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.

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	27,316
Adjustments to annual required contribution	<u>(37,267)</u>
Annual OPEB cost	70,107
Contributions made	<u>(37,422)</u>
Increase (decrease) in net OPEB obligation	32,685
Net OPEB obligation (asset) at beginning of year	<u>607,087</u>
Net OPEB obligation (asset) at end of year	<u>\$ 639,772</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.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

F. Post-employment benefits (continued)

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.

Three Year Trend Information

POLICE OPEB

Fiscal Year	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation (Asset)
Ending			
12/31/2013	\$ 65,363	415.4%	\$ 690,327
12/31/2014	68,742	221.1%	607,087
12/31/2015	70,109	53.4%	639,772

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, 2015, \$559,984 represents the balance of these monies held in escrow.

Discretely Presented Component Unit – The Authority held escrows of \$288,671 for developers at December 31, 2015.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. Other information (Continued)

H. Subsequent events

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

I. New Accounting Pronouncements

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions was issued in June 2012. This Statement is effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to measure and recognize liabilities, deferred outflows of resources, deferred inflows or resources, and expense/expenditures for defined benefit pension plans that more closely match the benefits attributable to the employees’ periods of service. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*. This Statement was implemented in 2015.

Beginning net position on the Statement of Activities has been restated to comply with this new standard. There was no effect on the fund financial statements.

	<u>Amount</u>
Beginning net position as previously reported at December 31, 2014	\$ 19,051,118
Prior period adjustment - Implementation of GASB 68:	
Net pension asset reported in fiscal year 2014	(127,435)
Net pension liability (measurement date)	<u>(1,928,080)</u>
Net position as restated, December 31, 2014	<u>\$ 16,995,603</u>

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This Statement is effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to address issues regarding contributions, if any, made by the local government employer to a defined benefit pension plan after the measurement date of the plan. Since the measurement date of the plan and the reporting date of these financial statements are the same date, implementation of this Statement had no effect.

**REQUIRED
SUPPLEMENTAL INFORMATION**

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – POLICE PENSION PLAN

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 244,892	\$ 274,687
Interest	641,158	588,193
Changes of benefit terms	-	-
Differences between expected and actual	58,958	-
Changes of assumptions	-	-
Benefit payments, including refunds of en	<u>(199,942)</u>	<u>(171,753)</u>
Net change in total pension liability	745,066	691,127
Total pension liability - beginning	<u>8,344,890</u>	<u>7,653,763</u>
Total pension liability - ending (a)	<u>\$ 9,089,956</u>	<u>\$ 8,344,890</u>
Plan fiduciary net position		
Contributions - employer	\$ 517,082	\$ 403,255
Contributions - employee	89,040	87,336
Net investment income	(60,556)	298,876
Benefit payments, including refunds of en	(199,942)	(171,753)
Administrative expense	(5,300)	(4,250)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	340,324	613,464
Plan fiduciary net position - beginning	<u>6,646,323</u>	<u>6,032,859</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,986,647</u>	<u>\$ 6,646,323</u>
Township's net pension liability - ending	<u>\$ 2,103,309</u>	<u>\$ 1,698,567</u>
Plan fiduciary net position as a percentage of the total pension liability	76.9%	79.6%
Covered-employee payroll	\$ 1,830,211	\$ 1,694,126
Township's net pension liability as a percentage of covered-employee payroll	114.9%	100.3%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – NON-UNIFORMED PENSION PLAN

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 86,456	\$ 115,845
Interest	233,533	239,088
changes of benefit terms	-	-
Differences between expected and actual experience	(313,258)	-
Changes of assumptions	-	-
Benefit payments, including refund of overpayments	<u>(85,664)</u>	<u>(87,042)</u>
Net change in total pension liability	(78,933)	267,891
Total pension liability - beginning of year	<u>3,383,410</u>	<u>3,115,519</u>
Total pension liability - ending of year	<u>\$ 3,304,477</u>	<u>\$ 3,383,410</u>
Plan fiduciary net position		
Contributions - employer	\$ 153,581	\$ 151,473
Contributions - employee	9,794	11,216
Net investment income	(28,501)	143,509
Benefit payments, including refund of overpayments	(85,664)	(87,042)
Administrative expense	(5,300)	(2,050)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	43,910	217,106
Plan fiduciary net position - beginning of year	<u>3,153,897</u>	<u>2,936,791</u>
Plan fiduciary net position - ending of year	<u>\$ 3,197,807</u>	<u>\$ 3,153,897</u>
Township's net pension liability	<u>\$ 106,670</u>	<u>\$ 229,513</u>
Plan fiduciary net position as a percentage of the total pension liability		
	96.8%	93.2%
Covered-employee payroll	\$ 756,820	\$ 893,337
Township's net pension liability as a percentage of covered-employee payroll		
	14.1%	25.7%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS – POLICE PENSION PLAN

