

TOWAMENCIN TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2011

TOWAMENCIN TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2011

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19-20
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Net Assets - Fiduciary Funds	29
Statement of Changes in Net Assets - Fiduciary Funds	30
Notes to Financial Statements	31-62
Required Supplemental Information:	
Schedule of Funding Progress - Pension Plans	64
Schedule of Employer Contributions - Pension Plans	65
OPEB Plan	66
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	67-68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	69-70
Statement of Net Assets - Fiduciary Funds	71
Statement of Changes in Net Assets - Fiduciary Funds	72
Combining Statement of Changes in Assets and Liabilities - Agency Funds	73



936 Easton Road, PO Box 754, Warrington, PA 18976
163 S. Broad Street, Lansdale, PA 19446
(215) 343-2727 • Fax (215) 343-8080

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Towamencin Township
Kulpsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Towamencin Township, Montgomery County, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Towamencin Township's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Towamencin Township, Montgomery County, Pennsylvania, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical trends information on pages 4-15 and 64-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Towamencin Township's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them

Bee, Bergvall & Co.

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

June 21, 2012

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

Introduction

Our discussion and analysis of Towamencin Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Township's financial statements which begin with the statement of net assets.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the calendar year by \$41,737,202 (net assets). Of this amount, \$2,501,589 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2011, the Township's governmental funds reported combined ending balances of \$2,335,586.
- The Township reduced the outstanding debt with principal payments of \$833,000. The average variable interest rate on two notes with the Delaware Valley Regional Financing Authority was 1.67% including a .7% administrative fee.
- As of December 31, 2011, the Township's proprietary funds reported combined ending balances of \$1,251,442 for sewer related operations. Sewer rental fees did not increase in 2011.
- The Township maintained the Homestead and Farmstead exclusions of \$59,000 and the real estate tax rate of 3.808 mills for 2011.
- During 2011, the Township received a distribution of principal and interest from a charitable remainder trust established by Elizabeth P. Arneth in memory of Eric A. Arneth and Elizabeth P. Arneth to be used for Fischer's Park. Additionally, a perpetual trust was established which will pay quarterly income to the Township to be used for Fischer's Park also.

Overview of the Financial Statements

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future.

GASB 34 establishes the required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The Township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements provide a broad overview of Towamencin Township's finances, in a manner similar to a private-sector business. Please note that the Towamencin Township Infrastructure Authority, although considered a major fund of the Township, is discussed in detail in a separate audit.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent calendar year. All changes in net assets 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 result in cash flows only in future calendar periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- **Governmental Activities** – Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general administration, public safety, public works, culture and recreation, and community development.
- **Business-type Activities** – The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services.

Fund Financial Statements. The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds begin on page 19. All of the funds of the Township can be divided into three categories: governmental, proprietary and fiduciary.

- **Governmental Funds** – Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Assets and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

- **Proprietary Funds** – When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise) utilize the accrual basis of accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public, such as sewer services.
- **Fiduciary Funds** – The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds – Police and Non-Uniform. In addition, the township maintains escrow accounts for land developments. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 31 of this report.

Other Information. This information includes combining financial statements for non-major governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as is done with major funds, on the governmental fund financial statements. This section also contains the Township’s required supplementary pension information.

Financial Analysis of the Government as a Whole

The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question, “How did the Township do financially during 2011?” These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township’s net assets and changes in them during the year. This change in net assets is important because it informs the reader whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors could include changes in the Township’s property tax base and the condition of Township’s assets.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into two kinds of activities:

- Governmental activities – Most of the Township’s basic services are reported here, including general administration, public safety, public works, culture and recreation, and community development. Real estate taxes, earned income taxes, permits, fees and charges for services finance most of these activities.
- Business-type activities – The Township charges a fee to help cover the cost of all or most of the cost of the sanitary sewer system in the Township.

Table 1 below shows the net assets of the Township’s governmental and business-type activities. Assets exceeded liabilities by \$41,737,202 at December 31, 2011. This is a decrease of \$169,097 from the previous year.

Table 1-Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and investments	\$ 2,278,369	\$ 1,698,517	\$ 897,057	\$ 1,064,303	\$ 3,175,426	\$ 2,762,820
Other assets	1,532,700	1,462,695	370,291	375,441	1,902,991	1,838,136
Capital assets	<u>59,707,061</u>	<u>60,878,694</u>	-	-	<u>59,707,061</u>	<u>60,878,694</u>
Total Assets	<u>63,518,130</u>	<u>64,039,906</u>	<u>1,267,348</u>	<u>1,439,744</u>	<u>64,785,478</u>	<u>65,479,650</u>
LIABILITIES						
Other liabilities	1,456,938	2,015,380	15,906	(283,131)	1,472,844	1,732,249
Long term liabilities	<u>21,575,432</u>	<u>21,841,102</u>	-	-	<u>21,575,432</u>	<u>21,841,102</u>
Total Liabilities	<u>23,032,370</u>	<u>23,856,482</u>	<u>15,906</u>	<u>(283,131)</u>	<u>23,048,276</u>	<u>23,573,351</u>
NET ASSETS						
Net Assets						
Invested in capital assets, net of debt	37,682,709	38,053,712	-	-	37,682,709	38,053,712
Restricted	831,660	322,420	721,244	-	1,552,904	322,420
Unrestricted	<u>1,971,391</u>	<u>1,807,292</u>	<u>530,198</u>	<u>1,722,875</u>	<u>2,501,589</u>	<u>3,530,167</u>
Total Net Assets	<u>40,485,760</u>	<u>40,183,424</u>	<u>1,251,442</u>	<u>1,722,875</u>	<u>41,737,202</u>	<u>41,906,299</u>
Total Liabilities and Net Assets	<u>\$ 63,518,130</u>	<u>\$ 64,039,906</u>	<u>\$ 1,267,348</u>	<u>\$ 1,439,744</u>	<u>\$ 64,785,478</u>	<u>\$ 65,479,650</u>

The largest portion of the Township’s net assets, \$37,682,709 or 90% is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt, which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments in the amount of \$3,175,426 represent 5% of the Township’s total assets.

The net assets in the governmental activities increased by \$302,336. The change in net assets is made up of multiple items including depreciation expense which exceed capital outlay for the year and the recognition of the 2011 net obligation of Other Post-Employment Benefits (OPEB). Offsetting these decreases is the receipt of the principle and interest of the Elizabeth P. Arneht Charitable Remainder Trust. The Trust funds are to be used for Fischer’s Park exclusively.

The net assets of the business-type activities decreased \$471,433. \$305,000 of the decrease was due to the Board of Supervisors forgiving advances to the Towamencin Authority in February 2011.

Table 2 -Condensed Statement of Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 824,828	\$ 919,555	\$ 3,476,554	\$ 3,523,787	\$ 4,301,382	\$ 4,443,342
Operating grants and contributions	1,056,196	786,065	-	-	1,056,196	786,065
Capital grants and contributions	881,330	207,132	-	-	881,330	207,132
General Revenues:						
Taxes						
Real estate tax	2,743,772	2,744,751	-	-	2,743,772	2,744,751
Real estate transfer tax	221,987	217,741	-	-	221,987	217,741
Act 511 tax	2,891,596	2,816,649	-	-	2,891,596	2,816,649
Cable TV franchise tax	322,342	296,545	-	-	322,342	296,545
Investment earnings	6,483	12,985	1,383	6,274	7,866	19,259
Other	267,470	338,443	-	-	267,470	338,443
Total Revenues	<u>9,216,004</u>	<u>8,339,866</u>	<u>3,477,937</u>	<u>3,530,061</u>	<u>12,693,941</u>	<u>11,869,927</u>
EXPENSES						
General government	1,745,470	1,431,509	-	-	1,745,470	1,431,509
Public safety-police	3,918,126	3,622,328	-	-	3,918,126	3,622,328
Public safety-other	973,599	935,435	-	-	973,599	935,435
Public works-highway & streets	2,572,048	2,278,727	-	-	2,572,048	2,278,727
Culture & recreation-parks	314,664	567,520	-	-	314,664	567,520
Interest	553,631	645,519	-	-	553,631	645,519
Sewer operations	-	-	2,785,500	2,442,129	2,785,500	2,442,129
Total Expenses	<u>10,077,538</u>	<u>9,481,038</u>	<u>2,785,500</u>	<u>2,442,129</u>	<u>12,863,038</u>	<u>11,923,167</u>
Excess (Deficiency) Before Transfers	(861,534)	(1,141,172)	692,437	1,087,932	(169,097)	(53,240)
Transfers (Net)	<u>1,163,870</u>	<u>858,870</u>	<u>(1,163,870)</u>	<u>(858,870)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	302,336	(282,302)	(471,433)	229,062	(169,097)	(53,240)
Net Assets - Beginning	<u>40,183,424</u>	<u>40,465,726</u>	<u>1,722,875</u>	<u>1,493,813</u>	<u>41,906,299</u>	<u>41,959,539</u>
Net Assets - Ending	<u>\$ 40,485,760</u>	<u>\$ 40,183,424</u>	<u>\$ 1,251,442</u>	<u>\$ 1,722,875</u>	<u>\$ 41,737,202</u>	<u>\$ 41,906,299</u>

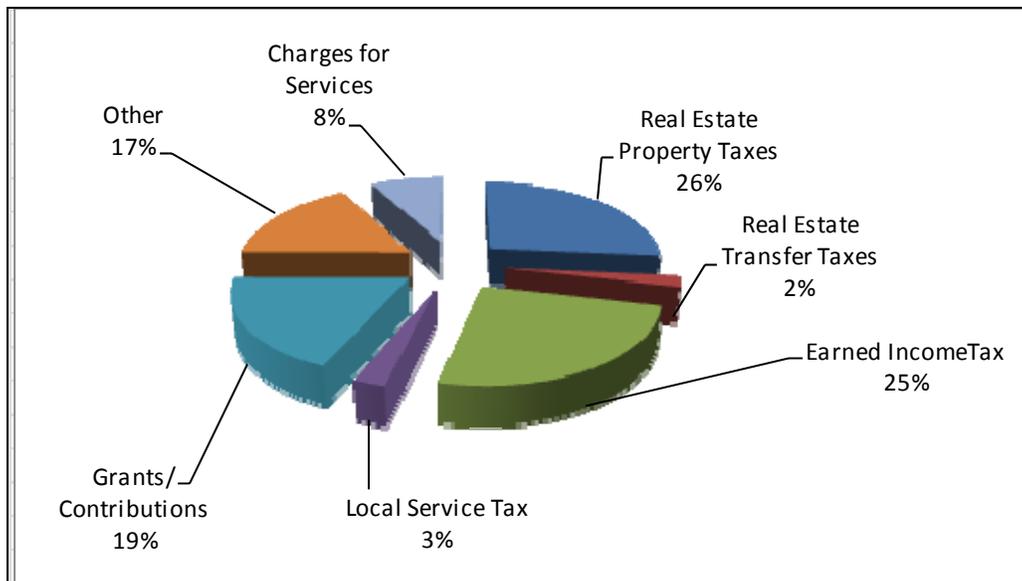
Governmental Activities

The cost of all governmental activities in 2011 was \$10,077,538. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$5,555,019 or 55%. Other costs were paid by those directly benefiting from the programs (\$824,828 or 8%) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$3,691,208 or 37%) in addition to investment earnings.

