
TREDYFFRIN TOWNSHIP
CHESTER COUNTY, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2012

TREDYFFRIN TOWNSHIP
BERWYN, PENNSYLVANIA

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BERWYN, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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November 22, 2013

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Supervisors
Tredyffrin Township

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2012, and the respective changes in its financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 18 to the financial statements, the Township adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Tredyffrin Township's 2011 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated August 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the schedules of funding progress – police pension plan and post-employment healthcare plan and related notes on pages 50 - 53 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tredyffrin Township's basic financial statements. The combining nonmajor governmental fund financial statements and combining fiduciary fund financial statements are presented for purposes of

Board of Supervisors
Tredyffrin Township

additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and combining fiduciary fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of Tredyffrin Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tredyffrin Township's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2012

This discussion and analysis of Tredyffrin Township, Berwyn, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2012. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The Township adjusted its beginning net position amount of both its governmental and business-type activities due to the effects of implementing GASB Statement No. 65. The adjustment to the governmental activities was \$175,868 and \$61,718 for the business-type activities. The result is a decrease to beginning net position.
- The assets and deferred outflows of Tredyffrin Township exceeded its liabilities at the close of the most recent fiscal year by \$85,827,427 (representing its net position). Of this amount, \$33,516,829 (or its unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position decreased by \$735,870 in 2012.
- As of December 31, 2012, the Township's governmental funds reported a combined ending fund balance of \$21,884,135, an increase of \$152,839 from the prior year's balance. Approximately 52 percent of the total fund balance, or \$11,424,007, is available for spending at the Township's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The entity-wide statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements follow and explain how services were financed in the short term as well as what remains for future spending. Fund financial statements report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. Notes to the financial statements provide additional disclosures that will assist the reader in understanding the Township's financial condition. The report also includes supplementary information such as pension funding and combining fund statements.

Reporting the Township as a Whole

Statement of Net Position and the Statement of Activities

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

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

These statements provide information that will help the reader to determine if the Township is better or worse off financially as a result of the year's activities. These statements include all assets, deferred outflows of resources 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 position and changes in them during the year. The reader can think of the Township's net position – the difference between assets, deferred outflows of resources and liabilities – as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position is one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall financial health of the Township.

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

- **Governmental activities** – Most of the Township's basic services are reported here, including police and fire, general administration, libraries, public works, and parks and recreation. Property taxes, the local services tax, intergovernmental revenues and franchise fees finance most of these activities.
- **Business-type activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's Sewer Utility Fund is reported here. The Township also includes a separate legal entity in its report - the Tredyffrin Township Municipal Authority. The Municipal Authority is a public authority, which exists to finance facilities for use in the sanitary sewer operation of the Sewer Utility Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government.

Reporting the Township's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds have been established to help control and manage money for particular

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

purposes (Special Revenue Funds) or to demonstrate compliance with legal responsibilities for using certain taxes, grants and other money (Capital Projects Funds). The Township has three kinds of funds - governmental, proprietary and fiduciary.

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

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

Fiduciary Funds: The Township is the trustee, or fiduciary, responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as pension plans and the agency fund) are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Entity-wide

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of 2012, the Township's assets and deferred outflows of resources exceeded its liabilities by \$85,827,427, which is a \$735,870 decrease from the prior year.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, highways and additions or improvements to the libraries, storm drainage and the sewer conveyance system. Although the Township's

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position at the close of 2012 of \$33,516,829 may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains an "Aaa" rating from Moody's for its current debt issuances. This is Moody's highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As shown in Table 1, the 2012 net position decrease of \$735,870 is the result of an increase of \$1,924,057 in current assets, a decrease of \$906,742 in capital assets, a decrease of \$8,100 in deferred outflows of resources, a decrease of \$167,595 in long-term liabilities and an increase of \$1,912,680 in current liabilities.

TABLE 1: TREDYFFRIN TOWNSHIP'S NET POSITION
December 31, 2012 and 2011

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 23,351,093	\$ 31,523,320	\$ 54,874,413	\$ 22,866,503	\$ 30,083,853	\$ 52,950,356
Capital assets	56,766,179	10,329,343	67,095,522	57,767,529	10,234,735	68,002,264
Deferred outflows	-	52,652	52,652	-	60,752	60,752
Total Assets and Deferred Outflows of Resources	80,117,272	41,905,315	122,022,587	80,634,032	40,379,340	121,013,372
Long-term liabilities	27,475,437	2,440,115	29,915,552	27,258,921	2,824,226	30,083,147
Current liabilities	3,278,752	3,000,856	6,279,608	2,837,302	1,529,626	4,366,928
Total Liabilities	30,754,189	5,440,971	36,195,160	30,096,223	4,353,852	34,450,075
Net Investment in capital assets	44,746,255	7,564,343	52,310,598	44,402,523	7,041,398	51,443,921
Unrestricted	4,616,828	28,900,001	33,516,829	6,135,286	28,984,090	35,119,376
Total Net Position	<u>\$ 49,363,083</u>	<u>\$ 36,464,344</u>	<u>\$ 85,827,427</u>	<u>\$ 50,537,809</u>	<u>\$ 36,025,488</u>	<u>\$ 86,563,297</u>

As shown in Table 2, expenses exceeded revenues by \$735,870 in 2012, resulting in an overall decrease in net position. Most revenues saw a slight increase over the prior year with real estate transfer taxes having the greatest increase. Many of the increases in revenue were offset by increases in expenses in the governmental funds. The net loss in the governmental funds was partially offset by a net gain in the business-type activities.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

TABLE 2: TREDYFFRIN TOWNSHIP'S CHANGES IN NET POSITION
For the Years Ended December 31, 2012 and 2011

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES						
Program revenues:						
Charges for services	\$ 1,677,954	\$ 5,185,138	\$ 6,863,092	\$ 1,624,578	\$ 6,323,183	\$ 7,947,761
Operating grants/contributions	2,645,853	-	2,645,853	2,698,454	-	2,698,454
General revenues:						
Real estate taxes	8,503,584	-	8,503,584	8,476,700	-	8,476,700
Real estate transfer taxes	2,624,970	-	2,624,970	1,886,193	-	1,886,193
Local services tax	1,785,251	-	1,785,251	1,580,344	-	1,580,344
Franchise fees	669,144	-	669,144	643,128	-	643,128
Investment earnings	399,825	149,987	549,812	194,246	38,545	232,791
Other	96,948	-	96,948	61,978	-	61,978
Transfers	308,316	(308,316)	-	-	-	-
TOTAL REVENUES	18,711,845	5,026,809	23,738,654	17,165,621	6,361,728	23,527,349
EXPENSES						
General government	2,642,951	-	2,642,951	2,541,300	-	2,541,300
Public safety	11,178,178	-	11,178,178	10,877,922	-	10,877,922
Highway/streets	2,563,253	-	2,563,253	3,309,224	-	3,309,224
Other public works	70,932	-	70,932	25,446	-	25,446
Library	1,434,134	-	1,434,134	1,436,769	-	1,436,769
Culture and recreation	1,209,607	-	1,209,607	1,150,829	-	1,150,829
Interest on bonds	787,516	-	787,516	1,039,236	-	1,039,236
Sewer operations	-	4,587,953	4,587,953	-	3,397,829	3,397,829
TOTAL EXPENSES	19,886,571	4,587,953	24,474,524	20,380,726	3,397,829	23,778,555
CHANGE IN NET POSITION	(1,174,726)	438,856	(735,870)	(3,215,105)	2,963,899	(251,206)
NET POSITION, BEGINNING, RESTATED	50,537,809	36,025,488	86,563,297	53,752,914	33,061,589	86,814,503
NET POSITION, ENDING	\$ 49,363,083	\$ 36,464,344	\$ 85,827,427	\$ 50,537,809	\$ 36,025,488	\$ 86,563,297

Governmental Activities

Real estate taxes and real estate transfer taxes provide the major funding for the Township's governmental activities. Real estate taxes are the largest revenue source, accounting for 45 percent of revenue. In 2012, the real estate millage rate was 2.308, which was an increase of 3.5 percent from the real estate millage rate of 2.23 in 2011. Real estate transfer taxes provided 14 percent of revenue. Operating grants and contributions provided 14 percent of revenue.

As shown in Table 3, the cost of all governmental activities this year was \$19,886,571. Of this amount, taxes funded 65 percent, with the balance funded through program revenues and other general revenues. The program revenues were paid by those who directly benefited from the programs (\$1,677,954) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$2,645,853).

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

Public safety programs are the largest spending commitment, accounting for approximately 57 percent of the Township's governmental activities expenses. General administration and public works services both accounted for approximately 13 percent of the expenses.

TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST
For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>% of Total Cost</u>	<u>Program Revenue</u>	<u>Net Expense</u>
General	\$ 2,642,951	13%	\$ 437,727	\$ 2,205,224
Public safety	11,178,178	57%	2,400,849	8,777,329
Public works	2,634,185	13%	1,260,733	1,373,452
Library	1,434,134	7%	-	1,434,134
Culture/recreation	1,209,607	6%	224,498	985,109
Interest on bonds	787,516	4%	-	787,516
Totals	<u>\$ 19,886,571</u>	<u>100%</u>	<u>\$ 4,323,807</u>	<u>\$ 15,562,764</u>

Business-type Activities

Business-type activities consist of the Township's sewer system. The Tredyffrin Township Municipal Authority (TTMA) financed construction of the sewer system and owns and leases it to the Township.

