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# TREDYFFRIN TOWNSHIP
## BERWYN, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

July 13, 2015

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, 2014, 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
Board of Supervisors  
Tredyffrin Township

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

Opinions

In our opinion, 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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Tredyffrin Township's 2013 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 June 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 schedule of funding progress – post-employment healthcare plan and related notes on pages 52 - 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tredyffrin Township's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental 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 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 July 13, 2015, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, THОРNTON & COMPANY LLP
This discussion and analysis of Tredyffrin Township, Berwyn, Pennsylvania, provides an overview of the Township’s financial performance for the year ended December 31, 2014. Please read it in conjunction with the Township’s financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

• The assets and deferred outflows of Tredyffrin Township exceeded its liabilities at the close of the most recent fiscal year by $88,971,160 (representing its net position). Of this amount, $34,414,243 (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 increased by $2,417,023 in 2014.

• At the close of the current fiscal year, the Township recognized an additional OPEB liability of $286,028.

• As of December 31, 2014, the Township’s governmental funds reported a combined ending fund balance of $20,666,987, a decrease of $155,416 from the prior year’s balance. Approximately 72 percent of the total fund balance, or $14,810,412, 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.
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
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 2014, the Township's assets and deferred outflows of resources exceeded its liabilities by $88,971,160, which is a $2,417,023 increase 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
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 2014 of $34,414,243 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 2014 net position increase of $2,417,023 is the result of a decrease of $202,085 in current assets, an increase of $273,401 in capital assets, a decrease of $8,100 in deferred outflows of resources, a decrease of $1,942,850 in long-term liabilities, and a decrease of $410,957 in current liabilities.

### TABLE 1: TREDYFFRIN TOWNSHIP'S NET POSITION
December 31, 2014 and 2013

<table>
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<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
<td>Business-type Activities</td>
</tr>
<tr>
<td>Current assets</td>
<td>$22,179,583</td>
<td>$30,645,842</td>
</tr>
<tr>
<td>Capital assets</td>
<td>56,405,844</td>
<td>13,834,349</td>
</tr>
<tr>
<td>Deferred outflows</td>
<td>-</td>
<td>36,452</td>
</tr>
<tr>
<td>Total Assets and Deferred Outflows of Resources</td>
<td>78,585,427</td>
<td>44,516,843</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>25,806,758</td>
<td>1,646,893</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,522,544</td>
<td>3,154,715</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>29,329,302</td>
<td>4,801,608</td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>42,727,568</td>
<td>11,828,349</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>6,528,557</td>
<td>27,885,686</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$49,256,125</td>
<td>$39,715,035</td>
</tr>
</tbody>
</table>

As shown in Table 2, revenues exceeded expenses by $2,417,023 in 2014, resulting in an overall increase in net position. The leading factor to this large increase was due to the reduction in public safety expenditures ($1,955,612). Overall, total general revenues had a small net increase of $55,230 due in large part to an increase of $91,675 in investment earnings. The $955,355 increase in operating grants/contributions was offset by a decrease of $853,611 in real estate transfer taxes. Both governmental activities and business-type activities had net gains in 2014.
TABLE 2: TREDYFFRIN TOWNSHIP’S CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$858,553</td>
<td>$6,616,686</td>
<td>$7,475,239</td>
<td>$7,702,635</td>
</tr>
<tr>
<td>Operating grants/ contributions</td>
<td>4,577,160</td>
<td>-</td>
<td>3,621,805</td>
<td>-</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>8,757,957</td>
<td>-</td>
<td>8,757,957</td>
<td>-</td>
</tr>
<tr>
<td>Real estate transfer taxes</td>
<td>3,159,007</td>
<td>-</td>
<td>4,012,618</td>
<td>-</td>
</tr>
<tr>
<td>Local services tax</td>
<td>1,798,767</td>
<td>-</td>
<td>1,810,206</td>
<td>-</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>734,681</td>
<td>-</td>
<td>721,791</td>
<td>-</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>191,456</td>
<td>-</td>
<td>215,217</td>
<td>-</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>311,646</td>
<td>158,380</td>
<td>293,100</td>
<td>85,221</td>
</tr>
<tr>
<td>Other</td>
<td>90,903</td>
<td>-</td>
<td>94,009</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>$20,480,130</td>
<td>$6,775,036</td>
<td>$27,255,166</td>
<td>$20,015,149</td>
</tr>
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</table>

<table>
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<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
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<tr>
<td>General government</td>
<td>2,027,830</td>
<td>-</td>
<td>1,948,424</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>11,202,064</td>
<td>-</td>
<td>13,157,676</td>
<td>-</td>
</tr>
<tr>
<td>Highway/streets</td>
<td>3,220,810</td>
<td>-</td>
<td>2,931,184</td>
<td>-</td>
</tr>
<tr>
<td>Other public works</td>
<td>19,888</td>
<td>-</td>
<td>41,756</td>
<td>-</td>
</tr>
<tr>
<td>Library</td>
<td>1,397,571</td>
<td>-</td>
<td>1,655,762</td>
<td>-</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>1,131,899</td>
<td>-</td>
<td>1,187,483</td>
<td>-</td>
</tr>
<tr>
<td>Interest on bonds</td>
<td>301,928</td>
<td>-</td>
<td>378,160</td>
<td>-</td>
</tr>
<tr>
<td>Sewer operations</td>
<td>-</td>
<td>5,536,353</td>
<td>5,536,353</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$19,301,790</td>
<td>$5,536,353</td>
<td>$21,300,447</td>
<td>$5,775,848</td>
</tr>
</tbody>
</table>

| CHANGE IN NET POSITION    | 1,178,340   | 1,238,683   | 2,417,023   | (1,265,298) |
| NET POSITION, BEGINNING   | $48,077,785 | $38,476,352 | $86,554,137 | $49,363,083 |
| NET POSITION, ENDING      | $49,256,125 | $39,715,035 | $88,971,670 | $48,077,785 |