As indicated by governmental program expenses, public safety programs account for approximately 49% of the total expenditures of the Township’s governmental activities. General administration and Public Works account for approximately 17% and 26%, respectively, of the total expenditures for 2011. Culture & Recreation expenses accounted for 3% of the total. Lastly, interest expense accounted for 6% of the total governmental expenditures.

Real estate taxes, Act 511 taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 26% and 2% of total revenues, respectively. Act 511 taxes, which include the earned income tax and the local services tax, provide 28% of the governmental revenues. The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed. Below are the last five years of Real Estate, Transfer, and Act 511 tax receipts:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real Estate Tax	\$ 2,743,772	\$ 2,744,751	\$ 1,690,826	\$ 1,727,973	\$ 1,623,252
Transfer Tax	221,987	217,741	269,099	476,851	517,376
Earned Income Tax	2,614,619	2,527,890	2,459,426	2,647,641	2,472,650
Local Service Tax	276,977	288,759	248,935	229,922	317,585



Business-type Activities

Towamencin Township and Upper Gwynedd entered into a Joint Agreement resulting in the creation of the Upper Gwynedd-Towamencin Municipal Authority (UGTMA). The Authority is a joint venture, the purpose of which is to borrow money to finance the construction or acquisition of and operate sewer facilities, consisting of a sewage treatment plant and collection system. The Townships guarantee payment of bonds in proportion to their shares of the reserved capacity of the treatment plant to total treatment capacity. The treatment plant is operated by the Authority. Treatment plant operations are financed by Operating Service Charges paid by the Townships pursuant to the Service Agreement. The collection system is leased to the Townships. The construction of the facilities was and is being financed by government grants and the sale of Authority bonds. The Authority's debt service requirements are guaranteed by the Townships through payments of annual lease rentals and capital service charges under Lease and Service Agreements.

During 2011, UGTMA's capital improvements totaled \$217,559. Towamencin Township's 77.5% share of these expenses or \$175,217 was funded in part with \$21,090 tapping fees received during the year.

Residential properties in the Township pay sewer rent in the amount of \$325 per year or \$375 per year with a garbage disposal. Commercial properties are billed twice a year, in arrears, based on water usage. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a new property ties into the system.

During 2011, the Township received tapping fees for 15 commercial connections and 2 residential connections. The total amount received was \$13,772.

Financial Analysis of the Township's Funds

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

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

As of December 31, 2011, the Township's governmental funds reported combined ending balances of \$2,335,586, an increase of \$911,236 as compared to the prior year. A large part of this anticipated increase was due to the establishment of a new "Fischer's Park Fund" funded with the distributions from the two trusts established by Elizabeth P. Arneith. The funds are to be used exclusively for Fischer's Park.

The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2011, the total fund balance of the General Fund was \$1,216,397. All of which is unassigned except for \$19,262 representing prepaid expenses. The fund balance decreased \$43,731 in fiscal year 2011. The anticipated decrease was \$575,640. Key factors attributing to the positive variance are as follows:

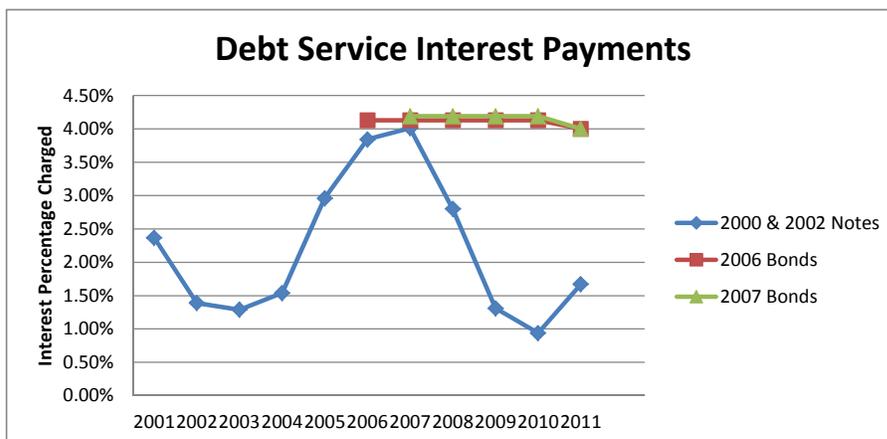
- The Township received the 2008 Recycling performance grant in the amount of \$70,151. Earlier estimates projected the grant to be \$31,000.
- The 2011 State Pension Aid unit value was 73% higher than the 2010 unit value resulting in additional revenues of \$166,184.
- Criminal Processing Fees collected by Montgomery County exceed budget by \$66,780.
- The Public Works Department eliminated the use of outside contractors for snow removal resulting in savings of \$52,000.

The **Traffic Impact Fund** was created in 1992 subsequent to the enactment of Act 209 of 1991. The impact fee is calculated upon (1) estimated peak afternoon trips generated by future development and (2) Township roadway improvements required to meet the increased demand of traffic. The Roadway Sufficiency Analysis, amended in 1996, resulted in the current per trip fee of \$2,197. These impact fees can be used to fund engineering, right-of-way acquisition and construction of traffic improvements in the Act 209 area.

In 2011, the Township received impact fees of \$120,275 relating to the development of a hotel and restaurant.

The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mils) is assessed for this purpose.

The average variable rate of interest including the average monthly administration fee of .7% charged by the Delaware Valley Regional Finance Authority (DVRFA) during 2011 was 1.67%. This rate applies to Notes issued in 2000 (\$7,365,000) and 2002 (\$6,000,000).



As of December 31, 2011, the fund balance of the Debt Service Fund was \$9,957. This is the amount available for future debt service payments.

The **Towamencin Township Infrastructure Authority** is a component unit of the Township. The Authority is charged with projects by resolution of the Township. Its current responsibility is the engineering and right-of-way acquisition for the recently completed Forty Foot Road project. The Pennsylvania Department of Transportation (PennDOT) was responsible for construction.

Revenues in 2011 included \$45 in interest earnings, \$40,987 in reimbursements from PennDOT and transfers from the Township in the amount of \$596,158. Debt service of \$596,158 accounts for 92% of total expenditures. The remaining expenditures include legal and other professional fees of \$51,538.

In 2006, the Township Infrastructure Authority issued general revenue bonds in the amount of \$10,000,000, for the purpose of refunding two Guaranteed Project Notes issued in 2000. The Notes were refunded in January 2007. The interest rates range from 3.5% to 5.0%.

The **General Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from an annual transfer from the General Fund, the sale of fixed assets and various grants. In 2011, the transfer from the general fund totaled \$372,000, grant funds totaled \$59,801 and the sale of assets generated \$41,232. The funds were used to purchase 2 police patrol cars, replace a truck for the Fire Marshal, and purchase a new mower. The grant funds were used to purchase and install a generator for emergency services. The installation will be completed in 2012. Work on the culvert on Rittenhouse Road began in 2011. This project will also be completed in 2012. The Township entered into a five-year lease agreement to fund the purchase of a loader and significant upgrades to the information technology infrastructure.

The **Park Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from General Obligation Bonds, grants, impact fees, and from the sale of fixed assets. In the Spring of 2011, CFC Properties transferred a parcel of land to the Township to be known as Butch Clemens Park. CFC agreed to maintain the ball fields until the Township allowed them to be used. Other capital projects included the replacement of the drains in the pools and new picnic tables. A tennis court was repaired and resurfaced in Heebner Park and the Dr. Hollenbeck Memorial Pavilion was complete in Fischer's Park and dedicated on Towamencin Day.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's budget and actual results for the General Fund can be found on page 25.

Real Estate Transfer Taxes were 11% lower than budget indicating that home sales in the Township continue to be sluggish. However, Earned Income Tax and Local Services Tax collections both exceeded budget estimates. Building permits exceeded budget primarily due to the Town Square construction projects. Cable TV franchise fees exceeded budget by \$20,340. Franchise fees grew 6.9% over 2010 collections with revenues split between Comcast (58%) and Verizon (42%). The 2010 revenue split was 62% Comcast and 38% Verizon.

The Township received a \$39,480 dividend from the Delaware Valley Insurance Trust for general liability and property insurance coverage. The dividend combined with other credits reduced the net cost of property insurance to \$27,052 for 2011.

Police department salaries were \$53,570 under budget due to the hiring of an officer in April. The salary was budgeted for the entire calendar year resulting in a lower departmental cost than anticipated. Also, two officers collected long term disability insurance which directly reduced the police wage expense.

Due to time, manpower, and weather conditions, the Public Works department was unable to complete the budgeted amount of highway maintenance projects resulting in a positive variance of \$45,000.

Capital Assets and Debt Administration

Capital Assets. The Township’s investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$59,707,061, net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, sanitary sewer and land improvements.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 4,959,269	\$ 4,699,859
Land Improvements	5,953,923	5,913,449
Buildings & Improvements	7,063,148	7,041,095
Machinery & Equipment	1,912,741	1,644,562
Vehicles	1,647,211	1,729,009
Infrastructure	50,225,536	50,225,536
Construction in Progress	<u>9,501,456</u>	<u>9,501,456</u>
Total Capital Assets	81,263,284	80,754,966
Less accumulated depreciation	<u>(21,556,223)</u>	<u>(19,876,272)</u>
Capital Assets, Net of Depreciation	<u>\$ 59,707,061</u>	<u>\$ 60,878,694</u>