The Board of Supervisors establishes and collects sewer/utility fees from users of the system, which pay for the Township's lease payment to the Municipal Authority, as well as operation and maintenance of the sewer system.

The sewer/utility fees also pay for operation and maintenance of the Township's traffic signals and street lights.

Sewer/utility expenses totaled \$4,587,953 in 2012, a \$1,190,124 increase over the prior year.

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenue is not specific to an individual program, but to the fund as a whole.

As shown in Table 2, revenues exceeded expenses by \$438,856 in 2012. As shown in Table 1, the net position increase is reflected in a \$1,439,467 increase in current assets, a \$94,608 increase in capital assets, an \$8,100 decrease in deferred outflows, a \$1,471,230 increase in current liabilities and a \$384,111 decrease in non-current liabilities.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

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

Governmental Funds

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

As of December 31, 2012, the Township's governmental funds reported combined ending balances of \$21,884,135, an increase of \$152,839 compared to the prior year. Approximately 52 percent, or \$11,424,007, constitutes unassigned fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is restricted and/or assigned, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service; 2) capital improvements; or 3) a variety of other purposes.

The fund balance of the General Fund increased by \$603,805 in fiscal year 2012. Key factors for this increase are the increased collections of the various taxes as well as transfers in from other funds and a slight decrease in expenditures.

The Township maintains a Capital Construction Fund and Highway Projects Fund to account for major capital acquisitions and construction separately from the ongoing operating activities. As of December 31, 2012, the combined fund balance was \$6,802,601.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The primary Special Revenue Funds include the Liquid Fuels Fund and the TTMA Transportation District Fund. Revenue sources for these funds include state grants, a special assessment and interest earnings.

- Liquid Fuels Fund - The Township received \$614,620 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.
- TTMA Transportation District Fund - The Township received \$476,214 from the special assessment levied to businesses along the Route 202 corridor. The revenue funds the debt service for bonds issued for infrastructure improvements related to the widening of Section 400 of Route 202. As of December 31, 2012, the fund balance of this fund was \$184,316, a decrease of \$25,780 from 2011.

The Township maintains Debt Service Funds to set aside resources to meet current and future obligations of the Township, including but not limited to, debt service and general liabilities. As of December 31, 2012, the combined fund balance was \$1,824,081.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

Proprietary Funds

The Township's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Utility Fund and the TTMA Sewer Projects Fund at the end of the year amounted to \$28,900,001. The total increase in net position was \$438,856. Factors contributing to the finances of this fund already have been addressed in the discussion of the Township's business-type activities.

Fiduciary Funds

The Township maintains Pension Trust Funds and Agency Funds to account for assets held by the Township in a trustee capacity. The Pension Trust Funds' assets pertain to the police defined benefit pension plan and money purchase defined contribution plan for non-uniformed staff. The Agency Funds are custodial in nature and account for escrow accounts held by the Township.

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, 2012 amounts to \$67,095,522, net of accumulated depreciation. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, land improvements infrastructure and construction in progress.

Additional information on the Township's capital assets can be found in Note 4 of this report.

Long-term Debt

As of December 31, 2012, the Township had \$21,140,000 in bonds outstanding – a decrease of \$2,100,000 from the prior year. The non-electoral debt amount is \$15,875,000 and the self-liquidating guaranteed revenue debt amount is \$5,265,000 as of December 31, 2012.

Tredyffrin Township maintains an "Aaa" rating from Moody's for its current debt issuances.

During fiscal year 2012, the Township refinanced some of its existing debt to take advantage of favorable interest rates.

- Tredyffrin Township issued \$9,375,000 of General Obligation Bonds Series 2012 in July 2012. The proceeds of these bonds were used for the current refunding of the General Obligation Bonds Series 2004. The refunding resulted in an economic gain of \$1,389,854 and a cash flow savings of \$1,502,234.

Additional information about the Township's long-term debt can be found in Note 5 of this report.

TREDYFFRIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The large real estate transfer tax market experienced exponential growth in 2012. Compared to the prior fiscal year, the Township saw an increase of \$738,777. The major cause of the large increase was due to several large real estate transfers. We are expecting even more growth in 2013.
- There was a large increase in real estate transfer tax, local service tax and investment earnings revenues in 2012 compared to 2011. The results for 2013 are expected to be similar to 2012.
- The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts. Also, the 2013 budget includes a 3.1 percent increase in the real estate tax millage rate. Collections are expected to increase in 2013 due to an increase in the millage rate and increased collection efforts.
- For 2013, multiple new developments are in their preliminary stages but the amount of renovations and additions continued to be positive. Furthermore, 2012 was stronger than 2011 for permit fee revenue. Building permits are expected to be slightly higher in 2013 due to increased construction throughout the Township.
- In 2012, staff was not reduced but replacements for attrition were sometimes delayed or deferred.
- The Township plans on establishing a trust for its OPEB obligation in 2013.
- The \$250/EDU sewer/utility fee remained the same in 2012. It will remain unchanged for 2013.

All of these factors were considered in preparing the Township's budget for the 2013 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Tredyffrin Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, Tredyffrin Township, 1100 DuPortail Road, Berwyn, PA 19312. In addition, general information relating to Tredyffrin Township can be found via the web at www.tredyffrin.org.

TREDYFFRIN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2012
(With Summarized Comparative Data for December 31, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 5,975,064	\$ 2,773,421	\$ 8,748,485	\$ 10,079,458
Investments	15,343,900	23,168,990	38,512,890	36,890,942
Taxes receivable	154,141	-	154,141	152,753
Accounts and other receivables	1,337,594	6,121,303	7,458,897	5,827,203
Internal balances	540,394	(540,394)	-	-
TOTAL CURRENT ASSETS	23,351,093	31,523,320	54,874,413	52,950,356
NONCURRENT ASSETS:				
Depreciable capital assets, net	49,365,108	9,960,441	59,325,549	58,868,997
Land	7,108,684	-	7,108,684	7,108,684
Construction-in-progress	292,387	368,902	661,289	2,024,583
TOTAL NONCURRENT ASSETS	56,766,179	10,329,343	67,095,522	68,002,264
TOTAL ASSETS	80,117,272	41,852,663	121,969,935	120,952,620
DEFERRED OUTFLOWS OF RESOURCES				
Refunding loss	-	52,652	52,652	60,752
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other current liabilities	1,207,320	2,616,745	3,824,065	1,990,782
Accrued interest	40,846	-	40,846	97,781
Bonds payable, net	1,985,070	384,111	2,369,181	2,216,919
Capital leases	42,071	-	42,071	38,741
Compensated absences	3,445	-	3,445	22,705
TOTAL CURRENT LIABILITIES	3,278,752	3,000,856	6,279,608	4,366,928
NONCURRENT LIABILITIES:				
Bonds payable, net	16,711,690	2,440,115	19,151,805	21,115,523
Capital leases	83,694	-	83,694	124,620
Compensated absences	37,069	-	37,069	204,345
OPEB obligation	10,642,984	-	10,642,984	8,638,659
TOTAL NONCURRENT LIABILITIES	27,475,437	2,440,115	29,915,552	30,083,147
TOTAL LIABILITIES	30,754,189	5,440,971	36,195,160	34,450,075
NET POSITION:				
Net investment in capital assets	44,746,255	7,564,343	52,310,598	51,443,921
Unrestricted	4,616,828	28,900,001	33,516,829	35,119,376
TOTAL NET POSITION	\$ 49,363,083	\$ 36,464,344	\$ 85,827,427	\$ 86,563,297

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

TREDYFFRIN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Totals	
							2012	2011
GOVERNMENTAL ACTIVITIES:								
General government	\$ 2,642,951	\$ 109,743	\$ 327,984	\$ -	\$ (2,205,224)	\$ -	\$ (2,205,224)	\$ (2,107,486)
Public safety	11,178,178	1,343,713	1,057,136	-	(8,777,329)	-	(8,777,329)	(7,985,596)
Public works - highways and streets	2,563,253	-	1,193,685	-	(1,369,568)	-	(1,369,568)	(2,683,948)
Public works - sanitation	70,932	-	67,048	-	(3,884)	-	(3,884)	101,878
Library	1,434,134	-	-	-	(1,434,134)	-	(1,434,134)	(1,436,769)
Culture and recreation	1,209,607	224,498	-	-	(985,109)	-	(985,109)	(906,537)
Interest expense	787,516	-	-	-	(787,516)	-	(787,516)	(1,039,236)
TOTAL GOVERNMENTAL ACTIVITIES	<u>19,886,571</u>	<u>1,677,954</u>	<u>2,645,853</u>	<u>-</u>	<u>(15,562,764)</u>	<u>-</u>	<u>(15,562,764)</u>	<u>(16,057,694)</u>
BUSINESS-TYPE ACTIVITIES:								
Sewer	4,587,953	5,185,138	-	-	-	597,185	597,185	2,925,354
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,587,953</u>	<u>5,185,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,185</u>	<u>597,185</u>	<u>2,925,354</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,474,524</u>	<u>\$ 6,863,092</u>	<u>\$ 2,645,853</u>	<u>\$ -</u>	<u>(15,562,764)</u>	<u>597,185</u>	<u>(14,965,579)</u>	<u>(13,132,340)</u>
GENERAL REVENUES								
Taxes:								
Real estate taxes					8,503,584	-	8,503,584	8,476,700
Real estate transfer taxes					2,624,970	-	2,624,970	1,886,193
Local services taxes					1,785,251	-	1,785,251	1,580,344
Franchise fees					669,144	-	669,144	643,128
Investment earnings					399,825	149,987	549,812	232,791
Grants and contributions not restricted to specific programs					15,487	-	15,487	16,479
Miscellaneous					81,461	-	81,461	45,499
Transfers					308,316	(308,316)	-	-
TOTAL GENERAL REVENUES					<u>14,388,038</u>	<u>(158,329)</u>	<u>14,229,709</u>	<u>12,881,134</u>
CHANGE IN NET POSITION					(1,174,726)	438,856	(735,870)	(251,206)
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>50,537,809</u>	<u>36,025,488</u>	<u>86,563,297</u>	<u>86,814,503</u>
NET POSITION, END OF YEAR					<u>\$ 49,363,083</u>	<u>\$ 36,464,344</u>	<u>\$ 85,827,427</u>	<u>\$ 86,563,297</u>