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 517,082	\$ 403,255	\$ 391,343	\$ 361,372	\$ 351,603
Contributions in relation to the actuarially determined contribution	<u>517,082</u>	<u>403,255</u>	<u>391,343</u>	<u>361,372</u>	<u>351,603</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,830,211	\$ 1,694,126	\$ 1,659,076	\$ 1,598,590	\$ 1,598,590
	(1)	(1)	(1)	(1)	(1)
Contributions as a percentage of covered-employee payroll	28.3%	23.8%	23.6%	22.6%	22.0%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	12 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Normal
Mortality	RP2000 Table. This table does not include projected mortality improvements.

Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2015 actuarial valuations

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 318,862	\$ 305,655	\$ 307,545	\$ 157,817	\$ 128,659
<u>408,990</u>	<u>305,655</u>	<u>307,545</u>	<u>157,817</u>	<u>128,659</u>
<u>\$ (90,128)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,543,527	\$ 1,543,527	\$ 1,440,744	\$ 1,440,744	\$ 1,373,176
(1)	(1)	(1)	(1)	(1)
20.7%	19.8%	21.3%	11.0%	9.4%

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORMED PENSION PLAN

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 153,273	\$ 151,473	\$ 141,959	\$ 145,791	\$ 164,352
Contributions in relation to the actuarially determined contribution	<u>153,581</u>	<u>151,473</u>	<u>141,959</u>	<u>145,791</u>	<u>164,352</u>
Contribution deficiency (excess)	<u>\$ (308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 756,820	\$ 893,337	\$ 1,073,564	\$ 879,856	\$ 879,856
	(1)	(1)	(1)	(1)	(1)
Contributions as a percentage of covered-employee payroll	20.3%	17.0%	13.2%	16.6%	18.7%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	12 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality	RP2000 Table. This table does not include projected mortality improvements.

Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2015 actuarial valuations

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 150,951	\$ 156,119	\$ 155,230	\$ 130,635	\$ 138,791
<u>197,276</u>	<u>156,119</u>	<u>155,230</u>	<u>130,635</u>	<u>138,791</u>
<u>\$ (46,325)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 885,613	\$ 885,613	\$ 918,600	\$ 918,600	\$ 907,294
(1)	(1)	(1)	(1)	(1)
17.0%	17.6%	16.9%	14.2%	15.3%

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	<u>2015</u>	<u>2014</u>
Police		
Annual money-weighted rate of retu	-0.94%	4.99%
Non-Uniformed		
Annual money-weighted rate of retu	-0.95%	4.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

POLICE OTHER POSTEMPLOYMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2015

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>
2010	\$ 242,209	\$ -	0%
2011	238,603	8,218	3%
2012	225,317	22,173	10%
2013	80,058	271,490	339%
2014	80,058	151,982	190%
2015	80,058	37,422	47%

WARWICK TOWNSHIP

COMBINING BALANCE SHEET-NONMAJOR
GOVERNMENT FUNDS

December 31, 2015

	<u>Special Revenue Funds</u>				
	<u>Firehouse Equipment</u>	<u>Road Machinery</u>	<u>Highway Aid</u>	<u>Park & Recreation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 712,493	\$ 87,624	\$ 201,827	\$ 526,145	\$ 1,528,089
Receivables					
Taxes Receivable	2,213	738	-	4,423	7,374
Accounts	-	-	-	1,260	1,260
Prepaid expenses	-	-	-	1,680	1,680
Due from other funds	-	-	-	-	-
Total Assets	<u>\$ 714,706</u>	<u>\$ 88,362</u>	<u>\$ 201,827</u>	<u>\$ 533,508</u>	<u>\$ 1,538,403</u>
<u>LIABILITIES</u>					
Accounts payable and accrued wages	<u>\$ 16,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,946</u>	<u>\$ 27,508</u>
Total Liabilities	<u>16,562</u>	<u>-</u>	<u>-</u>	<u>10,946</u>	<u>27,508</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	<u>1,537</u>	<u>512</u>	<u>-</u>	<u>3,174</u>	<u>5,223</u>
Total deferred inflows of resources	<u>1,537</u>	<u>512</u>	<u>-</u>	<u>3,174</u>	<u>5,223</u>
<u>FUND BALANCES</u>					
Nonspendable - prepaid items	-	-	-	1,680	1,680
Restricted for:					
Firehouse equipment	696,607	-	-	-	696,607
Highways and streets	-	87,850	201,827	-	289,677
Open Space	-	-	-	-	-
Capital projects	-	-	-	-	-
Committed for:					
Park and recreation	-	-	-	517,708	517,708
Assigned for:					
Capital projects	-	-	-	-	-
Total Fund Balances	<u>696,607</u>	<u>87,850</u>	<u>201,827</u>	<u>519,388</u>	<u>1,505,672</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 714,706</u>	<u>\$ 88,362</u>	<u>\$ 201,827</u>	<u>\$ 533,508</u>	<u>\$ 1,538,403</u>