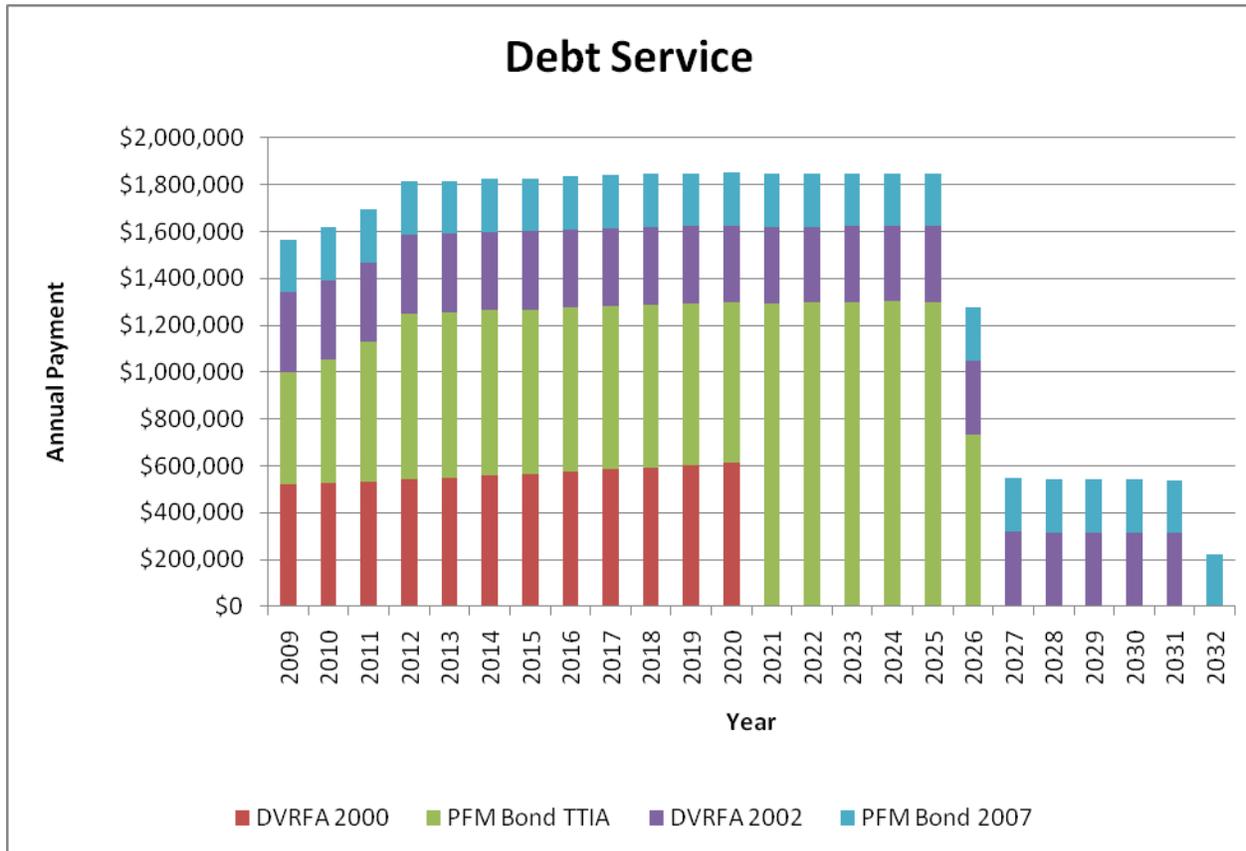
Major capital assets in the governmental funds acquired during the current fiscal year included the following:

- \$ 109,200 – Significant upgrades to IT Infrastructure
- \$ 80,234 – Purchase generator for emergency services
- \$ 71,448 – Purchase 2 patrol vehicles

Additional information about the Township’s capital assets can be found in Note III on pages 44-45 of this report.

Long-term Debt. At year-end the Township had \$21,758,000 in outstanding debt compared to \$22,591,000 last year for governmental activities. The Infrastructure Authority’s debt of \$9,600,000 is included in these amounts. The debt that is due within one year for governmental activities is \$983,000.

The Chart below outlines the payment structure of the outstanding bonds and notes for the Township and the Infrastructure Authority.



Additional information about the Township’s long-term debt can be found in Note III on pages 46-49 of this report.

Economic Factors

Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 17,700 and 6,800 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale.

The top three major employers in the Township are:

1. Green Tweed & Company
2. North Penn School District
3. Dock Woods Community

The assessed valuations of the three largest taxpayers are:

1. Towamencin Apt. Joint Venture Jacobs Woods Apartments	\$15,582,980
2. Souderton Industrial Development Authority Dock Woods Community, Inc Dock Terrace Nursing Home	13,666,300
3. KBF Associates Forge Gate Apartments	8,750,000

NEXT YEAR'S BUDGET

The elected officials of Towamencin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2012 real estate tax rate will remain the same as in 2011 and 2010. The homestead and farmstead exemptions of \$59,000 will remain unchanged. Therefore, a "typical" household with a \$150,000 real estate tax assessment will pay \$347 in real estate taxes. Over 4,650 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will remain the same for 2012. Property owners with on-lot sewer systems will start being charged \$35 annually in 2012 to cover the costs of inspections required by the Commonwealth of Pennsylvania. For the past decade, the Township has been successful in receiving grant funds from DEP to offset the cost of inspections. In recent years, these grant funds have been continually declining. Consequently, the Board will collect fees to cover the cost of the program.

On the expense side, the Township plans to continue efforts to alleviate the Inflow and Infiltration (I&I) of storm water into the sanitary sewer treatment system. The 2012 budget provides \$125,875 for that purpose. Additional capital expenses include the purchase of police vehicles, public works vehicles and mobile radios. The Township has been awarded a \$300,000 C2P2 grant from DCNR for improvements to Fischer's Park recommended in the Park Master Plan.

Despite budgeting challenges created by the economic downturn, the Township expects to provide the same high level of services to its residents as in past years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors a general overview of Towamencin Township's finances and to show the Township's accountability for the funds it received and disbursed. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Robert A. Ford, Township Manager, Towamencin Township, P.O. Box 303, Kulpsville, PA 19443.

General information relating to Towamencin Township, Pennsylvania can be found at the Township's website www.towamencin.org.

TOWAMENCIN TOWNSHIP

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,278,369	\$ 897,057	\$ 3,175,426
Receivables	1,315,890	370,291	1,686,181
Prepaid expenses	19,262	-	19,262
Debt issuance costs (net of accumulated amortization)	123,388	-	123,388
Net pension asset	74,160	-	74,160
Land	4,959,269	-	4,959,269
Construction in progress	9,501,456	-	9,501,456
Other capital assets (net of accumulated depreciation)	45,246,336	-	45,246,336
Total Assets	<u>63,518,130</u>	<u>1,267,348</u>	<u>64,785,478</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	289,056	15,906	304,962
Interest payable	86,725	-	86,725
Other liabilities	424	-	424
Non-current liabilities:			
Due within one year	1,080,733	-	1,080,733
Due after one year	21,575,432	-	21,575,432
Total Liabilities	<u>23,032,370</u>	<u>15,906</u>	<u>23,048,276</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	37,682,709	-	37,682,709
Restricted for:			
Traffic	89,200	-	89,200
Streets and highways	81,298	-	81,298
Street lights	68	-	68
Capital projects	534,705	-	534,705
Fire	6,031	-	6,031
Park and recreation	120,358	-	120,358
Sewer system capital improvements	-	721,244	721,244
Unrestricted	1,971,391	530,198	2,501,589
Total Net Assets	<u>\$ 40,485,760</u>	<u>\$ 1,251,442</u>	<u>\$ 41,737,202</u>

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

TOWAMENCIN TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General Government	\$ 1,745,470	\$ 179,430	\$ 396,335	\$ -
Public Safety	4,891,725	453,694	237,945	59,801
Highways and Streets	2,572,048	-	421,916	161,262
Culture and Recreation	314,664	191,704	-	660,267
Interest Expense	553,631	-	-	-
Total Governmental Activities	<u>10,077,538</u>	<u>824,828</u>	<u>1,056,196</u>	<u>881,330</u>
Business -Type Activities				
Sewer	<u>2,785,500</u>	<u>3,476,554</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>2,785,500</u>	<u>3,476,554</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 12,863,038</u>	<u>\$ 4,301,382</u>	<u>\$ 1,056,196</u>	<u>\$ 881,330</u>

General Revenues

 Taxes:

 Real Estate

 Transfer

 Earned Income Tax

 Local Service Tax

 Grants and Contributions not

 Restricted to Specific Programs

 Investment Earnings

 Gain on Sale of Capital Assets

 Cable Fees

 Miscellaneous

 Transfers

 Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,169,705)	\$ -	\$ (1,169,705)
(4,140,285)	-	(4,140,285)
(1,988,870)	-	(1,988,870)
537,307	-	537,307
(553,631)	-	(553,631)
<u>(7,315,184)</u>	<u>-</u>	<u>(7,315,184)</u>
-	691,054	691,054
-	691,054	691,054
<u>(7,315,184)</u>	<u>691,054</u>	<u>(6,624,130)</u>
2,743,772	-	2,743,772
221,987	-	221,987
2,614,619	-	2,614,619
276,977	-	276,977
56,331	-	56,331
6,483	1,383	7,866
41,232	-	41,232
322,342	-	322,342
169,907	-	169,907
1,163,870	(1,163,870)	-
<u>7,617,520</u>	<u>(1,162,487)</u>	<u>6,455,033</u>
302,336	(471,433)	(169,097)
<u>40,183,424</u>	<u>1,722,875</u>	<u>41,906,299</u>
<u>\$ 40,485,760</u>	<u>\$ 1,251,442</u>	<u>\$ 41,737,202</u>

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

TOWAMENCIN TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>	<u>Traffic Impact</u>	<u>Debt Service</u>	<u>Infrastructure Authority</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 1,154,549	\$ 66,768	\$ 23,433	\$ 12,950
Accounts receivable, net	116,684	10,700	-	-
Taxes receivable, net	205,583	-	16,679	-
Prepaid expenses	19,262	-	-	-
Due from other funds	-	3,913,601	-	-
Total Current Assets	<u>1,496,078</u>	<u>3,991,069</u>	<u>40,112</u>	<u>12,950</u>
 TOTAL ASSETS	 <u>\$ 1,496,078</u>	 <u>\$ 3,991,069</u>	 <u>\$ 40,112</u>	 <u>\$ 12,950</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable and accrued wages	\$ 214,333	\$ -	\$ 13,476	\$ 1,218
Deferred revenue	65,348	-	16,679	-
Due to other funds	-	-	-	3,913,601
Other obligations	-	-	-	-
Total Liabilities	<u>279,681</u>	<u>-</u>	<u>30,155</u>	<u>3,914,819</u>
 Fund Balances				
Nonspendable	19,262	-	-	-
Restricted for:				
Streets and highways	-	-	-	-
Traffic	-	3,991,069	-	-
Capital projects	-	-	-	-
Street lights	-	-	-	-
Fire	-	-	-	-
Park and recreation	-	-	-	-
Committed for:				
Debt service	-	-	9,957	-
Public Art	-	-	-	-
Assigned for:				
Capital projects	-	-	-	-
Pool	-	-	-	-
Unassigned	<u>1,197,135</u>	<u>-</u>	<u>-</u>	<u>(3,901,869)</u>
Total Fund Balances	<u>1,216,397</u>	<u>3,991,069</u>	<u>9,957</u>	<u>(3,901,869)</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,496,078</u>	 <u>\$ 3,991,069</u>	 <u>\$ 40,112</u>	 <u>\$ 12,950</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,020,669	\$ 2,278,369
59,834	187,218
13,239	235,501
-	19,262
-	3,913,601
<u>1,093,742</u>	<u>6,633,951</u>
<u>\$ 1,093,742</u>	<u>\$ 6,633,951</u>
\$ 60,029	\$ 289,056
13,257	95,284
-	3,913,601
424	424
<u>73,710</u>	<u>4,298,365</u>
-	19,262
81,298	81,298
-	3,991,069
534,705	534,705
68	68
6,031	6,031
120,358	120,358
-	9,957
115,280	115,280
156,932	156,932
5,360	5,360
-	(2,704,734)
<u>1,020,032</u>	<u>2,335,586</u>
<u>\$ 1,093,742</u>	<u>\$ 6,633,951</u>