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

TREDYFFRIN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(With Summarized Comparative Data for December 31, 2011)

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Totals	
					2012	2011
ASSETS						
Cash and cash equivalents	\$ 1,918,844	\$ 1,864,891	\$ 971,147	\$ 1,220,182	\$ 5,975,064	\$ 7,276,112
Investments	8,698,600	2,545,130	2,743,858	1,356,312	15,343,900	15,924,718
Taxes receivable	136,642	-	-	17,499	154,141	152,753
Accounts receivable	1,088,427	249,167	-	-	1,337,594	1,182,307
Due from other funds	4,227,619	14,256	-	70,152	4,312,027	4,359,087
TOTAL ASSETS	16,070,132	4,673,444	3,715,005	2,664,145	27,122,726	28,894,977
LIABILITIES						
Accounts payable	381,493	167,750	-	-	549,243	846,370
Accrued liabilities	657,687	390	-	-	658,077	25,656
Due to other funds	1,866,094	1,371,790	45,918	487,831	3,771,633	6,028,474
TOTAL LIABILITIES	2,905,274	1,539,930	45,918	487,831	4,978,953	6,900,500
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes/assessments	242,139	-	-	17,499	259,638	263,181
FUND BALANCES						
Restricted for streets and highways	-	-	3,669,087	310,500	3,979,587	4,229,258
Restricted for capital projects	-	3,133,514	-	24,234	3,157,748	3,360,222
Restricted for debt service	-	-	-	526,178	526,178	526,111
Assigned for OPEB	1,498,712	-	-	-	1,498,712	1,203,501
Assigned for debt service	-	-	-	1,297,903	1,297,903	1,296,791
Unassigned	11,424,007	-	-	-	11,424,007	11,115,413
TOTAL FUND BALANCES	\$ 12,922,719	\$ 3,133,514	\$ 3,669,087	\$ 2,158,815	\$ 21,884,135	\$ 21,731,296

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

**TREDYFFRIN TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2012**

TOTAL GOVERNMENTAL NET POSITION

\$ 21,884,135

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

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

Depreciable capital assets, net	\$ 49,365,108	
Land	7,108,684	
Construction-in-progress	<u>292,387</u>	56,766,179

Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

259,638

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

Compensated absences	(40,514)	
Net OPEB obligation	(10,642,984)	
Accrued interest payable	(40,846)	
Capital lease obligation	(125,765)	
Bond discounts	12,410	
Bond premiums	(334,170)	
Bonds payable	<u>(18,375,000)</u>	<u>(29,546,869)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 49,363,083

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

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	General Fund	Capital Construction Fund	Highway Projects Fund	Other Governmental Funds	Totals	
					2012	2011
REVENUES						
Taxes	\$ 12,441,134	\$ -	\$ -	\$ 476,214	\$ 12,917,348	\$ 11,829,975
Licenses and permits	748,396	-	-	-	748,396	729,645
Fines, forfeits and costs	162,461	-	-	-	162,461	183,292
Interest, dividends and rents	260,212	55,252	33,896	4,482	353,842	242,986
Unrealized losses on investments	49,778	4,891	17,239	-	71,908	(21,064)
Realized losses on investments	2,336	(45,127)	16,866	-	(25,925)	(27,676)
Intergovernmental revenues	1,239,423	565,584	-	614,620	2,419,627	2,445,124
Charges for services/fees	1,677,954	-	-	-	1,677,954	1,624,578
Miscellaneous revenue/other	81,320	141	-	-	81,461	45,499
TOTAL REVENUES	16,663,014	580,741	68,001	1,095,316	18,407,072	17,052,359
EXPENDITURES						
Current:						
General government	1,658,960	456,271	386	33,019	2,148,636	2,154,809
Public safety	9,832,109	-	-	-	9,832,109	9,738,273
Public works - highways and streets	1,329,623	1,039,229	-	-	2,368,852	2,252,317
Public works - sanitation	69,135	-	-	-	69,135	23,715
Library	1,059,214	121,747	-	-	1,180,961	2,775,249
Culture and recreation	785,083	-	-	-	785,083	720,829
Debt service:						
Principal	1,465,000	-	-	375,000	1,840,000	1,745,000
Interest and other charges	420,840	-	-	95,618	516,458	867,722
TOTAL EXPENDITURES	16,619,964	1,617,247	386	503,637	18,741,234	20,277,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	43,050	(1,036,506)	67,615	591,679	(334,162)	(3,225,555)
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued	-	9,375,000	-	-	9,375,000	5,510,000
Premium on refunding bonds	-	209,916	-	-	209,916	233,071
Payment to refund bonds	-	(9,473,495)	-	-	(9,473,495)	(5,635,000)
Capital lease proceeds	-	-	-	-	-	199,818
Proceeds from the sale of capital assets	67,264	-	-	-	67,264	29,534
Transfers in	3,621,852	772,180	-	470,618	4,864,650	2,924,892
Transfers out	(3,128,361)	(49,569)	-	(1,378,404)	(4,556,334)	(2,924,892)
TOTAL OTHER FINANCING SOURCES (USES)	560,755	834,032	-	(907,786)	487,001	337,423
NET CHANGES IN FUND BALANCES	603,805	(202,474)	67,615	(316,107)	152,839	(2,888,132)
FUND BALANCES, BEGINNING OF YEAR	12,318,914	3,335,988	3,601,472	2,474,922	21,731,296	24,619,428
FUND BALANCES, END OF YEAR	\$ 12,922,719	\$ 3,133,514	\$ 3,669,087	\$ 2,158,815	\$ 21,884,135	\$ 21,731,296

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

TREDYFFRIN TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 152,839

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

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 as depreciation expense. This is the amount by which capital outlays (\$1,727,617) did not exceed depreciation expense (\$2,690,124) in the current period. (962,507)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,543)

The issuance of long-term debt 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 position. Also, governmental funds report the effect of bond premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Refunding bonds issued	(9,375,000)	
Payment to refunded bond escrow agent	9,275,000	
Premium on refunding bonds to be amortized over the life of the bonds	(209,916)	
Bond principal	1,840,000	
Capital lease payments	37,596	
Accrued interest	15,176	
Amortization of bond premiums and discounts	<u>(87,739)</u>	1,495,117

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

Loss on disposal of capital assets	(38,843)	
Compensated absences	186,536	
OPEB liability	<u>(2,004,325)</u>	<u>(1,856,632)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,174,726)