Open Space	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Projects	Capital Reserve	Total	
\$ 24,383	\$ 102,599	\$ 418,395	\$ 545,377	\$ 2,073,466
-	-	-	-	7,374
-	-	-	-	1,260
-	-	-	-	1,680
-	7,000	-	7,000	7,000
<u>\$ 24,383</u>	<u>\$ 109,599</u>	<u>\$ 418,395</u>	<u>\$ 552,377</u>	<u>\$ 2,090,780</u>
<u>\$ -</u>	<u>\$ 5,697</u>	<u>\$ -</u>	<u>\$ 5,697</u>	<u>\$ 33,205</u>
<u>-</u>	<u>5,697</u>	<u>-</u>	<u>5,697</u>	<u>33,205</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,223</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,223</u>
-	-	-	-	1,680
-	-	-	-	696,607
-	-	-	-	289,677
24,383	-	-	24,383	24,383
-	-	418,395	418,395	418,395
-	-	-	-	517,708
-	103,902	-	103,902	103,902
<u>24,383</u>	<u>103,902</u>	<u>418,395</u>	<u>546,680</u>	<u>2,052,352</u>
<u>\$ 24,383</u>	<u>\$ 109,599</u>	<u>\$ 418,395</u>	<u>\$ 552,377</u>	<u>\$ 2,090,780</u>

WARWICK TOWNSHIP

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

For the Year Ended December 31, 2015

	Special Revenue Funds				Total
	Firehouse Equipment	Road Machinery	Highway Aid	Park and Recreation	
Revenues					
Real estate taxes	\$ 167,451	\$ 55,726	\$ -	\$ 333,918	\$ 557,095
Investment income	1,881	196	1,021	1,148	4,246
Intergovernmental revenues	-	-	366,651	-	366,651
Charges for services	-	-	-	252,831	252,831
Other	-	-	-	20,966	20,966
Total Revenues	<u>169,332</u>	<u>55,922</u>	<u>367,672</u>	<u>608,863</u>	<u>1,201,789</u>
Expenditures					
Current:					
Public safety	188,915	-	-	-	188,915
Highways and streets	-	133,141	364,073	-	497,214
Culture and recreation	-	-	-	499,351	499,351
Debt service:					
Principal	-	53,324	-	-	53,324
Interest	-	845	-	-	845
Capital projects	-	-	-	-	-
Total Expenditures	<u>188,915</u>	<u>187,310</u>	<u>364,073</u>	<u>499,351</u>	<u>1,239,649</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,583)</u>	<u>(131,388)</u>	<u>3,599</u>	<u>109,512</u>	<u>(37,860)</u>
Other Financing Sources (Uses)					
Proceeds from capital lease	-	132,022	-	-	132,022
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>132,022</u>	<u>-</u>	<u>-</u>	<u>132,022</u>
Net Change in Fund Balance	(19,583)	634	3,599	109,512	94,162
Fund Balance - Beginning	<u>716,190</u>	<u>87,216</u>	<u>198,228</u>	<u>409,876</u>	<u>1,411,510</u>
Fund Balance - Ending	<u>\$ 696,607</u>	<u>\$ 87,850</u>	<u>\$ 201,827</u>	<u>\$ 519,388</u>	<u>\$ 1,505,672</u>