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

TOWAMENCIN TOWNSHIP

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

For the Year Ended December 31, 2011

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

Total fund balances--total governmental funds (pages 19-20) \$ 2,335,586

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

Cost of capital assets	\$ 81,263,284	
Accumulated depreciation	<u>(21,556,223)</u>	59,707,061

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 959,494

Net assets of the pension fund will be amortized over the long term
and are reported in the statement of net assets 74,161

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. 28,960

Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Bonds and notes payable	(21,758,000)	
Compensated absences	(30,677)	
Net OPEB Obligation	(601,136)	
Capital lease payable	(266,352)	
Interest payable	(86,725)	
Unamortized debt issuance costs	<u>123,388</u>	<u>(22,619,502)</u>

Net Assets of governmental activities (page 16) \$ 40,485,760

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

TOWAMENCIN TOWNSHIP

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

For the Year Ended December 31, 2011

	<u>General</u>	<u>Traffic Impact</u>	<u>Debt Service</u>	<u>Infrastructure Authority</u>
Revenues				
Taxes:				
Real estate	\$ 1,807,106	\$ -	\$ 582,316	\$ -
Transfer	221,987	-	-	-
Earned income tax	2,590,104	-	-	-
Emergency and municipal services	276,977	-	-	-
Fees, licenses and permits	325,722	-	-	-
Investment income and rent	46,157	40	160	45
Intergovernmental revenues	479,673	-	-	40,987
Fines and forfeitures	84,755	-	-	-
Charges for services	544,989	-	-	-
Other	91,254	120,275	-	-
Total Revenues	<u>6,468,724</u>	<u>120,315</u>	<u>582,476</u>	<u>41,032</u>
Expenditures				
Current:				
General government	854,229	7,805	300	49,162
Public safety	4,211,434	-	-	-
Highways and roads	803,208	-	-	-
Culture and recreation	5,000	-	-	-
Miscellaneous	301,454	-	-	2,376
Debt service:				
Principal	-	-	667,987	200,000
Interest	-	-	232,325	396,158
Total Expenditures	<u>6,175,325</u>	<u>7,805</u>	<u>900,612</u>	<u>647,696</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>293,399</u>	<u>112,510</u>	<u>(318,136)</u>	<u>(606,664)</u>
Other Financing Sources (Uses)				
Proceeds from debt	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	658,870	-	919,234	596,158
Operating transfers out	<u>(996,000)</u>	<u>(102,234)</u>	<u>(596,158)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(337,130)</u>	<u>(102,234)</u>	<u>323,076</u>	<u>596,158</u>
Net Change in Fund Balances	(43,731)	10,276	4,940	(10,506)
Fund Balance - Beginning	<u>1,260,128</u>	<u>3,980,793</u>	<u>5,017</u>	<u>(3,891,363)</u>
Fund Balance - Ending	<u>\$ 1,216,397</u>	<u>\$ 3,991,069</u>	<u>\$ 9,957</u>	<u>\$ (3,901,869)</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 354,350	\$ 2,743,772
-	221,987
-	2,590,104
-	276,977
-	325,722
434	46,836
649,511	1,170,171
-	84,755
191,704	736,693
<u>742,211</u>	<u>953,740</u>
<u>1,938,210</u>	<u>9,150,757</u>
524,983	1,436,479
408,122	4,619,556
342,565	1,145,773
600,119	605,119
-	303,830
99,213	967,200
-	628,483
<u>1,975,002</u>	<u>9,706,440</u>
<u>(36,792)</u>	<u>(555,683)</u>
261,817	261,817
41,232	41,232
917,000	3,091,262
<u>(233,000)</u>	<u>(1,927,392)</u>
<u>987,049</u>	<u>1,466,919</u>
950,257	911,236
<u>69,775</u>	<u>1,424,350</u>
<u>\$ 1,020,032</u>	<u>\$ 2,335,586</u>

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

TOWAMENCIN 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, 2011

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

Net change in fund balances--total governmental funds (page 22-23).	\$	911,236
---	----	---------

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	\$ 691,099		
Depreciation expense	<u>(1,862,732)</u>		(1,171,633)

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.		24,014
--	--	--------

The effect of any over funding of the pension liability less the amortization of the net pension asset increases net assets		(3,888)
---	--	---------

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	(261,817)		
Compensated absences	(7,214)		
Net OPEB obligation	(148,387)		
Amortization of debt issuance costs	(8,226)		
Interest payable	1,049		
Repayment of debt	<u>967,202</u>		<u>542,607</u>

Change in net assets of governmental activities (pages 17-18)	\$	<u>302,336</u>
---	----	----------------

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

TOWAMENCIN TOWNSHIP

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

For the Year Ended December 31, 2011

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes				
Real estate	\$ 1,827,590	\$ 1,827,590	\$ 1,807,106	\$ (20,484)
Transfer	250,000	250,000	221,987	(28,013)
Earned income tax	2,500,000	2,500,000	2,590,104	90,104
Local service tax	265,000	265,000	276,977	11,977
Fees, licenses and permits	305,240	305,240	325,722	20,482
Interest and rent	49,375	49,375	46,157	(3,218)
Intergovernmental revenues	273,757	273,757	479,673	205,916
Fines and forfeitures	125,170	125,170	84,755	(40,415)
Charges for services	459,070	459,070	544,989	85,919
Other	24,500	24,500	91,254	66,754
Total Revenues	<u>6,079,702</u>	<u>6,079,702</u>	<u>6,468,724</u>	<u>389,022</u>
Expenditures				
Current:				
General government	893,423	893,423	854,229	(39,194)
Public safety	4,267,433	4,267,433	4,211,434	(55,999)
Highways and roads	922,776	922,776	803,208	(119,568)
Culture and recreation	8,215	8,215	5,000	(3,215)
Miscellaneous	303,365	303,365	301,454	(1,911)
Total Expenditures	<u>6,395,212</u>	<u>6,395,212</u>	<u>6,175,325</u>	<u>(219,887)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(315,510)</u>	<u>(315,510)</u>	<u>293,399</u>	<u>608,909</u>
Other Financing Sources (Uses)				
Operating transfers in	658,870	658,870	658,870	-
Operating transfers out	<u>(919,000)</u>	<u>(919,000)</u>	<u>(996,000)</u>	<u>(77,000)</u>
Total Other Financing Sources (Uses)	<u>(260,130)</u>	<u>(260,130)</u>	<u>(337,130)</u>	<u>(77,000)</u>
Net Change in Fund Balances	(575,640)	(575,640)	(43,731)	531,909
Fund Balance, Beginning of Year	<u>1,260,128</u>	<u>1,260,128</u>	<u>1,260,128</u>	
Fund Balance, End of Year	<u>\$ 684,488</u>	<u>\$ 684,488</u>	<u>\$ 1,216,397</u>	

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

TOWAMENCIN TOWNSHIP

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2011

	<u>Business-Type Activities - Proprietary Funds</u>		
	<u>Sewer</u>	<u>Sewer Capital</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 167,986	\$ 729,071	\$ 897,057
Accounts receivable, net	<u>370,291</u>	<u>-</u>	<u>370,291</u>
Total Assets	<u>\$ 538,277</u>	<u>\$ 729,071</u>	<u>\$ 1,267,348</u>
 <u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	<u>\$ 8,079</u>	<u>\$ 7,827</u>	<u>\$ 15,906</u>
Total Liabilities	<u>8,079</u>	<u>7,827</u>	<u>15,906</u>
 <u>NET ASSETS</u>			
Restricted for capital improvements (Expendable)	-	721,244	721,244
Unrestricted	<u>530,198</u>	<u>-</u>	<u>530,198</u>
Total Net Assets	<u>\$ 530,198</u>	<u>\$ 721,244</u>	<u>\$ 1,251,442</u>

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

TOWAMENCIN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	<u>Business-Type Activities - Proprietary Funds</u>		
	<u>Sewer</u>	<u>Sewer Capital</u>	<u>Total</u>
Operating Revenues			
Sewer service	\$ 3,314,509	\$ -	\$ 3,314,509
Connection fees	-	13,772	13,772
Other revenues	148,273	-	148,273
Total Operating Revenues	<u>3,462,782</u>	<u>13,772</u>	<u>3,476,554</u>
Operating Expenses			
Sewer disposal	2,517,789	253,404	2,771,193
Administration	14,307	-	14,307
Total Operating Expenses	<u>2,532,096</u>	<u>253,404</u>	<u>2,785,500</u>
Operating Income (Loss)	<u>930,686</u>	<u>(239,632)</u>	<u>691,054</u>
Nonoperating Revenues (Expense)			
Net earnings on investments	989	394	1,383
Total Nonoperating Revenues (Expense)	<u>989</u>	<u>394</u>	<u>1,383</u>
Net Income (Loss)	<u>931,675</u>	<u>(239,238)</u>	<u>692,437</u>
Other Financing Sources (Uses)			
Interfund transfers in	-	200,000	200,000
Interfund transfers out	(858,870)	(505,000)	(1,363,870)
Total Other Financing Sources (Uses)	<u>(858,870)</u>	<u>(305,000)</u>	<u>(1,163,870)</u>
Change in Net Assets	72,805	(544,238)	(471,433)
Net Assets - Beginning	<u>457,393</u>	<u>1,265,482</u>	<u>1,722,875</u>
Net Assets - Ending	<u>\$ 530,198</u>	<u>\$ 721,244</u>	<u>\$ 1,251,442</u>

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

TOWAMENCIN TOWNSHIP

STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS

December 31, 2011

	<u>Proprietary Fund Types</u>		
	<u>Sewer</u>	<u>Capital Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 3,467,932	\$ 13,772	\$ 3,481,704
Cash paid to suppliers	<u>(2,533,929)</u>	<u>(257,534)</u>	<u>(2,791,463)</u>
Net cash provided by (used in) operating activities	<u>934,003</u>	<u>(243,762)</u>	<u>690,241</u>
Cash flows from investing activities			
Investment income	<u>989</u>	<u>394</u>	<u>1,383</u>
Net cash provided by (used in) investing activities	<u>989</u>	<u>394</u>	<u>1,383</u>
Cash flows from non-capital financing activities			
Operating transfers to/from other funds, net	<u>(858,870)</u>	<u>-</u>	<u>(858,870)</u>
Net cash provided by (used in) non-capital financing activities	<u>(858,870)</u>	<u>-</u>	<u>(858,870)</u>
Net increase (decrease) in cash and cash equivalents	76,122	(243,368)	(167,246)
Beginning cash and cash equivalents	<u>91,864</u>	<u>972,439</u>	<u>1,064,303</u>
Ending cash and cash equivalents	<u>\$ 167,986</u>	<u>\$ 729,071</u>	<u>\$ 897,057</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Net operating income (loss)	\$ 930,686	\$ (239,632)	\$ 691,054
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Changes in assets and liabilities:			
(Increase) decrease in receivables	5,150	-	5,150
Increase (decrease) in payables	<u>(1,833)</u>	<u>(4,130)</u>	<u>(5,963)</u>
Net adjustments	<u>3,317</u>	<u>(4,130)</u>	<u>(813)</u>
Cash provided by (used in) operating activities	<u>\$ 934,003</u>	<u>\$ (243,762)</u>	<u>\$ 690,241</u>