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

TREDYFFRIN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUE			
Taxes:			
Property taxes	\$ 8,087,000	\$ 8,030,913	\$ (56,087)
Transfer taxes	2,450,000	2,624,970	174,970
Local services taxes	1,800,000	1,785,251	(14,749)
Licenses and permits	840,500	748,396	(92,104)
Fines, forfeits and costs	143,000	162,461	19,461
Interest, dividends and rents	193,000	260,212	67,212
Unrealized losses on investments	-	49,778	49,778
Realized losses on investments	-	2,336	2,336
Intergovernmental revenues	1,580,425	1,239,423	(341,002)
Charges for services/fees	1,568,250	1,677,954	109,704
Miscellaneous revenue/other	106,000	81,320	(24,680)
TOTAL REVENUE	<u>16,768,175</u>	<u>16,663,014</u>	<u>(105,161)</u>
EXPENDITURES			
Current:			
General government	1,770,623	1,658,960	111,663
Public safety	9,501,380	9,832,109	(330,729)
Public works - highways and streets	1,313,640	1,329,623	(15,983)
Public works - sanitation	28,400	69,135	(40,735)
Library	1,132,100	1,059,214	72,886
Culture and recreation	950,600	785,083	165,517
Debt service:			
Principal	1,415,000	1,465,000	(50,000)
Interest and other charges	625,061	420,840	204,221
TOTAL EXPENDITURES	<u>16,736,804</u>	<u>16,619,964</u>	<u>116,840</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,371</u>	<u>43,050</u>	<u>11,679</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	35,000	67,264	32,264
Transfers in, net	951,200	493,491	(457,709)
TOTAL OTHER FINANCING SOURCES	<u>986,200</u>	<u>560,755</u>	<u>(425,445)</u>
NET CHANGE IN FUND BALANCE	1,017,571	603,805	(413,766)
FUND BALANCES, BEGINNING OF YEAR	<u>12,318,914</u>	<u>12,318,914</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,336,485</u>	<u>\$ 12,922,719</u>	<u>\$ (413,766)</u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2012
(With Summarized Comparative Data for December 31, 2011)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2012	2011
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,529,994	\$ 243,427	\$ 2,773,421	\$ 2,803,346
Investments	23,168,990	-	23,168,990	20,966,224
Accounts receivable - liened	350,511	-	350,511	350,759
Unbilled receivable	4,463,792	-	4,463,792	4,294,137
Accounts receivable - insurance recovery	1,307,000	-	1,307,000	-
Due from other funds	80,693	-	80,693	2,419,281
Total current assets	<u>31,900,980</u>	<u>243,427</u>	<u>32,144,407</u>	<u>30,833,747</u>
NONCURRENT ASSETS:				
Depreciable capital assets, net	9,960,441	-	9,960,441	10,010,900
Construction-in-progress	368,902	-	368,902	223,835
Total noncurrent assets	<u>10,329,343</u>	<u>-</u>	<u>10,329,343</u>	<u>10,234,735</u>
TOTAL ASSETS	<u>42,230,323</u>	<u>243,427</u>	<u>42,473,750</u>	<u>41,068,482</u>
DEFERRED OUTFLOWS OF RESOURCES				
Refunding loss	-	52,652	52,652	60,752
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	2,616,745	-	2,616,745	1,118,756
Accrued interest	-	-	-	41,759
Revenue bonds	-	384,111	384,111	369,111
Lease payable (receivable)	375,000	(375,000)	-	-
Due to other funds	434,935	186,152	621,087	749,894
Total Current Liabilities	<u>3,426,680</u>	<u>195,263</u>	<u>3,621,943</u>	<u>2,279,520</u>
NONCURRENT LIABILITIES:				
Lease payable (receivable)	2,390,000	(2,390,000)	-	-
Revenue bonds	-	2,440,115	2,440,115	2,824,226
Total Noncurrent Liabilities	<u>2,390,000</u>	<u>50,115</u>	<u>2,440,115</u>	<u>2,824,226</u>
TOTAL LIABILITIES	<u>5,816,680</u>	<u>245,378</u>	<u>6,062,058</u>	<u>5,103,746</u>
NET POSITION				
Net investment in capital assets	7,564,343	-	7,564,343	7,041,398
Unrestricted	28,849,300	50,701	28,900,001	28,984,090
TOTAL NET POSITION	<u>\$ 36,413,643</u>	<u>\$ 50,701</u>	<u>\$ 36,464,344</u>	<u>\$ 36,025,488</u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2012	2011
OPERATING REVENUES				
Sewer fees	\$ 4,398,198	\$ -	\$ 4,398,198	\$ 4,404,934
Sewer fees - other governments	777,852	-	777,852	1,905,384
Other fees	9,088	-	9,088	12,865
TOTAL OPERATING REVENUES	5,185,138	-	5,185,138	6,323,183
OPERATING EXPENSES				
Sewer disposal	2,402,060	-	2,402,060	1,073,677
Salaries and wages	298,677	-	298,677	310,233
Employee benefits	144,486	-	144,486	143,131
Administration	120,887	-	120,887	174,668
Engineering	17,593	-	17,593	40,642
Allocation of expenses	343,023	-	343,023	377,500
Supplies	53,674	-	53,674	56,128
Electric/Lighting	387,515	-	387,515	421,991
Repairs and maintenance, net of insurance	270,959	-	270,959	336,309
Depreciation	470,172	-	470,172	420,789
TOTAL OPERATING EXPENSES	4,509,046	-	4,509,046	3,355,068
OPERATING INCOME	676,092	-	676,092	2,968,115
NONOPERATING REVENUE (EXPENSES)				
Interest on lease rental payments	(79,918)	79,918	-	-
Interest and investment revenue	186,922	26	186,948	135,046
Unrealized loss on investments	(36,961)	-	(36,961)	(96,501)
Interest expense on bonds	-	(79,918)	(79,918)	(43,772)
Amortization of deferred charges	-	1,011	1,011	1,011
TOTAL NONOPERATING REVENUE (EXPENSES)	70,043	1,037	71,080	(4,216)
Transfers out	(265,021)	(43,295)	(308,316)	-
CHANGE IN NET POSITION	481,114	(42,258)	438,856	2,963,899
NET POSITION, BEGINNING OF YEAR - RESTATED	35,932,529	92,959	36,025,488	33,061,589
NET POSITION, END OF YEAR	\$ 36,413,643	\$ 50,701	\$ 36,464,344	\$ 36,025,488

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	Enterprise Funds		Totals	
	Sewer Utility Fund	TTMA - Sewer Projects Fund	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 2,921,543	\$ -	\$ 2,921,543	\$ 4,390,255
Receipts from other governments	2,230,513	-	2,230,513	1,085,385
Payments to suppliers for goods and services	(3,984,210)	-	(3,984,210)	(4,427,861)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,167,846	-	1,167,846	1,047,779
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds	2,166,486	-	2,166,486	353,913
Transfers to other funds	(265,021)	-	(265,021)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,901,465	-	1,901,465	353,913
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest (paid) received on lease receivable	(79,918)	79,918	-	-
Principal (paid) received on lease receivable	(360,000)	360,000	-	-
Purchases of capital assets	(564,780)	-	(564,780)	(1,902,537)
Principal paid on capital debt	-	(360,000)	(360,000)	(355,000)
Interest paid on capital debt	-	(121,677)	(121,677)	(45,308)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,004,698)	(41,759)	(1,046,457)	(2,302,845)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and investment revenues	186,922	26	186,948	135,046
Proceeds from sale (purchases) of investments	(2,239,727)	-	(2,239,727)	821,099
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,052,805)	26	(2,052,779)	956,145
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,808	(41,733)	(29,925)	54,992
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,518,186	285,160	2,803,346	2,748,354
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,529,994	\$ 243,427	\$ 2,773,421	\$ 2,803,346
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 676,092	\$ -	\$ 676,092	\$ 2,968,115
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	470,172	-	470,172	420,789
(Increase) Decrease in assets:				
Accounts receivable	248	-	248	41,290
Unbilled receivables	(169,655)	-	(169,655)	(14,679)
Insurance recovery	(1,307,000)	-	(1,307,000)	-
Increase (Decrease) in liabilities:				
Accounts payable	1,497,989	-	1,497,989	(2,367,736)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,167,846	\$ -	\$ 1,167,846	\$ 1,047,779
NONCASH INVESTING ACTIVITY:				
Unrealized loss on investments	\$ (36,961)	\$ -	\$ (36,961)	\$ (96,501)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:				
Amortization of deferred charges	\$ -	\$ 1,011	\$ 1,011	\$ 1,011

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

TREDYFFRIN TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2012

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 510,921	\$ 37,889
Investments, at fair value:		
Fixed income funds	8,058,343	-
Stock mutual funds	5,973,792	-
International mutual funds	4,438,008	-
Common stock	4,256,458	-
Real estate investment funds	1,439,167	-
Emerging market funds	557,975	-
Bond mutual funds	13,893	-
Accounts receivable	6,886	-
Accrued interest	23,966	-
TOTAL ASSETS	<u><u>\$ 25,279,409</u></u>	<u><u>\$ 37,889</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 19,692	\$ 37,889
TOTAL LIABILITIES	<u>19,692</u>	<u>37,889</u>
NET POSITION		
Held in trust for pension benefits and pool participants	<u>25,259,717</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,279,409</u></u>	<u><u>\$ 37,889</u></u>

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

TREDYFFRIN TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Data For the Year Ended December 31, 2011)

	Pension Trust Funds	
	2012	2011
ADDITIONS		
Contributions:		
State aid	\$ 329,002	\$ 500,507
Employer contributions	247,604	30,190
Employee contributions	178,434	203,947
Total Contributions	<u>755,040</u>	<u>734,644</u>
Investment income (loss):		
Interest and dividends	668,819	644,242
Unrealized gain (loss) on investments	1,923,998	(1,071,836)
Realized gain on investments	723,118	384,206
Net Investment Income (loss)	<u>3,315,935</u>	<u>(43,388)</u>
TOTAL ADDITIONS	<u>4,070,975</u>	<u>691,256</u>
DEDUCTIONS		
Pension payments	2,819,981	1,247,255
Administrative expenses	<u>114,303</u>	<u>124,018</u>
TOTAL DEDUCTIONS	<u>2,934,284</u>	<u>1,371,273</u>
CHANGE IN NET POSITION	1,136,691	(680,017)
NET POSITION, BEGINNING OF YEAR	<u>24,123,026</u>	<u>24,803,043</u>
NET POSITION, END OF YEAR	<u>\$ 25,259,717</u>	<u>\$ 24,123,026</u>

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

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township is located at the eastern edge of Chester County, Pennsylvania and is part of the Philadelphia Metropolitan Area. The Township was incorporated in 1707 and is a Home Rule Municipality. The Township is governed by a seven-member Board of Supervisors, four of whom are elected at large while three are elected from districts.

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

Implementation of New Accounting Pronouncements

During the current year, the Township implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the Township's current year financial statements.

During the current year, the Township implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board ("FASB") and the American Institute of Certified Public Accountants ("AICPA"), which are followed for proprietary fund and entity-wide reporting. The Township's notes to the financial statements have been revised to reflect the level of disclosure required by the new Statement.

During the current year, the Township implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the statement of net position (deferred outflows and deferred inflows) and revises other proprietary fund and entity-wide terminology as a result of this change. The Township's proprietary fund and entity-wide statement of net position have been revised to reflect the new terminology.

During the current year, the Township implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This new guidance establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Township's financial statements have been revised to reflect this new standard. See the restatement of net position footnote disclosure for the restatement effects to these financial statements.

Reporting Entity

For financial reporting purposes, the 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 unit, which is a legally separate organization for which the Township's elected officials are financially accountable.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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

Blended Component Unit

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. Tredyffrin Township has one blended component unit.