Capital Projects Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
Open Space	Capital Projects	Capital Reserve	Total	
\$ -	\$ -	\$ -	\$ -	\$ 557,095
73	231	620	924	5,170
-	-	-	-	366,651
-	-	-	-	252,831
-	-	19,361	19,361	40,327
<u>73</u>	<u>231</u>	<u>19,981</u>	<u>20,285</u>	<u>1,222,074</u>
-	-	-	-	188,915
-	-	-	-	497,214
-	-	-	-	499,351
-	-	-	-	53,324
-	-	-	-	845
<u>7,000</u>	<u>93,572</u>	<u>-</u>	<u>100,572</u>	<u>100,572</u>
<u>7,000</u>	<u>93,572</u>	<u>-</u>	<u>100,572</u>	<u>1,340,221</u>
<u>(6,927)</u>	<u>(93,341)</u>	<u>19,981</u>	<u>(80,287)</u>	<u>(118,147)</u>
-	-	-	-	132,022
-	93,500	-	93,500	93,500
-	-	(16,500)	(16,500)	(16,500)
<u>-</u>	<u>93,500</u>	<u>(16,500)</u>	<u>77,000</u>	<u>209,022</u>
(6,927)	159	3,481	(3,287)	90,875
<u>31,310</u>	<u>103,743</u>	<u>414,914</u>	<u>549,967</u>	<u>1,961,477</u>
<u>\$ 24,383</u>	<u>\$ 103,902</u>	<u>\$ 418,395</u>	<u>\$ 546,680</u>	<u>\$ 2,052,352</u>

WARWICK TOWNSHIP

COMBINING STATEMENT OF NET POSITION
FUDUCIARY FUNDS

December 31, 2015

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>			
		<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total Non-Uniform</u>	<u>Total</u>
<u>ASSETS</u>					
Assets					
Cash	\$ 228,530	\$ 95,227	\$ -	\$ 95,227	\$ 323,757
Contributions receivable	-	-	776	776	776
Investments, at fair value					
ETF Funds	6,758,117	3,102,580	-	3,102,580	9,860,697
Mutual Funds	-	-	77,201	77,201	77,201
Total Investments	<u>6,758,117</u>	<u>3,102,580</u>	<u>77,201</u>	<u>3,179,781</u>	<u>9,937,898</u>
 TOTAL ASSETS	 <u>\$ 6,986,647</u>	 <u>\$ 3,197,807</u>	 <u>\$ 77,977</u>	 <u>\$ 3,275,784</u>	 <u>\$ 10,262,431</u>
<u>NET POSITION</u>					
Net Position - Restricted for Pension Benefits	<u>\$ 6,986,647</u>	<u>\$ 3,197,807</u>	<u>\$ 77,977</u>	<u>\$ 3,275,784</u>	<u>\$ 10,262,431</u>

WARWICK TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2015

	Police Pension Plan	<u>Non-Uniformed Pension Plan</u>			
		<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total Non-Uniform</u>	<u>Total</u>
Additions					
Contributions					
Employee	\$ 89,040	\$ 9,795	\$ -	\$ 9,795	\$ 98,835
Employer	383,774	83,006	14,822	97,828	481,602
State allocation	<u>133,308</u>	<u>70,575</u>	<u>-</u>	<u>70,575</u>	<u>203,883</u>
Total Contributions	<u>606,122</u>	<u>163,376</u>	<u>14,822</u>	<u>178,198</u>	<u>784,320</u>
Investment Earnings					
Net appreciation (depreciation)					
in fair value of investments	(184,421)	(86,570)	(749)	(87,319)	(271,740)
Dividends and interest	<u>150,254</u>	<u>70,566</u>	<u>-</u>	<u>70,566</u>	<u>220,820</u>
Total Investment Earnings	(34,167)	(16,004)	(749)	(16,753)	(50,920)
Less investment expense	<u>(26,390)</u>	<u>(12,498)</u>	<u>-</u>	<u>(12,498)</u>	<u>(38,888)</u>
Net Investment Earnings	<u>(60,557)</u>	<u>(28,502)</u>	<u>(749)</u>	<u>(29,251)</u>	<u>(89,808)</u>
Total Additions	<u>545,565</u>	<u>134,874</u>	<u>14,073</u>	<u>148,947</u>	<u>694,512</u>
Deductions					
Actuary fees	5,300	5,300	-	5,300	10,600
Benefits	199,942	85,664	-	85,664	285,606
Return of Principal	<u>-</u>	<u>-</u>	<u>9,725</u>	<u>9,725</u>	<u>9,725</u>
Total Deductions	<u>205,242</u>	<u>90,964</u>	<u>9,725</u>	<u>100,689</u>	<u>305,931</u>
Change in Net Position	340,323	43,910	4,348	48,258	388,581
Net Position - Restricted for Pension Benefits					
Beginning of Year	6,646,324	3,153,897	73,629	3,227,526	9,873,850
End of Year	<u>\$ 6,986,647</u>	<u>\$ 3,197,807</u>	<u>\$ 77,977</u>	<u>\$ 3,275,784</u>	<u>\$ 10,262,431</u>