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

TOWAMENCIN TOWNSHIP

STATEMENT OF NET ASSETS-FIDUCIARY FUNDS

December 31, 2011

	Pension Trust Funds	Agency Funds	Total Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 546,955	\$ 265,994	\$ 812,949
Receivables	-	6,779	6,779
Investments			
Certificates of deposit	1,433,410	200,000	1,633,410
Common stocks	<u>5,335,789</u>	<u>-</u>	<u>5,335,789</u>
TOTAL ASSETS	<u>\$ 7,316,154</u>	<u>\$ 472,773</u>	<u>\$ 7,788,927</u>
 <u>LIABILITIES</u>			
Payable	<u>\$ -</u>	<u>\$ 472,773</u>	<u>\$ 472,773</u>
TOTAL LIABILITIES	<u>-</u>	<u>472,773</u>	<u>472,773</u>
 <u>NET ASSETS</u>			
Held in trust for			
Pension benefits	<u>7,316,154</u>	<u>-</u>	<u>7,316,154</u>
TOTAL NET ASSETS	<u>\$ 7,316,154</u>	<u>\$ -</u>	<u>\$ 7,316,154</u>

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

TOWAMENCIN TOWNSHIP

STATEMENT OF CHANGES IN NET ASSETS-FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 109,482
Employer contributions	467,204
State contributions	<u>386,154</u>
Total Contributions	<u>962,840</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	(424,848)
Investment earnings	<u>326,186</u>
Total Investment Earnings	(98,662)
Less investment expense	<u>(42,515)</u>
Net Investment Earnings	<u>(141,177)</u>
Total Additions	<u>821,663</u>
Deductions	
Benefits	650,165
Miscellaneous expense	10,749
Actuary fees	<u>11,960</u>
Total Deductions	<u>672,874</u>
Change in Net Assets	148,789
Net Assets Held in Trust:	
Beginning of Year	<u>7,167,365</u>
End of Year	<u>\$ 7,316,154</u>

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies

A. *Reporting entity*

Towamencin Township (the “Township”) was created in 1728 and operates under the Second Class Township Code as prescribed by the Commonwealth of Pennsylvania. The Township’s major services include safety, health and welfare, fire protection, parks and recreation, and general administration.

For financial reporting purposes, Towamencin Township’s primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township’s legal entity. The Township’s reporting entity also is comprised of its component units, which are legally separate organizations for which the Township’s elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 “The Financial Reporting Entity,” as amended by GASB No. 39. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization’s board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Blended Component Units

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. The Towamencin Township has two blended component units.

The Towamencin Township Infrastructure Authority (the “Infrastructure Authority”) is considered a component unit of the Township. The Infrastructure Authority is a public corporation incorporated on January 9, 1997 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Infrastructure Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township’s governing body. The Township provides, at a nominal charge, office space and personnel for use by the Infrastructure Authority.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

A. *Reporting entity (continued)*

The Towamencin Authority is considered a component unit of the Township. The Towamencin Authority is a public corporation incorporated on March 3, 1998 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is organized for the purpose of undertaking certain projects, associated with land owned or leased by Towamencin Township, which have been specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Towamencin Authority.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices.

B. *Government-wide and fund financial statements*

Government-wide

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

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements. Therefore, governmental fund financial statements included reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

Government-wide (continued)

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

Fund Financial Statements

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

All governmental funds are accounted for using the *modified accrual basis of accounting* and the *current financial resources measurement focus*. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, the traffic impact fund, the Infrastructure Authority fund, and the debt service fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the highway aid fund, parks and recreation fund, fire fund, street light fund, park capital fund, public arts fund, pool fund, general capital fund, Towamencin Authority fund, and Fischer’s park fund.

The Township reports the following major governmental funds:

- The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Traffic Impact* is maintained to account for the accumulation of resources for acquisition of fixed assets.
- The *Debt Service Fund* accounts for proceeds of special revenue sources that are restricted to the repayment of debt.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

Fund Financial Statements (continued)

- The *Infrastructure Authority Fund* accounts for proceeds of special revenue sources that are restricted to expenditures for construction of infrastructure capital assets.

The Township reports the following proprietary funds:

- The *Sewer Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sewer Fund accounts for the Township’s sewer system. The *Sewer Capital Fund* accounts for accumulation of resources to pay for capital improvements for the sewer operations.
- The Township, specifically its Sewer Fund, leases the sewage collection system, located within its geographic boundaries, from the Upper Gwynedd-Towamencin Municipal Authority (UGTMA). The Sewer Fund operates the sewer system and charges the owners of each property connected to the sewer system rents which shall be sufficient to pay (1) the rentals under the lease, (2) UGTMA service charges and operating expenses under the service agreement, and (3) Sewer Fund operating expenses. UGTMA has agreed, pursuant to the service agreement, to treat and dispose of the sewage received from the sewage collection system.

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.

In applying the “susceptible to accrual concept” under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 30 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

Revenue Recognition

Property tax and earned income tax receivables collected after 30 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

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

Expenditure Recognition

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

Proprietary Funds

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

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

Proprietary Funds (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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 and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

C. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

With the exception of Pension Trust Funds, state 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.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies continued)

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

1. Deposits and investments (continued)

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 Township, as well as for its component unit, 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

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

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

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2011, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Property taxes are levied as of January 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 June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Other taxes levied in 2011 were Real Estate Transfer Tax.

3. Capital assets

Capital assets, which include property, land and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

3. *Capital assets* (continued)

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

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

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

Building and improvement	10-50 years
Machinery and equipment	5-15 years
Vehicles	5-10 years
Land and improvements	10-45 years
Infrastructure	10-70 years

4. *Compensated absences*

It is the Township's policy to permit certain employees to accumulate earned but unused vacation and comp time. The accumulation is subject to terms discussed in the collective bargaining agreements. Vacation and comp time is accrued when earned.

5. *Long-term obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If bond premiums, discounts, or issuance costs 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.

In the fund financial statements, governmental fund types 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

6. *Fund equity*

Effective January 1, 2011, the Township adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Township has evaluated the use of its various funds under the criteria set forth in GASB Statement 54 and has made changes as needed to classifications. As prescribed by GASB Statement No. 54, 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 can 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.

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).

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

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. Summary of significant accounting policies (continued)

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

6. *Fund equity (continued)*

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.

7. *Restricted net assets*

Restricted net assets are comprised of assets, net of related liabilities that are required to be set aside by revenue bond covenants for operations, maintenance and renewal and replacements. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

8. *Use of estimates in the preparation of financial statements*

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

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year. All annual appropriations lapse at year end.

Upon preparation of proposed budget, the Supervisors give public notice by advertisement in at least one newspaper of general circulation in the Township that the proposed budget will be available for public inspection. After the budget has been available for public inspection for 20 days, the Supervisors adopt the budget not later than the 31st day of December.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

II. Stewardship, compliance, and accountability (continued)

A. *Budgetary information (continued)*

The Supervisors may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. There were no supplemental appropriations during the year.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Supervisors may take specific action to reserve or designate fund equity.

During the month of January, following any municipal election, the Supervisors may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.

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

B. *Excess of expenditures over appropriations*

For the year ended December 31, 2011, expenditures did not exceed appropriations in any area of the general fund.

C. *Accumulated deficit retained earnings*

As of December 31, 2011, an accumulated deficit fund balance of \$352 exists in the Towamencin Township Authority. Engineering and planning expenses have been incurred in developing a plan to lease Township owned property.

As of December 31, 2011, an accumulated deficit fund balance of \$3,901,869 exists in the Towamencin Township Infrastructure Fund. The deficit will be eliminated when the assets are transferred to the Township.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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. At December 31, 2011, the carrying amount of the Township’s deposits was \$2,999,491 and the bank balance was \$2,854,847. Of the bank balance, \$1,867,820 was covered by federal depository insurance and \$987,027 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository’s agent was not in the Township’s name.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization. These funds are considered cash equivalents.

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, C, 1.

As of December 31, 2011, the Township had the following investments and maturities:

	<u>Maturity Dates</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
			<u>< 1 year</u>	<u>1-5 years</u>
GOVERNMENTAL FUNDS				
Externally Pooled Investments	2011	\$ 241,329	\$ 241,329	\$ -
Certificates of Deposit	2012	400,000	400,000	-
Total Governmental Funds		<u>\$ 641,329</u>	<u>\$ 641,329</u>	<u>\$ -</u>
FIDUCIARY FUNDS				
Cash and short term investments	-	\$ 812,949	\$ 812,949	\$ -
Certificates of deposit	2012-2021	1,633,410	527,652	1,105,758
Mutual Funds	n/a	5,335,789		
Total Fiduciary Funds		<u>\$ 7,782,148</u>		

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

A. *Deposits and investments* (continued)

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note C. The government has a formal investment policy for credit risk. The government's investments in the external investment pool was rated AAAM by Standard & Poor's.

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

B. *Receivables*

Receivables as of year-end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Debt Service</u>	<u>Traffic Impact</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 205,583	\$ -	\$ 16,679	\$ -	\$ 13,239	\$ -	\$ 235,501
Accounts	116,684	370,291	-	10,700	59,834	6,779	564,288
Contributions	-	-	-	-	-	-	-
Total Receivables	<u>\$ 322,267</u>	<u>\$ 370,291</u>	<u>\$ 16,679</u>	<u>\$ 10,700</u>	<u>\$ 73,073</u>	<u>\$ 6,779</u>	<u>\$ 799,789</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

C. *Capital assets*

Capital assets activity for the year ended December 31, 2011 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Government-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,699,859	\$ 259,410	\$ -	\$ 4,959,269
Construction in progress	9,501,456	-	-	9,501,456
Total capital assets, not being depreciated	<u>14,201,315</u>	<u>259,410</u>	<u>-</u>	<u>14,460,725</u>
Capital assets, being depreciated:				
Land improvements	5,913,449	40,474	-	5,953,923
Buildings and improvements	7,041,095	22,053	-	7,063,148
Machinery and equipment	1,644,562	280,413	(12,234)	1,912,741
Vehicles	1,729,009	88,749	(170,547)	1,647,211
Infrastructure	50,225,536	-	-	50,225,536
Total capital assets, being depreciated	<u>66,553,651</u>	<u>431,689</u>	<u>(182,781)</u>	<u>66,802,559</u>
Less accumulated depreciation for:				
Land improvements	913,907	132,305	-	1,046,212
Buildings and improvements	1,709,611	145,717	-	1,855,328
Machinery and equipment	1,228,884	131,590	(12,234)	1,348,240
Vehicles	1,252,616	142,346	(170,547)	1,224,415
Infrastructure	14,771,254	1,310,774	-	16,082,028
Total accumulated depreciation	<u>19,876,272</u>	<u>1,862,732</u>	<u>(182,781)</u>	<u>21,556,223</u>
Total capital assets, being depreciated, net	<u>46,677,379</u>	<u>(1,431,043)</u>	<u>-</u>	<u>45,246,336</u>
Governmental activities capital assets, net	<u>\$ 60,878,694</u>	<u>\$ (1,171,633)</u>	<u>\$ -</u>	<u>\$ 59,707,061</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 36,372	\$ -	\$ -	\$ 36,372
Total capital assets, being depreciated	<u>36,372</u>	<u>-</u>	<u>-</u>	<u>36,372</u>
Less accumulated depreciation for:				
Machinery and equipment	36,372	-	-	36,372
Total accumulated depreciation	<u>36,372</u>	<u>-</u>	<u>-</u>	<u>36,372</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