Tredyffrin Township Municipal Authority (TTMA) - The Authority was organized on June 30, 1959 as a separate legal entity under the laws of the Commonwealth of Pennsylvania. The Authority, whose purpose is to provide certain public programs and facilities, is administered by a seven-member Board appointed by the Tredyffrin Township Board of Supervisors. The Township uses the Authority as an instrument to raise debt to fund various capital projects and infrastructure improvements. The Authority's Debt Service Fund and Transportation District Fund are presented as governmental fund types. The Authority's Sewer Projects Fund is presented as a proprietary fund type.

The Municipal Authority issues separately audited financial statements. Copies of this audit can be obtained at the Township Administration Building.

Related Organizations:

The Township's Board of Supervisors is responsible for appointing some of the members of the board of these organizations, but the Township's accountability for these organizations does not extend beyond making the appointments. The organizations are the following:

Tredyffrin Township Library Foundation - The foundation was incorporated on May 24, 1993 under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania to raise funds and distribute funds to Tredyffrin Township public libraries. In 2004, the Foundation initiated a capital campaign for renovation and expansion of the Tredyffrin Public Library. The Foundation transfers to the Township its share of the costs associated with the renovation and expansion of the library building and property.

East Whiteland-Tredyffrin Joint Transportation Authority - The East Whiteland-Tredyffrin Joint Transportation Authority was created as a separate legal entity, pursuant to ordinances adopted by Tredyffrin Township on November 18, 1985, and by East Whiteland Township on December 9, 1985. The Articles of Incorporation for the East Whiteland-Tredyffrin Joint Transportation Authority were issued on February 12, 1986. The East Whiteland-Tredyffrin Joint Transportation Authority is authorized to finance highway improvements within a Transportation Development and Business Improvement District surrounding Route 29 (Moreland Road) and U.S. Route 202 Interchange located in East Whiteland Township.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Basis of Presentation

Entity-wide Financial Statements

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

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are associated specifically 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 program revenues are presented as general revenues. The comparison of program revenues and expenses identify the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net 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 legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their net position use.

Fund Financial Statements

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

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Construction Fund and Highway Projects Fund are maintained to account for the accumulation of resources for acquisition of capital assets and the repayment of debt associated with capital assets.

All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the Highway Improvement Fund, the Liquid Fuels Fund, the TTMA Transportation District Fund, the Building Construction Fund, the Library Construction Fund, the Debt Service Fund and the TTMA Debt Service Fund.

The Township reports the following proprietary funds:

- The Sewer Utility Fund accounts for the revenues and expenses of the Township's sewer utility system. This fund also includes the Valley Creek Trunk Sewer Fund.
- The TTMA Sewer Projects Fund accounts for the activities of the Municipal Authority, the blended component unit of the Township. The Authority is an instrument to raise debt to fund various capital projects and infrastructure improvements.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

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

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available. Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

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

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 the enterprise funds.

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

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Trust and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund accounts for the escrow accounts held by the Township.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- At least 45 days before the end of the fiscal year, the Manager, as assisted by the Finance Director, prepares and submits to the Township Board a proposed budget for the following fiscal year.
- At least 30 days before the end of the fiscal year, the Board must adopt a preliminary budget.
- The Board must advertise at least once in two or more newspapers, with general circulation in the Township, at least 10 days before the date set for final adoption, and hold at least one public hearing on the preliminary budget.
- The Board must finally adopt a balanced budget before the start of the fiscal year to which it applies, except in a year immediately following a municipal election. The new Board may adopt a revised budget within 45 days after the start of the fiscal year.
- The Board may amend allocations within each appropriation, but changes in appropriations in any items on which budgetary controls are maintained shall be made only pursuant to an ordinance of the Board. All appropriations lapse at year end.

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value as determined by reference to quoted market prices. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables and Payables

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

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Unbilled Receivables

Sewer rents are billed annually on April 1 of each year for the preceding fiscal year. Billings are \$250 per equivalent dwelling unit ("EDU"). During March 2012, the Force Main sewer line from the Wilson Road Pump Station experienced a premature failure which amounted to \$1,376,000 in repair costs. An insurance claim settlement of \$1,307,000 was finally reached and paid in September 2013 to cover the majority of the costs. The \$1,307,000 insurance recovery was recorded as a receivable as of December 31, 2012.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. 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.

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 is depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-20 years
Land improvements	10-30 years
Buildings and improvements	10-30 years
Infrastructure	10-50 years

Compensated Absences

The Township has two policies of accumulating sick and vacation time. For the unionized police employees, a total of 80 hours of accumulated free or leave time (including accumulated vacation days, holiday and/or personal days) may be carried over to the next calendar year. Any such time not used by September 1 of the next calendar year shall be forfeited unless an extension is approved in writing by the Superintendent of Police. Sick time can be carried forward and used without limit.

Non-uniformed and uniformed Township employees are able to carry over a maximum of five vacation days per year to be used at their discretion. There is no limit to the carry-over of sick days; however, the Township is not liable for payment of any unused sick time upon the termination of an employee.

There are no buy-back provisions for any employee of Tredyffrin Township.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

The liability for compensated absences totaled \$40,514 as of December 31, 2012 and is all attributed to the governmental activities.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Governmental funds report delinquent taxes and assessments not collected within 60 days of year end as deferred inflows since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. Bond issuance costs are expensed when incurred.

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

Highway Improvement Assessment

The Authority levies an annual highway improvement assessment against all properties zoned commercial, industrial, hotel or professional/office located within the Transportation District. The Transportation District is located in the Township and includes about 4.18 square miles of land surrounding U.S. Route 202. The amount of the annual installments of assessments is determined by multiplying the Township's annual cost of the highway improvement capital program for that year by the ratio of the assessed value of that individual property to the total assessment calculation of all assessable properties in the Transportation District.

The Authority's annual cost of the highway improvement capital program consists primarily of debt service requirements for the highway improvement revenue bonds and administrative expenses.

Fund Balances

As of December 31, 2012, fund balances of the governmental funds are classified, as applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

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

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

Unassigned – amounts available for consumption or not restricted in any manner.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows in the entity-wide financial statements and proprietary and fiduciary fund financial statements. The net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. The net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Legal and Contractual Restrictions - Township

The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Legal and Contractual Restrictions - Authority

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, and make deposits in savings accounts, time deposits or share amounts of institutions insured by federal deposit insurance, to the extent that such accounts are so insured, and for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository. The Authority also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities and shares of an investment company registered under the Investment Company Act of 1940 (mutual funds) whose shares are registered under the Securities Act of 1933, provided that the only investments of the company are in the authorized investments for Authority funds.

At December 31, 2012, the carrying amount of the Township's deposits (excluding the pension deposits) was \$8,786,374 and the bank balance was \$9,552,543. Of the bank balance, \$3,842,063 was covered by federal depository insurance; \$2,303,802 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; and \$3,406,678 was with the Pennsylvania Local Government Investment Trust ("PLGIT").

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2012, PLGIT had credit ratings of AAAm.

Investments

Based on a legal opinion from the Township solicitor, as a home rule municipality, the Township has broader investment options than other municipalities in Pennsylvania and has the power to invest subject to the terms, conditions, limitations and restrictions imposed by laws upon fiduciaries.

The Police Pension and Non-Uniformed Trust Funds are administered by trustees assigned by the Township Board of Supervisors who have responsibility for the exclusive management of the funds and the power to invest the monies therein subject to the terms, conditions, limitations and

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

restrictions imposed by law upon fiduciaries and as stated in a trust agreement between the Township and the trustees, including the statement of investment objectives. See Notes 8 and 9 for pension deposit and investment disclosures.

As of December 31, 2012, the Township had the following investments:

Investment Type	Fair Value	Investment Maturities in Years	
		Less Than One Year	One to Five Years
Governmental Activities:			
U.S. Treasury notes	\$ 4,004,057	\$ 4,004,057	\$ -
Wells Fargo certificate of deposit	250,070	250,070	-
U.S. Bank money market accounts	1,587,426	1,586,850	-
Vanguard money market account	2,173	2,173	-
PA INVEST	1,339,951	1,339,951	-
Vanguard ST Bond Fund	7,841,575	7,841,575	-
Vanguard Intermediate Term Bond Fund	318,648	318,648	-
Total Governmental Activities	<u>\$15,343,900</u>	<u>\$15,343,900</u>	<u>\$ -</u>
Business-type Activities:			
U.S. Treasury notes	\$ 6,583,360	\$ 6,583,360	\$ -
U.S. Bank money market accounts	10,583,800	10,583,800	-
Vanguard money market account	888,124	888,124	-
Vanguard ST Bond Fund	5,113,706	5,113,706	-
Total Business-type Activities	<u>\$23,168,990</u>	<u>\$23,168,990</u>	<u>\$ -</u>

Interest Rate Risk

As of December 31, 2012, all of the Township's investments except the Vanguard Intermediate Term Bond Fund have maturities of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2012, the Township did not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an insurer of another counterparty to an investment will not fulfill its obligation. The Township's investment policy limits its investment choices to the following:

- Equity securities that are considered high quality, readily marketable securities of corporations listed on the NYSE, AMEX and NASDAQ.
- Bonds and other securities of the U.S. Government and its agencies.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

- Investment grade corporate issues rated A or better by Standard and Poor's and/or Moody's rating system.
- Mortgage-backed securities and other asset-backed securities having a rating of AAA or better.