C. *Capital assets (continued)*

Depreciation expense was charged to function/programs of the Township as follows:

Governmental activities:	
Administrative	\$ 181,176
Police and emergency services	113,150
Public works, including depreciation of general infrastructure except park systems	1,433,415
Parks, including depreciation related to park systems	<u>134,991</u>
Total depreciation expense - governmental activities	<u>\$ 1,862,732</u>
Business-type activities:	
Sewer	<u>\$ -</u>
Total depreciation expense - business-type activities	<u>\$ -</u>

D. *Interfund receivables, payables, and transfers*

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
Infrastructure Authority	\$ -	\$ 3,913,601
Traffic Impact	<u>3,913,601</u>	<u>-</u>
Total	<u>\$ 3,913,601</u>	<u>\$ 3,913,601</u>

Interfund balances are primarily the result of:

(1) Reimbursement of Expenses

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 658,870	\$ 996,000
Debt Service	919,234	596,158
Infrastructure Authority	596,158	-
Traffic Impact	-	102,234
Non major	917,000	233,000
Sewer	-	858,870
Sewer Capital	<u>200,000</u>	<u>505,000</u>
Total	<u>\$ 3,291,262</u>	<u>\$ 3,291,262</u>

Interfund transfers are primarily the result of:

(1) Reimbursement of Expenses

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

E. Long term debt

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes have been issued for the governmental activities only. The original amount of notes issued was \$26,865,000.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes generally issued as 20-30 year serial notes with varying amounts of principal maturing each year.

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.5% to 5.0%	\$ <u>21,758,000</u>

Interest Rate Management: The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs of participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

Terms: The significant terms of the interest rate swap was as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Type of Note</u>	<u>Rate in effect at year end</u>	<u>Market Value</u>
GO Note	2000	2025	\$ 4,368,000	Variable	0.907%	\$ 996,318
GO Note	2002	2025	\$ 4,650,000	Variable	0.907%	\$ 1,060,641

Interest Rate Risk: The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

E. Long term debt (continued)

Basis Risk: The Township does not have a basis risk.

Credit Risk: The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2011, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

Termination Risk: The Township is obligated to pay any Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA. In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment.

The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2011, is shown in the table on the previous page. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

E. Long term debt (continued)

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

Market Access Risk: The Township does not have this risk.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2011, are as follows:

<u>Year Ending</u>	Governmental Activities			<u>Total</u>
	<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$	983,000	\$ 649,935	\$ 1,632,935
2013		1,020,000	666,965	1,686,965
2014		1,067,000	717,065	1,784,065
2015		1,106,000	682,528	1,788,528
2016		1,156,000	646,533	1,802,533
2017-2021		6,506,000	2,615,833	9,121,833
2022-2026		7,310,000	1,299,288	8,609,288
2027-2031		2,395,000	300,595	2,695,595
2032		215,000	9,030	224,030
		\$ 21,758,000	\$ 7,587,772	\$ 29,345,772

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

III. Detailed notes on all funds (continued)

E. Long term debt (continued)

Capital Leases

Certain equipment has been acquired under capital lease obligations to third-party lessor. The liabilities incurred through such arrangements are accounted for in the entity-wide statements as capital leases payable.

The following is an analysis of the leased assets included in property and equipment as of December 31, 2011:

Vehicles and equipment	\$	744,584
Less: accumulated depreciation		<u>(338,338)</u>
		<u>\$ 406,246</u>

The following is a schedule of the future minimum lease payments required under the lease obligation with their present value as of December 31, 2011:

<u>Year Ending December 31, 2011</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 97,733	\$ 8,190	\$ 105,923
2013	62,592	4,760	67,352
2014	52,328	2,775	55,103
2015	<u>53,699</u>	<u>1,405</u>	<u>55,104</u>
Total value of minimum lease payments	<u>\$ 266,352</u>	<u>\$ 17,130</u>	<u>\$ 283,482</u>
Less: amount representing interest			<u>(17,130)</u>
Present value of minimum lease payments			<u>\$ 266,352</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities:					
Notes payable	\$ 22,591,000	\$ -	\$ 833,000	\$ 21,758,000	\$ 983,000
Capital leases	138,737	261,817	134,202	266,352	97,733
OPEB obligation	452,749	255,606	107,219	601,136	-
Compensated absences	<u>23,463</u>	<u>7,214</u>	<u>-</u>	<u>30,677</u>	<u>-</u>
Long-term liabilities	<u>\$ 23,205,949</u>	<u>\$ 524,637</u>	<u>\$ 1,074,421</u>	<u>\$ 22,656,165</u>	<u>\$ 1,080,733</u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information

A. Risk management

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

The Township participates in a public entity risk pool (Delaware Valley Insurance Trust – DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' policies for its members. The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions. The insurance expense for the year ended December 31, 2011 was \$66,532. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2011 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$39,480.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2011 was \$87,186. The Trust declared a dividend in 2011. Towamencin Township's share of the dividend distribution was \$18,586. During 2011, the Township received an additional sum of \$6,030 resulting from an audit of the 2010 payroll. At December 31, 2011, there were no additional assessments due or anticipated. Instead, an audit of the reported 2011 payroll will be performed during the first quarter of 2011.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool. The insurance expense for the year ended December 31, 2011 was \$567,870 for medical coverage and \$60,545 for dental coverage.

The Township continues to carry insurance for all other risks of loss, except unemployment compensation. The Township is a reimbursable employer under section 1202.2(a) of the Pennsylvania Unemployment Compensation Law. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

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.

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.

In anticipation of infrastructure improvements, properties have been acquired along Sumneytown Pike and Forty Foot Road. One property acquisition is still in the process of being condemned and acquired. The condemnation proceeded to a Board of View, which awarded an additional sum of approximately \$10,000. The Condemnee appealed the matter to the Court of Common Pleas of Montgomery County and has submitted appraisal reports claiming additional damages in the amount of \$664,000.

The Infrastructure Authority, pursuant to a Reimbursement Agreement with PennDOT, was obligated to pay 10% of the estimated just compensation and any additional compensation as these acquisitions either amicably or by condemnation were completed. At this point, legal counsel is unable to estimate the amount of additional costs to be incurred by the Infrastructure Authority for legal fees, appraisal fees, engineers fees, land planners fees, etc. for all of the Infrastructure Authority's acquisitions relating to this project.

C. Employee retirement systems and pension plans

The Township offers two single-employer defined benefit plans to its employees. The Towamencin Township Police Pension Plan (the "Police Pension Plan") and the Non-Uniformed Employees' Pension Plan (the "Non-Uniformed Pension Plan") are public-employee defined benefit retirement systems managed and administered by the Township's Board of Supervisors to provide benefits for police and non-uniformed employees.

Membership of each plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

C. *Employee retirement systems and pension plans (continued)*

	<u>Police</u>	Non <u>Uniform</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits not yet receiving them	14	19
Active employees	22	23
Total membership	36	42

Towamencin Township Police Pension Plan

Plan Description

The Police Pension Plan provides retirement benefits, as well as death and disability benefits, to full-time police employees who receive an honorable discharge or to their beneficiaries. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50 percent of their average gross W-2 compensation received during the last 36 months of employment. If a police employee leaves covered employment after completing 12 years of total service, for reason other than being terminated for conviction of a felony or crime, that employee will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. Such pension or retirement benefits shall be paid on the date the employee reaches retirement age.

The authorities under which obligations to contribute to the Police Pension Plan by the plan members, employer or other contributing entities are established or may be amended include Act 600 and Act 205 of the Commonwealth of Pennsylvania and Towamencin Township Ordinances. The plan does not issue a stand-alone financial report.

Funding Policy

As a condition of participation each member may contribute to the Plan up to five percent of earnings. For 2011, the rate of member contributions was 5 percent. If an actuarial study shows that the condition of the Plan is such that payments may be reduced below the minimum percentages or eliminated, the Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Plan by participants.

The Police Pension Plan also is funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

C. Employee retirement systems and pension plans (continued)

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Towamencin Township Non-Uniformed Employee Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan provides retirement benefits to full-time non-uniformed employees of the Township or to their beneficiaries. All benefits vest after 10 years of credited service. Employees who retire at or after age 65 and with 10 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to two percent of their average compensation received during the last 36 months of employment multiplied by total years of service, not to exceed 25 years. Employees with 15 years of credited service may retire at or after age 60 and receive a reduced benefit. If an employee leaves covered employment after completing five years of total service, for reasons other than retirement or death, the participant will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. The plan does not issue a stand-alone financial report.

The authority under which obligations to contribute to the Plan by the plan members, employer and other contributing entities are established or may be amended includes Act 205 of the Commonwealth of Pennsylvania and Towamencin Ordinances.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

C. Employee retirement systems and pension plans (continued)

Funding Policy

The Non-Uniformed Employees' Pension Plan is funded by contributions from Towamencin Township and annual payments received from the Commonwealth of Pennsylvania relating to monies received from taxes for the purposes of pension, retirement or disability benefits for employees. No mandatory employee contributions are required to participate in the Non-Uniform Pension Plan.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Funded Status and Funding Progress Non-Uniform and Police Pension Plans

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

	Actuarial	Actuarial	Percentage	Unfunded	Actuarial	Actuarial	Liability
	Value of	Accrued		Actuarial	Projected	Annual	as a
	Net Assets	Liability	Funded	Accrued	Covered	Payroll	Percentage
		Obligation		Liability	Payroll		of Payroll
Police Pension Plan	\$ 5,765,660	\$ 9,462,402	60.9%	\$ 3,696,742	\$ 1,880,679		196.6%
Non Uniform Plan	1,742,276	2,237,759	77.9%	495,483	1,128,623		43.9%

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

C. Employee retirement systems and pension plans (continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Contributions Required and Contributions Made

The Police and Non-Uniform 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. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. Both Pension Plans use a method defined by Act 205 to amortize the unfunded liability over a defined period.

Annual Pension Cost and Net Pension Obligation

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

	<u>Non Uniform</u>	<u>Police</u>
Annual required contribution	\$ 144,065	\$ 709,293
Interest on net pension obligation	(1,724)	(5,196)
Adjustments to annual required contribution	<u>2,195</u>	<u>8,613</u>
Annual pension cost	144,536	712,710
Contributions made	<u>(144,065)</u>	<u>(709,293)</u>
Increase (decrease) in net pension obligation	471	3,417
Net pension obligation (asset) at beginning of year	<u>(20,571)</u>	<u>(57,477)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (20,100)</u></u>	<u><u>\$ (54,060)</u></u>

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

C. Employee retirement systems and pension plans (continued)

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the following assumptions:

	<u>Non Uniform</u>	<u>Police</u>
Date of Actuarial valuation	1/1/2011	1/1/2011
Investment rate of return	8.0%	8.0%
Projected salary increases due to inflation	5%	5%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	18	10

Three Year Trend Information

NON-UNIFORM

	Annual	Percentage
Fiscal Year	Pension	of APC
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/2009	\$ 96,136	99.5%
12/31/2010	105,186	99.5%
12/31/2011	144,536	99.7%

POLICE

	Annual	Percentage
Fiscal Year	Pension	of APC
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/2009	\$ 507,530	99.2%
12/31/2010	514,766	99.3%
12/31/2011	712,710	99.5%

D. Deferred compensation plan

The Township offers a deferred compensation plan for its employees. The plan, which is designed under the provisions of Internal Revenue Code Section 457, permits employees to make voluntary contributions from their salary which are excluded from federal taxable income until future years, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The contributions are invested with an outside trustee and are held for the exclusive benefit of participants or their beneficiaries and are therefore not included in the accompanying combined balance sheets of the Township. The Township contributed \$6,140 to the plan during the year ended December 31, 2011.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

E. Post-Retirement Benefits

Description of the Plan

Through police contract, The Township agrees that it will pay seventy five (75%) percent of the premium costs of the healthcare insurance coverage plans then being offered to the active full-time Police Officers, for each superannuated retired Officer, providing said retired Officer and spouse with continued hospitalization, major medical, surgical, drug and vision care as set forth in the healthcare plan then in effect for full-time Police Officers, subject to the certain conditions. The plan does not issue a stand-alone financial report.

Such coverage shall only be provided to those Officers who have retired after completing twenty five (25) years of continuous service and have achieved fifty (50) years of age. The Township shall pay for the continued coverage and bill the retiree or spouse for twenty five (25%) percent of the premium cost. If the retiree or spouse shall fail or neglect to reimburse the twenty five (25%) percent premium cost to the Township within thirty (30) days of submission, the Township shall be relieved of further obligation to pay insurance for any superannuated retiree or spouse. Any superannuated retired Officer who shall elect not to participate in this post-retirement medical insurance program or, who having once participated therein, shall elect to discontinue participation in the program, for any reason whatsoever, including non-payment as described above, shall not be permitted to resume participation in the program. The Township's duty to continue to pay seventy five (75%) percent of the premium costs for a superannuated retiree and spouse shall terminate upon the retirees eligibility for Medicare and Medicaid, or death of retiree, except that the Township shall continue to pay seventy five (75%) percent of the premium costs for surviving spouse until eligible for Medicare or Medicaid.

In the event that a police officer retires upon disability, the retiree, spouse, and any non-spouse dependents may also continue to participate in the health care insurance coverage offered through the Township until the disabled officer reaches normal retirement age. The Township shall pay the full premium costs for the coverage until the officer reaches normal retirement age. At that point, he or she will be eligible for the same health insurance benefits as retired officers.

The Township also agrees to provide each retiring Officer who shall serve full term to superannuation, without cost to the Officer, life insurance coverage in the sum of Five Thousand (\$5,000) dollars, for the remainder of his or her life.

In the event that an officer retires upon disability, the Township agrees to provide him or her \$50,000 of life insurance coverage until age 50. The amount of life insurance is then reduced to \$5,000 for the remainder of his or her life.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

E. Post-Retirement Benefits (continued)

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The Township is accounting for these expenditures on a “pay-as-you-go” basis. Currently there are 12 retirees receiving health and/or life insurance benefits. The annual cost of these benefits in 2011 was \$107,219.

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Actuarial Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2009	\$ -	\$ 2,981,465	0.0%	\$ 2,981,465	\$ 1,863,599	160.0%

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

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

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

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

E. Post-Retirement Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period 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 Plans, and changes in the Township's net OPEB obligation:

Annual required contribution	\$	299,726
Interest on net OPEB obligation		20,374
Adjustments to annual required contribution		(64,494)
Annual OPEB cost		255,606
Contributions made		(107,219)
Increase (decrease) in net OPEB obligation		148,387
Net OPEB obligation (asset) at beginning of year		452,749
Net OPEB obligation (asset) at end of year	\$	601,136

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

The January 1, 2009 actuarial valuation using the following assumptions:

Date of Actuarial valuation	1/1/2009
Investment rate of return	4.5%
Projected salary increases due to inflation	5%
Amortization method	Level dollar
Remaining amortization period	30

Three Year Trend Information

<u>Calendar</u> <u>Year</u>		<u>Annual</u> <u>Required</u> <u>Contribution</u>		<u>Contributions</u> <u>from</u> <u>Employer</u>	<u>Percentage</u> <u>Contributed</u>
2009	\$	304,289	\$	63,594	21%
2010		301,831		66,321	22%
2011		299,726		107,219	36%

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other information (continued)

F. 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, 2011, \$465,994 represents the balance of these monies held in escrow.

G. Upper Gwynedd-Towamencin Municipal Authority

Sanitary Sewer Lease

Upper Gwynedd-Towamencin Municipal Authority (the Authority) is a public corporation organized on June 12, 1964, under the enabling state legislation. The townships of Upper Gwynedd and Towamencin have entered into a joint venture, the purpose of which is to borrow money to finance the construction or acquisition of needed sewer facilities consisting of a sewage treatment plant and collection system. Under agreements with the Townships, the Authority operates the treatment plants which are financed by the operating service charges paid by the Townships pursuant to the 1991 service agreement. The collections system, located within their respective geographic boundaries is leased to the Townships pursuant to the 1991 leases.

The construction of the facilities is being financed primarily by tapping fees, capital contributions and the sale of the bonds. Also, in 1991, the Authority issued Guaranteed Sewer Revenue Bonds. The construction of the facilities is being financed primarily by tapping fees, capital contributions and the sale of the bonds. The Authority's debt service requirements are being provided for by the payments of lease rentals and capital service charges from the Townships.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other Information (continued)

G. Upper Gwynedd-Towamencin Municipal Authority (continued)

Basic Minimal Annual Rentals

Towamencin Township's lease rentals for the next five years are as follows:

<u>Year</u>	
2012	\$ 39,785
2013	39,785
2014	39,875
2015	-
2016	-

Capital Service Charges

In addition, the Authority has entered into service agreements for the construction and operation of the plant. The service agreement provides for the payment of a capital service charge computed annually and payable by the Townships to the trustee in semiannual installments. The annual capital service charge for each year shall be the basic amount shown in the following schedule adjusted in accordance with the agreement, subject to limitations, however the net amount of any reduction shall not, in any year, exceed the basic amount. In 2011, the Township paid \$703,937.

<u>Year</u>	
2012-2013	\$ 716,322
2014	696,956

Operating Service Charges

An operating service charge based on the Authority's operating budget is payable in quarterly installments. The charge is subject to adjustment after the close of each year when actual amounts are available. The Township paid \$1,665,997 in operating service charges in 2011.

TOWAMENCIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

IV. Other Information (continued)

G. Upper Gwynedd-Towamencin Municipal Authority (continued)

Bonded Debt

\$10,306,356 Guaranteed Sewer Revenue Bonds, Series of 1991, consisting of Current Interest Bonds of \$8,190,000 and Capital Appreciation Bonds of \$2,116,356. The Capital Appreciation Bonds have a maturity value of \$2,945,000.

The Townships guarantee payment of bonds in proportion to their shares of the reserved capacity of the treatment plant to total treatment capacity.

Bonds payable are reported in the financial statements of the Authority were \$2,866,585.

Copies of the complete financial statements are available at the Authority office located at 2225 Kriebel Road, Lansdale, PA.

H. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 21, 2012, which is the date the statements were available for release. No subsequent events are required to be recognized or disclosed.

I. New Accounting Pronouncements

Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, was issued in February 2009. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. GASB Statement No. 54 is effective for financial statements for fiscal years beginning after June 15, 2010. Certain prior year fund balance amounts have been restated to reflect the provisions of this pronouncement.

**REQUIRED
SUPPLEMENTAL INFORMATION**

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS – PENSION FUNDS

DECEMBER 31, 2011

POLICE PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

	Actuarial Value of <u>Net Assets</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Actuarial Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
1/1/2007	\$ 4,503,651	\$ 7,854,162	57.3%	\$ 3,350,511	\$ 1,756,770	190.7%
1/1/2009	4,597,518	9,029,320	50.9%	4,431,802	1,863,598	237.8%
1/1/2011	5,765,660	9,462,402	60.9%	3,696,742	1,880,679	196.6%

NON UNIFORMED PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

	Actuarial Value of <u>Net Assets</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Actuarial Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
1/1/2007	\$ 1,432,026	\$ 1,399,021	102.4%	\$ (33,005)	\$ 1,004,500	-3.3%
1/1/2009	1,410,607	1,899,003	74.3%	488,396	1,237,600	39.5%
1/1/2011	1,742,276	2,237,759	77.9%	495,483	1,128,623	43.9%

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS- PENSION PLAN

DECEMBER 31, 2011

POLICE PENSION PLAN

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar	Annual	Contributions	Percentage
<u>Year</u>	<u>Required</u>	from	<u>Contributed</u>
	<u>Contribution</u>	<u>Employer</u>	
2006	\$ 265,975	\$ 265,975	100%
2007	437,414	437,414	100%
2008	433,436	433,436	100%
2009	503,689	503,689	100%
2010	511,140	511,140	100%
2011	709,293	709,293	100%

NON UNIFORMED PENSION PLAN

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar	Annual	Contributions	Percentage
<u>Year</u>	<u>Required</u>	from	<u>Contributed</u>
	<u>Contribution</u>	<u>Employer</u>	
2006	\$ 91,416	\$ 91,416	100%
2007	93,295	93,295	100%
2009	95,638	95,638	100%
2010	104,702	104,702	100%

TOWAMENCIN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
OPEB PLAN

DECEMBER 31, 2011

POST RETIREMENT BENEFIT PLAN

SCHEDULE OF FUNDING PROGRESS

Fiscal Year	Annual OPEB	Percentage of APC	Net OPEB Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2009	\$ 304,289	21.0%	\$ 240,695
12/31/2010	278,375	23.8%	452,749
12/31/2011	255,606	41.9%	601,136

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Calendar <u>Year</u>	Annual Required <u>Contribution</u>	Contributions from <u>Employer</u>	Percentage <u>Contributed</u>
2009	\$ 304,289	\$ 63,594	21%
2011	299,726	107,219	36%