As of December 31, 2012, the Township's investments in U.S. Treasury notes were backed by the full faith and credit of the U.S. government and are not considered to have credit risk. The money market accounts with Wells Fargo and Vanguard and the repurchase agreements are not rated. The money market accounts with PA INVEST had a credit rating of AAAM.

Concentration Risk

Excluding the Township's investments in obligations of the U.S. government, mutual funds and external investment pools, none of the Township's investments exceed more than five percent of the Township's total investments.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2012 was as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 4,227,619	\$ 1,866,094
Capital construction fund	14,256	1,371,790
Highway projects fund	-	45,918
Nonmajor governmental funds	70,152	487,831
Sewer utility fund	80,693	434,935
TTMA sewer projects fund	-	186,152
	<u>\$ 4,392,720</u>	<u>\$ 4,392,720</u>

Interfund balances represent temporary loans recorded at year end. The balances are repaid shortly after year end.

Interfund transfers:

<u>Transfers Out</u>		<u>Transfers In</u>	
General fund	\$ 3,128,361	General fund	\$ 3,621,852
Capital construction fund	49,569	Capital construction fund	772,180
Other governmental funds	1,378,404	Other governmental funds	470,618
Sewer utility fund	265,021	Sewer utility fund	-
TTMA sewer projects fund	43,295	TTMA sewer projects fund	-
Total	<u>\$ 4,864,650</u>	Total	<u>\$ 4,864,650</u>

Transfers represent funds set aside for the anticipation of future capital needs, for the payment of debt service expenditures as they become due and payable, and for the payment of future other post-employment benefits.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 7,108,684	\$ -	\$ -	\$ 7,108,684
Construction-in-progress	1,800,748	268,062	(1,776,423)	292,387
Total Capital Assets Not Being Depreciated	8,909,432	268,062	(1,776,423)	7,401,071
Capital assets being depreciated:				
Land improvements	21,820,514	3,298,076	-	25,118,590
Buildings and improvements	18,897,356	2,151,268	(4,829)	21,043,795
Vehicles	3,449,229	181,510	(808,447)	2,822,292
Machinery and equipment	2,924,810	60,825	(299,076)	2,686,559
Infrastructure	38,956,235	-	(5,850,701)	33,105,534
Total Capital Assets Being Depreciated	86,048,144	5,691,679	(6,963,053)	84,776,770
Accumulated depreciation	37,190,047	2,690,124	(4,468,509)	35,411,662
Total Capital Assets Being Depreciated, Net	48,858,097	3,001,555	(2,494,544)	49,365,108
Governmental Activities, Net	<u>\$ 57,767,529</u>	<u>\$3,269,617</u>	<u>\$ (4,270,967)</u>	<u>\$ 56,766,179</u>
<i>Business-type Activities:</i>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 223,835	\$ 145,067	\$ -	\$ 368,902
Total Capital Assets Not Being Depreciated	223,835	145,067	-	368,902
Capital assets being depreciated:				
Collection sewer system - infrastructure	1,342,735	281,995	-	1,624,730
Buildings and improvements	268,404	-	-	268,404
Vehicles	206,683	15,885	-	222,568
Machinery and equipment	762,430	24,360	(24,621)	762,169
Infrastructure - collection systems	16,014,134	97,472	-	16,111,606
Infrastructure - traffic signals and street lights	4,130,000	-	-	4,130,000
Total Capital Assets Being Depreciated	22,724,386	419,712	(24,621)	23,119,477
Accumulated depreciation	12,713,486	470,172	(24,621)	13,159,036
Total Capital Assets Being Depreciated, Net	10,010,900	(50,460)	-	9,960,441
Business-type Activities, Net	<u>\$ 10,234,735</u>	<u>\$ (94,607)</u>	<u>\$ -</u>	<u>\$ 10,329,343</u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	\$ 329,072
Public safety	188,229
Public works - highway and maintenance	588,199
Public works - infrastructure	795,255
Library	382,638
Culture and recreation	<u>406,731</u>
Total Governmental Activities	<u>\$ 2,690,124</u>
Business-type Activities:	
Sewer	<u>\$ 470,172</u>

NOTE 5 LONG-TERM DEBT

Series 2009 General Obligation Revenue Bonds, issued \$2,800,000 in August 2009 at 2.00% to 3.50%, interest and principal payable annually from December 2010 through December 2023. The purpose of this issue and a Township contribution of \$2,500,000 was to advance refund the remaining portion of the 2003 General Obligation Bonds.	\$ 2,280,000
Series 2011 General Obligation Revenue Bonds, issued \$5,510,000 in November 2011 at 1.00% to 3.00%, interest and principal payable annually from May 2012 through November 2017. The purpose of this issue was for the current refunding of the remaining portion of the 2006 General Obligation Bonds.	4,525,000
Series 2012 General Obligation Revenue Bonds, issued \$9,375,000 in July 2012 at 1.00% to 2.00%, interest and principal payable annually from November 2012 through November 2021. The purpose of this issue was for the current refunding of the remaining portion of the 2004 General Obligation Bonds and the related costs of issuing the Bonds. The refunding resulted in an economic gain of \$1,389,854 and a cash flow savings of \$1,502,234.	9,070,000
Series 2008 Guaranteed Highway Improvement Revenue Bonds, issued \$4,320,000 in June 2008 at 2.875% to 3.650%, interest and principal payable semi-annually from December 2008 through December 2018. The purpose of the issue was to advance refund the remaining portion of the 2002 Highway Improvement Bonds.	<u>2,500,000</u>
Total Governmental Activities	18,375,000
Series 2010 Guaranteed Sewer Revenue Bonds, issued \$3,480,000 in June 2010 at 2.00% to 4.00%, interest and principal payable semi-annually from January 2011 through July 2019. The purpose of this issue was for the current refunding of the Series 2003 Guaranteed Sewer Revenue Bonds.	<u>2,765,000</u>
TOTAL	<u>\$ 21,140,000</u>

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 **LONG-TERM DEBT** (cont'd)

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,300,000	\$ 505,427
2014	2,340,000	465,227
2015	2,400,000	399,570
2016	2,480,000	335,230
2017	2,525,000	266,718
2018-2022	8,855,000	519,126
2023	240,000	8,400
TOTAL	\$ 21,140,000	\$ 2,499,698

A schedule of changes in debt, discounts, and premiums is as follows:

	<u>Outstanding 01/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 12/31/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
2004 G.O.B. - refunding	\$ 9,275,000	\$ -	\$ 9,275,000	\$ -	\$ -
2009 G.O.B. - refunding	2,455,000	-	175,000	2,280,000	180,000
2011 G.O.B. - refunding	5,510,000	-	985,000	4,525,000	980,000
2012 G.O.B. - refunding	-	9,375,000	305,000	9,070,000	380,000
Discount	(296,953)	-	(284,778)	(12,175)	(1,233)
Premium	321,058	209,916	196,804	334,170	61,336
Subtotal	17,264,105	9,584,916	10,652,026	16,196,995	1,600,103
2008 Highway Bonds	2,875,000	-	375,000	2,500,000	385,000
Discount	(268)	-	(33)	(235)	(33)
Total General Obligation Bonds	20,138,837	9,584,916	11,026,993	18,696,760	1,985,070
Capital leases	163,361	-	37,596	125,765	42,071
Compensated absences	227,050	-	186,536	40,514	3,445
Total Governmental Activities	<u>\$ 20,529,248</u>	<u>\$ 9,584,916</u>	<u>\$ 11,251,125</u>	<u>\$ 18,863,039</u>	<u>\$ 2,030,586</u>
Business-type Activities:					
2010 Sewer Revenue Bonds	\$ 3,125,000	\$ -	\$ 360,000	\$ 2,765,000	\$ 375,000
Premium	68,337	-	9,111	59,226	9,111
Total Business-type Activities	<u>\$ 3,193,337</u>	<u>\$ -</u>	<u>\$ 369,111</u>	<u>\$ 2,824,226</u>	<u>\$ 384,111</u>

NOTE 6 **CAPITAL LEASES**

The Township entered into a long-term lease arrangement for copiers. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES (cont'd)

The Township entered into a long-term lease arrangement for in-car video recording systems. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The assets acquired through the capital leases are as follows:

	<u>Copiers</u>	<u>In-car Video Systems</u>
Cost	\$ 56,841	\$ 142,977
Less accumulated depreciation	(17,052)	(57,191)
	<u>\$ 39,789</u>	<u>\$ 85,786</u>

Future minimum lease payments due under the lease obligations are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 48,985
2014	47,686
2015	42,494
Less amount representing interest	(13,400)
	<u>\$ 125,765</u>

NOTE 7 FUND BALANCES

As of December 31, 2012, fund balance is composed of the following:

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Highway Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Streets and highways	\$ -	\$ -	\$ 3,669,087	\$ 310,500	\$ 3,979,587
Capital projects	-	3,133,514	-	24,234	3,157,748
Debt service	-	-	-	526,178	526,178
Assigned:					
Debt service	-	-	-	1,297,903	1,297,903
OPEB	1,498,712	-	-	-	1,498,712
Unassigned	11,424,007	-	-	-	11,424,007
	<u>\$12,922,719</u>	<u>\$ 3,133,514</u>	<u>\$ 3,669,087</u>	<u>\$ 2,158,815</u>	<u>\$ 21,884,135</u>

NOTE 8 TAXES

For 2012, the following tax was levied on assessed value of real estate:

2.308 mills for general purposes

The taxable assessed valuation of property as of December 31, 2012 was \$3,529,201,584.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 TAXES (cont'd)

The real estate tax collection calendar is as follows:

Initial billing	-	February 1
Discount period	-	February 1 - March 31
Face period	-	April 1 - May 31
Penalty period	-	June 1 and thereafter
Lien date	-	January 15

Other taxes levied in 2012:

Real estate transfer	-	1% of sale price
Local service tax	-	\$52 per person per calendar year for persons who work within the Township with annual earnings of at least \$12,000.