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Special Revenue Funds</u>							
	<u>Street Light</u>	<u>Fire Tax</u>	<u>Park & Recreation</u>	<u>Pool</u>	<u>Fischer's Park</u>	<u>Highway Aid</u>	<u>TT Authority</u>	<u>Total</u>
<u>ASSETS</u>					-			
Assets								
Cash and cash equivalents	\$ 35	\$ 32,458	\$ 121,268	\$ 5,942	\$ 557,227	\$ 81,298	\$ 3,048	\$ 801,276
Accounts receivable, net	33	-	-	-	-	-	-	33
Taxes receivable, net	-	1,707	11,532	-	-	-	-	13,239
	<u>68</u>	<u>34,165</u>	<u>132,800</u>	<u>5,942</u>	<u>557,227</u>	<u>81,298</u>	<u>3,048</u>	<u>814,548</u>
TOTAL ASSETS	<u>\$ 68</u>	<u>\$ 34,165</u>	<u>\$ 132,800</u>	<u>\$ 5,942</u>	<u>\$ 557,227</u>	<u>\$ 81,298</u>	<u>\$ 3,048</u>	<u>\$ 814,548</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities								
Accounts payable and accrued wages	\$ -	\$ 26,427	\$ 468	\$ 582	\$ 22,522	\$ -	\$ 3,400	\$ 53,399
Deposits	-	-	424	-	-	-	-	424
Deferred revenue	-	1,707	11,550	-	-	-	-	13,257
Total Liabilities	<u>-</u>	<u>28,134</u>	<u>12,442</u>	<u>582</u>	<u>22,522</u>	<u>-</u>	<u>3,400</u>	<u>67,080</u>
Fund Balances								
Restricted for:								
Streets and highways	-	-	-	-	-	81,298	-	81,298
Fire	-	6,031	-	-	-	-	-	6,031
Street lights	68	-	-	-	-	-	-	68
Park and recreation	-	-	120,358	-	-	-	-	120,358
Capital projects	-	-	-	-	534,705	-	-	534,705
Committed for:								
Public Art	-	-	-	-	-	-	-	-
Assigned for:								
Capital projects	-	-	-	-	-	-	(352)	(352)
Pool	-	-	-	5,360	-	-	-	5,360
Total Fund Balances	<u>68</u>	<u>6,031</u>	<u>120,358</u>	<u>5,360</u>	<u>534,705</u>	<u>81,298</u>	<u>(352)</u>	<u>747,468</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68</u>	<u>\$ 34,165</u>	<u>\$ 132,800</u>	<u>\$ 5,942</u>	<u>\$ 557,227</u>	<u>\$ 81,298</u>	<u>\$ 3,048</u>	<u>\$ 814,548</u>

Capital Projects Funds				Total Nonmajor Governmental Funds
General Capital	Public Art	Park Capital	Total	
\$ 103,842	\$ 115,280	\$ 271	\$ 219,393	\$ 1,020,669
59,801	-	-	59,801	59,834
-	-	-	-	13,239
<u>\$ 163,643</u>	<u>\$ 115,280</u>	<u>\$ 271</u>	<u>\$ 279,194</u>	<u>\$ 1,093,742</u>
\$ 6,630	\$ -	\$ -	\$ 6,630	\$ 60,029
-	-	-	-	424
-	-	-	-	13,257
<u>6,630</u>	<u>-</u>	<u>-</u>	<u>6,630</u>	<u>73,710</u>
-	-	-	-	81,298
-	-	-	-	6,031
-	-	-	-	68
-	-	-	-	120,358
-	-	-	-	534,705
-	115,280	-	115,280	115,280
157,013	-	271	157,284	156,932
-	-	-	-	5,360
<u>157,013</u>	<u>115,280</u>	<u>271</u>	<u>272,564</u>	<u>1,020,032</u>
<u>\$ 163,643</u>	<u>\$ 115,280</u>	<u>\$ 271</u>	<u>\$ 279,194</u>	<u>\$ 1,093,742</u>

TOWAMENCIN TOWNSHIP

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

For the Year Ended December 31, 2011

	Special Revenue Funds							
	Street Light	Fire Tax	Park & Recreation	Pool	Fischer's Park	Highway Aid	TT Authority	Total
Revenues								
Property taxes	\$ 728	\$ 50,510	\$ 303,112	\$ -	\$ -	\$ -	\$ -	\$ 354,350
Investment income and rent	-	-	176	-	-	89	1	266
Intergovernmental revenue	-	237,945	-	-	-	351,765	-	589,710
Charges for services	-	-	19,263	172,441	-	-	-	191,704
Miscellaneous	-	9,831	12,730	3,715	660,267	-	-	686,543
Total Revenues	<u>728</u>	<u>298,286</u>	<u>335,281</u>	<u>176,156</u>	<u>660,267</u>	<u>351,854</u>	<u>1</u>	<u>1,822,573</u>
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	408,122	-	-	-	-	-	408,122
Highways and roads	711	-	-	-	-	341,854	-	342,565
Culture and recreation	-	-	180,113	233,783	125,562	-	-	539,458
Debt service:								
Principal	-	-	-	-	-	44,111	-	44,111
Capital projects	-	-	-	-	-	-	-	-
Total Expenditures	<u>711</u>	<u>408,122</u>	<u>180,113</u>	<u>233,783</u>	<u>125,562</u>	<u>385,965</u>	<u>-</u>	<u>1,334,256</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17</u>	<u>(109,836)</u>	<u>155,168</u>	<u>(57,627)</u>	<u>534,705</u>	<u>(34,111)</u>	<u>1</u>	<u>488,317</u>
Other Financing Sources (Uses)								
Proceeds from debt	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-
Operating transfers in	-	110,000	-	53,000	-	-	382,000	545,000
Operating transfers out	-	-	(53,000)	-	-	-	-	(53,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>110,000</u>	<u>(53,000)</u>	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>382,000</u>	<u>492,000</u>
Net Change in Fund Balance	17	164	102,168	(4,627)	534,705	(34,111)	382,001	980,317
Fund Balance - Beginning	<u>51</u>	<u>5,867</u>	<u>18,190</u>	<u>9,987</u>	<u>-</u>	<u>115,409</u>	<u>(382,353)</u>	<u>(232,849)</u>
Fund Balance - Ending	<u>\$ 68</u>	<u>\$ 6,031</u>	<u>\$ 120,358</u>	<u>\$ 5,360</u>	<u>\$ 534,705</u>	<u>\$ 81,298</u>	<u>\$ (352)</u>	<u>\$ 747,468</u>

Capital Projects Funds				Total Nonmajor Governmental Funds
General Capital	Public Art	Park Capital	Total	
\$ -	\$ -	\$ -	\$ -	\$ 354,350
10	93	65	168	434
59,801	-	-	59,801	649,511
-	-	-	-	191,704
-	28,969	26,699	55,668	742,211
<u>59,811</u>	<u>29,062</u>	<u>26,764</u>	<u>115,637</u>	<u>1,938,210</u>
524,983	-	-	524,983	524,983
-	-	-	-	408,122
-	-	-	-	342,565
-	-	60,661	60,661	600,119
<u>55,102</u>	<u>-</u>	<u>-</u>	<u>55,102</u>	<u>99,213</u>
-	-	-	-	-
<u>580,085</u>	<u>-</u>	<u>60,661</u>	<u>640,746</u>	<u>1,975,002</u>
(520,274)	29,062	(33,897)	(525,109)	(36,792)
261,817	-	-	261,817	261,817
41,232	-	-	41,232	41,232
372,000	-	-	372,000	917,000
-	-	(180,000)	(180,000)	(233,000)
<u>675,049</u>	<u>-</u>	<u>(180,000)</u>	<u>495,049</u>	<u>987,049</u>
154,775	29,062	(213,897)	(30,060)	950,257
<u>2,238</u>	<u>86,218</u>	<u>214,168</u>	<u>302,624</u>	<u>69,775</u>
<u>\$ 157,013</u>	<u>\$ 115,280</u>	<u>\$ 271</u>	<u>\$ 272,564</u>	<u>\$ 1,020,032</u>

TOWAMENCIN TOWNSHIP

COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

December 31, 2011

	<u>Pension Trust Funds</u>		
	<u>Nonuniform Pension</u>	<u>Police Pension</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 161,831	\$ 385,124	\$ 546,955
Receivables	(7,436)	7,436	-
Investments			
Certificates of deposit	282,392	1,151,018	1,433,410
Common Stocks	<u>1,207,331</u>	<u>4,128,458</u>	<u>5,335,789</u>
Total investments	<u>1,489,723</u>	<u>5,279,476</u>	<u>6,769,199</u>
 TOTAL ASSETS	 <u>\$ 1,644,118</u>	 <u>\$ 5,672,036</u>	 <u>\$ 7,316,154</u>
 <u>NET ASSETS</u>			
Held in trust for:			
Pension benefits	<u>1,644,118</u>	<u>5,672,036</u>	<u>7,316,154</u>
 TOTAL NET ASSETS	 <u>\$ 1,644,118</u>	 <u>\$ 5,672,036</u>	 <u>\$ 7,316,154</u>

TOWAMENCIN TOWNSHIP

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	Pension Trust Funds		
	Nonuniform Pension	Police Pension	Total
Additions			
Contributions			
Member contributions	\$ -	\$ 109,482	\$ 109,482
Employer contributions	15,347	451,857	467,204
State contributions	128,718	257,436	386,154
Total Contributions	<u>144,065</u>	<u>818,775</u>	<u>962,840</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	(97,115)	(327,733)	(424,848)
Investment earnings	73,690	252,496	326,186
Total Investment Earnings	(23,425)	(75,237)	(98,662)
Less investment expense	(9,833)	(32,682)	(42,515)
Net Investment Earnings	<u>(33,258)</u>	<u>(107,919)</u>	<u>(141,177)</u>
Total Additions	<u>110,807</u>	<u>710,856</u>	<u>821,663</u>
Deductions			
Benefits	117,948	532,217	650,165
Miscellaneous expense	1,396	9,353	10,749
Actuary fees	6,040	5,920	11,960
Total Deductions	<u>125,384</u>	<u>547,490</u>	<u>672,874</u>
Change in Net Assets	(14,577)	163,366	148,789
Net Assets Held in Trust:			
Beginning of Year	<u>1,658,695</u>	<u>5,508,670</u>	<u>7,167,365</u>
End of Year	<u>\$ 1,644,118</u>	<u>\$ 5,672,036</u>	<u>\$ 7,316,154</u>

TOWAMENCIN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - AGENCY FUNDS

December 31, 2011

	<u>Balance</u> <u>January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2011</u>
<u>ESCROWS</u>				
ASSETS				
Cash and Investments	\$ 593,935	\$ 92,053	\$ (219,994)	\$ 465,994
Receivables	11,110	-	(4,331)	6,779
	<u>\$ 605,045</u>	<u>\$ 92,053</u>	<u>\$ (224,325)</u>	<u>\$ 472,773</u>
LIABILITIES				
Deposits payable	<u>\$ 605,045</u>	<u>\$ 92,053</u>	<u>\$ (224,325)</u>	<u>\$ 472,773</u>