NOTE 9 POLICE PENSION PLAN

Plan description and provisions:

The Tredyffrin Township Police Pension Plan is a self-administered single-employer, contributory, defined benefit pension plan covering the Township's full-time police officers, as defined by the plan document. The Township Board of Supervisors established a trust fund maintained by trustees as so designated by a trust agreement between the Township and the trustees. An annual actuarial report and complete financial statements for the Plan can be obtained at the Township administrative building. A review of the pension plan documents as of December 31, 2012 disclosed that pension plan membership consisted of the following:

Active employees	47
Retirees and beneficiaries currently receiving benefits	32
Vested terminated members	<u>3</u>
Total	<u>82</u>

Normal retirement date for members is the first day of the month coincident with or immediately following the earliest of the date the member reaches the age of 52 and completes 25 years of service or reaches the age of 60 and completes 20 years of service.

The annual pension benefit for members who remain in service until their normal retirement date shall be equal to 50 percent of their average yearly compensation (base pay, shift differential and longevity pay) during the three years immediately preceding their retirement date, provided they completed 20 or more years of continuous service. This benefit will be reduced proportionately for members who have completed less than 20 years of continuous service. Benefits shall be increased up to three percent per year to reflect increases in the cost of living so long as the Plan is actuarially sound. Members hired after December 31, 2003 will be subject to the same pension eligibility requirements and shall receive the same pension benefits as those hired on or before that date, so long as the requirements and benefits are consistent with applicable law; otherwise, the eligibility requirements and benefits will be adjusted so as to be consistent with applicable law.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

A member who terminates service before normal retirement date may elect one of the following options:

1. Members with fewer than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of five percent per year.
2. Members completing 12 years of continuous service are 100 percent vested in their accrued pension benefit and entitled to:
 - a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to the vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or
 - b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of five percent per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.
3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

The Plan also contains a disability provision, death benefit provision and survivor provision.

Method Used to Value Investments

In accordance with GASB Statement No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2012, the carrying amount of the Plan's money market accounts was \$510,921. The Plan's deposits are invested in First American Government Obligations, which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

Investments

The investment objective of the Tredyffrin Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. As of December 31, 2012, the Police Pension Plan had \$24,690,810 invested in fixed income and equity mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Contributions

The Commonwealth of Pennsylvania Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the Plan's biennial actuarial valuation. Employees were required to contribute five percent of their compensation (base pay, shift differential and longevity pay) to the Plan during 2012. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are paid by the Plan.

Three-Year Trend Information

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2010	419,525	100%	***
2011	500,507	116%	3,192,119
2012	558,265	100%	***

***Actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting.

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar closed
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% per annum, compounded annually
Projected salary increases	5.00% per annum, compounded annually
Cost of living adjustments	3.00% per year, maximum

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2011	\$23,485,030	\$26,677,149	\$3,192,119	88.0%	\$3,966,892	80.5%

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

NOTE 10 NON-UNIFORMED PENSION PLANS

The Township participates in two self-administered single-employer pension plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

Money Purchase Plan. Tredyffrin Township offers the Plan to all full-time employees provided they are not an excluded employee. Excluded employees are those whose employment is governed by the terms of a collective bargaining agreement under which retirement benefits were the subject of good faith bargaining, unless such agreement expressly provides for the participation in this Plan. Assets are held separately and may be used only for the payment of benefits to the members of the Plan. The Plan was officially terminated on December 31, 2012 and as of January 31, 2013 all employees had withdrawn their funds.

Pennsylvania Municipal Retirement System ("PMRS"). Tredyffrin Township offers a defined benefit pension plan to all non-uniformed Township employees. The Plan participates in the PMRS, which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office at P.O. Box 1165, Harrisburg, PA 17108-1165 or (717) 787-2065.

Determination of contribution requirements:

	Money Purchase Plan	PMRS Plan
Employer	5% of total compensation up to social security wage and 10% over the base	Based on actuarial study and minimum municipal obligation calculation

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLANS (cont'd)

	<u>Money Purchase Plan</u>	<u>PMRS Plan</u>
Plan members	None	4% of base and longevity
Period vested	3 years	8 years
Eligibility for distribution	After 3 years, age 60 or if becoming permanently disabled or deceased while employed	Age 70½ or if becoming permanently disabled or deceased while employed

A review of the pension plan documents at December 31, 2012 disclosed that pension plan membership consisted of the following:

	<u>Money Purchase Plan</u>	<u>PMRS Plan</u>
Active employees	1	58
Retirees and beneficiaries currently receiving benefits	-	30
Vested terminated employees	<u>4</u>	<u>21</u>
Total	<u>5</u>	<u>109</u>

Current year annual pension cost for the Money Purchase Plan and the PMRS Plan are shown below. There were no net pension obligations for either plan.

Fiscal Year	<u>Money Purchase Plan</u>		<u>PMRS Plan</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	\$ 33,041	100.00%	\$ 285,855	100.00%
2011	\$ 30,190	100.00%	\$ 332,224	100.00%
2012	\$ 18,341	100.00%	\$ 247,059	100.00%

Valuation of Investments

The pension plan's assets with PMRS are valued at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB Statement No. 3 for aggregate PMRS investments are included in PMRS's separately issued CAFR.

In accordance with GASB Statement No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLANS (cont'd)

Investments

The investment objective of the Tredyffrin Township Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2012, the Non-Uniformed Pension Plan had \$46,826 invested in fixed income funds and bond funds, all with maturities less than one year. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

NOTE 11 DEFERRED COMPENSATION PLAN

The Township offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is optional, allows participants to defer salary until future years. In 2012, the maximum contribution into the plan was \$17,500 per employee. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Township has no legal access to the assets of the plan, which are held in a trust and no longer subject to the claims of the Township's general creditors. As of December 31, 2012, the plan's net position was \$3,246,999.

NOTE 12 RELATED PARTY

The Township participates in the operation of the Tredyffrin Public Library, which is a branch of the Chester County Library System. The library is administered by a Board of Trustees.

Under a 1965 agreement between the Township and the County of Chester, the Township must contribute one-half of the minimum amount necessary to qualify for maximum state aid for the library. During 1980, the Township executed an agreement with the Paoli Library Association which merged the Paoli Library with the Tredyffrin Public Library. In 2012, the Township appropriated and expensed \$1,059,214 for the support of the libraries. Additionally, the Township provides land and building facilities to the libraries rent-free.

NOTE 13 CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

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

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 14 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts, theft, damage or destruction of assets, errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Township. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 15 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public safety	\$	330,729
Public works - highways and streets	\$	15,983
Public works - sanitation	\$	40,735
Debt service - principal	\$	50,000

The excess expenditures were covered by available fund balance.

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

The Township adheres to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Township. This Statement allowed for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Township Manager and Board of Supervisors have the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The Township is funding benefits on a pay-as-you-go basis.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan.

	2012	2011	2010
Annual required contribution	\$ 3,172,967	\$2,971,116	\$ 2,783,299
Interest on net OPEB obligation	345,546	268,315	194,716
Adjustment to annual required contribution	(377,556)	(283,621)	(199,391)
Annual OPEB cost (expense)	3,140,958	2,955,810	2,778,624
Contributions made	(1,136,633)	(1,025,037)	(938,646)
Increase in net OPEB obligation	2,004,325	1,930,773	1,839,978
Net OPEB obligation - beginning of year	8,638,659	6,707,886	4,867,908
Net OPEB obligation - end of year	<u>\$ 10,642,984</u>	<u>\$8,638,659</u>	<u>\$ 6,707,886</u>

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$36,499,276 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$36,499,276. The covered payroll (annual payroll of active employees covered by the plan) was \$5,581,158, and the ratio of the UAAL to the covered payroll was 653.9 percent. The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. As of December 31, 2012, the Township had assigned \$1,498,712 of the General Fund fund balance for future other post-employment benefits.

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

TREDYFFRIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 16 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.0 percent per annum, discount rate compounded annually, and an annual healthcare and prescription drug cost trend rate of 9 percent, initially decreasing by 0.5 percent per year to an ultimate level of 5 percent. The UAAL is being amortized as a level dollar amount over a 30-year period on an open basis. The remaining amortization period at December 31, 2012 was 25 years.

NOTE 17 CAPITAL IMPROVEMENT COMMITMENTS

As of December 31, 2012, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 12/31/2012</u>	<u>Estimated Balance to Complete</u>
Capital projects	<u>\$ 4,584,892</u>	<u>\$ 661,289</u>	<u>\$ 3,923,603</u>

NOTE 18 RESTATEMENT OF NET POSITION

The Township has decreased its December 31, 2011 net position and assets for its business-type activities and TTMA-Sewer Projects Fund by \$61,718 and decreased its December 31, 2011 net position and assets of its governmental activities by \$175,868 due to the effects of implementing GASB Statement No. 65, which requires bond issuance costs to be expensed when incurred. Amortization of bond issuance costs in the amount of \$8,229 for the business-type activities and TTMA-Sewer Projects Fund and in the amount of \$67,639 for the governmental activities have also been removed from the amounts reported for the year ended December 31, 2011.

NOTE 19 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through November 22, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TREDYFFRIN TOWNSHIP
SCHEDULE OF FUNDING PROGRESS – POLICE PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
01/01/11	\$23,485,030	\$26,677,149	\$ 3,192,119	88.0%	\$ 3,966,892	80.5%
01/01/09	21,796,109	23,162,097	1,365,988	94.1%	3,640,529	37.5%
01/01/07	22,414,811	24,102,327	1,687,516	93.0%	3,935,209	42.9%

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

TREDYFFRIN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – POLICE PENSION PLAN

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

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	11 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	3.0% per year, maximum

TREDYFFRIN TOWNSHIP
SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT HEALTHCARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION

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

The historical trend information required to be disclosed is below. Only two valuations have been required to date.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
01/01/10	-	\$36,499,276	\$36,499,276	0.0%	\$ 5,581,158	653.9%
01/01/08	-	37,833,709	37,833,709	0.0%	5,803,876	640.8%

The Township is required to have an actuarial valuation once every three years. A valuation was done in 2010 due to significant changes made to the plan.

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

TREDYFFRIN TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - POST-EMPLOYMENT HEALTHCARE PLAN

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

Actuarial valuation date	January 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	27 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	4.0% per annum, compounded annually
Healthcare and prescription drug cost trend rate	9.0 % per annum, initially decreasing by .5% per year to an ultimate level of 5%

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Highway Improvement Fund	Liquid Fuels Fund	TTMA Transportation District Fund	Building Construction Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 126,107	\$ 613,815	\$ -
Investments	58,409	-	-	-
Taxes receivable	-	-	17,499	-
Due from other funds	-	-	-	233
TOTAL ASSETS	<u>58,409</u>	<u>126,107</u>	<u>631,314</u>	<u>233</u>
LIABILITIES				
Due to other funds	58,332	-	429,499	-
TOTAL LIABILITIES	<u>58,332</u>	<u>-</u>	<u>429,499</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	17,499	-
FUND BALANCES				
Restricted for:				
Streets and highways	77	126,107	184,316	-
Capital projects	-	-	-	233
Debt service	-	-	-	-
Assigned for debt service	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 77</u>	<u>\$ 126,107</u>	<u>\$ 184,316</u>	<u>\$ 233</u>

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

(continued)	Library Construction Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 480,260	\$ 1,220,182
Investments	-	1,297,903	-	1,356,312
Taxes receivable	-	-	-	17,499
Due from other funds	24,001	-	45,918	70,152
	<u>24,001</u>	<u>-</u>	<u>45,918</u>	<u>70,152</u>
TOTAL ASSETS	<u>24,001</u>	<u>1,297,903</u>	<u>526,178</u>	<u>2,664,145</u>
LIABILITIES				
Due to other funds	-	-	-	487,831
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,831</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	17,499
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,499</u>
FUND BALANCES				
Restricted for:				
Streets and highways	-	-	-	310,500
Capital projects	24,001	-	-	24,234
Debt service	-	-	526,178	526,178
Assigned for debt service	-	1,297,903	-	1,297,903
TOTAL FUND BALANCES	<u>\$ 24,001</u>	<u>\$ 1,297,903</u>	<u>\$ 526,178</u>	<u>\$ 2,158,815</u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Highway Improvement Fund	Liquid Fuels Fund	TTMA Transportation District Fund	Building Construction Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 476,214	\$ -
Interest, dividends and rents	-	2,950	353	-
Intergovernmental revenues	-	614,620	-	-
TOTAL REVENUES	-	617,570	476,567	-
EXPENDITURES				
General government	-	1,290	31,729	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
TOTAL EXPENDITURES	-	1,290	31,729	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	616,280	444,838	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(907,786)	(470,618)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(907,786)	(470,618)	-
NET CHANGES IN FUND BALANCES	-	(291,506)	(25,780)	-
FUND BALANCES, BEGINNING OF YEAR	77	417,613	210,096	233
FUND BALANCES, END OF YEAR	\$ 77	\$ 126,107	\$ 184,316	\$ 233

Continued on next page.

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

(continued)	Library Construction Fund	Debt Service Fund	TTMA Debt Service Fund	Totals
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 476,214
Interest, dividends and rents	-	1,112	67	4,482
Intergovernmental revenues	-	-	-	614,620
TOTAL REVENUES	<u>-</u>	<u>1,112</u>	<u>67</u>	<u>1,095,316</u>
EXPENDITURES				
General government	-	-	-	33,019
Debt service:				
Principal	-	-	375,000	375,000
Interest and other charges	-	-	95,618	95,618
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>470,618</u>	<u>503,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,112</u>	<u>(470,551)</u>	<u>591,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	470,618	470,618
Transfers out	-	-	-	(1,378,404)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>470,618</u>	<u>(907,786)</u>
NET CHANGES IN FUND BALANCES	-	1,112	67	(316,107)
FUND BALANCES, BEGINNING OF YEAR	<u>24,001</u>	<u>1,296,791</u>	<u>526,111</u>	<u>2,474,922</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,001</u>	<u>\$ 1,297,903</u>	<u>\$ 526,178</u>	<u>\$ 2,158,815</u>

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2012
(With Summarized Comparative Data for December 31, 2011)

	Police Pension Fund	Money Purchase Plan Fund	Totals	
			2012	2011
ASSETS				
Cash and cash equivalents	\$ 510,921	\$ -	\$ 510,921	\$ 741,546
Investments, at fair value:				
Fixed income funds	8,058,343	-	8,058,343	7,545,288
Stock mutual funds	5,940,859	32,933	5,973,792	6,120,797
International mutual funds	4,438,008	-	4,438,008	3,712,551
Equity mutual funds	4,256,458	-	4,256,458	3,835,596
Real estate investment funds	1,439,167	-	1,439,167	1,516,680
Emerging market funds	557,975	-	557,975	463,106
Bond mutual funds	-	13,893	13,893	153,962
Accounts receivable	6,886	-	6,886	8,005
Due from employer	-	-	-	982
Accrued interest	23,966	-	23,966	42,342
TOTAL ASSETS	\$ 25,232,583	\$ 46,826	\$ 25,279,409	\$ 24,140,855
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 19,692	\$ -	\$ 19,692	\$ 17,829
NET POSITION				
Held in trust for pension benefits	25,212,891	46,826	25,259,717	24,123,026
TOTAL LIABILITIES AND NET POSITION	\$ 25,232,583	\$ 46,826	\$ 25,279,409	\$ 24,140,855

TREDYFFRIN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Summarized Comparative Data For the Year Ended December 31, 2011)

	Police Pension Fund	Money Purchase Plan Fund	Totals	
			2012	2011
ADDITIONS				
Contributions:				
State aid	\$ 329,002	\$ -	\$ 329,002	\$ 500,507
Employer contributions	229,263	18,341	247,604	30,190
Employee contributions	178,434	-	178,434	203,947
Total Contributions	<u>736,699</u>	<u>18,341</u>	<u>755,040</u>	<u>734,644</u>
Investment income (loss):				
Interest and dividends	659,046	9,773	668,819	644,242
Unrealized gain (loss) on investments	1,820,584	103,414	1,923,998	(1,071,836)
Realized gain on investments	720,531	2,587	723,118	384,206
Net Investment Income (Loss)	<u>3,200,161</u>	<u>115,774</u>	<u>3,315,935</u>	<u>(43,388)</u>
TOTAL ADDITIONS	<u>3,936,860</u>	<u>134,115</u>	<u>4,070,975</u>	<u>691,256</u>
DEDUCTIONS				
Pension payments	1,692,430	1,127,551	2,819,981	1,247,255
Administrative expenses	109,069	5,234	114,303	124,018
TOTAL DEDUCTIONS	<u>1,801,499</u>	<u>1,132,785</u>	<u>2,934,284</u>	<u>1,371,273</u>
CHANGE IN NET POSITION	2,135,361	(998,670)	1,136,691	(680,017)
NET POSITION, BEGINNING OF YEAR	<u>23,077,530</u>	<u>1,045,496</u>	<u>24,123,026</u>	<u>24,803,043</u>
NET POSITION, END OF YEAR	<u>\$ 25,212,891</u>	<u>\$ 46,826</u>	<u>\$ 25,259,717</u>	<u>\$ 24,123,026</u>

OTHER REPORTS

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

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November 22, 2013

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Tredyffrin Township, Berwyn, Pennsylvania as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Tredyffrin Township (the "Township"), and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item #09-1 to be a material weakness.

Compliance and Other Matters

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

Tredyffrin Township's Response to Findings

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

Purpose of this Report

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

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

TREDYFFRIN TOWNSHIP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

JOURNAL ENTRIES

09-1 Finding

According to the SAS No. 115 requirement, "Communicating Internal Control-Related Matters Identified in an Audit," a control deficiency exists when the auditor identifies a material misstatement in the financial statements that was not initially identified by the Organization's internal control. During our prior year audits, we noted that the journal entries that we proposed and management posted were material in the aggregate and represented a material misstatement in the financial statements for the period under audit that was not identified by the entity's internal control. This condition was caused by turnover within the accounting department.

Recommendation

We recommended that the Township properly record all of its transactions during the fiscal year in accordance with generally accepted accounting principles.

Status

During our current year audit, we proposed and management posted adjusting journal entries that are material in the aggregate and represent a material misstatement in the financial statements for the period under audit that was not identified by the entity's internal control. This finding is still applicable for the current year.