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 43 percent of revenue. In 2014, the real estate millage rate was 2.380, which was the same real estate millage rate as 2013. Real estate transfer taxes provided 15 percent of revenue. Operating grants and contributions provided 22 percent of revenue, and charges for service provided four percent of revenue. Local services tax represented eight percent of revenue.

As shown in Table 3, the cost of all governmental activities this year was $19,301,790. Of this amount, taxes funded 71 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 ($858,553) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions ($4,577,160).
Public safety programs are the largest spending commitment, accounting for approximately 58 percent of the Township's governmental activities expenses. General administration and public works services accounted for approximately 28 percent of the expenses.

### TABLE 3: TREDYFFRIN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST
For the Year Ended December 31, 2014

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Total Cost of Services</th>
<th>% of Total Cost</th>
<th>Program Revenue</th>
<th>Net Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$2,027,830</td>
<td>10%</td>
<td>$674,950</td>
<td>$1,352,880</td>
</tr>
<tr>
<td>Public safety</td>
<td>11,202,064</td>
<td>58%</td>
<td>3,467,596</td>
<td>7,734,468</td>
</tr>
<tr>
<td>Public works</td>
<td>3,240,498</td>
<td>17%</td>
<td>1,055,395</td>
<td>2,185,103</td>
</tr>
<tr>
<td>Library</td>
<td>1,397,571</td>
<td>7%</td>
<td>-</td>
<td>1,397,571</td>
</tr>
<tr>
<td>Culture/recreation</td>
<td>1,131,899</td>
<td>6%</td>
<td>237,772</td>
<td>894,127</td>
</tr>
<tr>
<td>Interest on bonds</td>
<td>301,928</td>
<td>2%</td>
<td>-</td>
<td>301,928</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$19,301,790</strong></td>
<td><strong>100%</strong></td>
<td><strong>$5,435,713</strong></td>
<td><strong>$13,866,077</strong></td>
</tr>
</tbody>
</table>

**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 $5,536,353 in 2014, a $239,495 decrease 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 $1,238,683 in 2014. As shown in Table 1, the net position increase is reflected in a $459,408 decrease in current assets, a $376,017 increase in capital assets, an $8,100 decrease in deferred outflows, a $931,063 decrease in current liabilities, and a $399,111 decrease in non-current liabilities.
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, 2014, the Township’s governmental funds reported combined ending fund balance of $20,666,987, a decrease of $155,416 compared to the prior year. Approximately 72 percent, or $14,810,412, 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.

In 2014, the fund balance of the General Fund increased by $1,569,180. Key factors for this increase are the increased licenses and permits which is attributable to increased commercial construction. Gains in the areas mentioned previously were more than enough to offset the increase in expenses.

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, 2014, the combined fund balance was $3,999,613.

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 $650,512 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.

- TTMA Transportation District Fund – The Township received $507,124 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, 2014, the fund balance of this fund was $341,468, an increase of $122,051 from 2013.

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, 2014, the combined fund balance was $1,345,152.
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 $27,885,686. The total increase in net position was $1,238,683. 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 a Pension Trust Fund, Agency Funds, and an OPEB Trust to account for assets held by the Township in a trustee capacity. The Pension Trust Fund's assets pertain to the police defined benefit pension plan. The Agency Funds are custodial in nature and account for escrow accounts held by the Township. The OPEB Trust Funds' assets pertain to the effort of the Township to fund the retirement medical obligation; they will be used in the future for medical premiums.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no revisions to the original General Fund budget. The budget for the General Fund anticipated a decrease of $123,735 to the existing fund balance. Based on actual figures, revenues exceeded expenditures; the existing fund balance increased by $903,274.

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, 2014 amounts to $70,240,193, 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, 2014, the Township had $16,139,265 in a note and bonds outstanding – a decrease of $2,334,986 from the prior year. The non-electoral debt amount is $12,775,000, and the self-liquidating guaranteed revenue debt amount is $3,364,265 as of December 31, 2014.

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

Additional information about the Township's long-term debt can be found in Note 5 of this report.
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Licenses and permit revenue experienced exponential growth in 2014. Compared to the prior fiscal year, the Township saw an increase of $1,191,498. The major cause of the large increase was due to increased commercial building construction. We are expecting continued growth in 2015 due to multiple new developments. We are also expecting to see continued development and redevelopment of commercial properties throughout the Township.

- The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts. Collections are expected to remain at current levels in 2015.

- In 2014, many vacant positions were filled; salaries and related benefits are expected to increase in 2015.

- The Township is committed to funding its long-term OPEB obligation and will increase funding of the OPEB Trust by $25,000 for every new officer hired beginning in 2015.

- The $250/EDU sewer/utility fee remained the same in 2014. It will remain unchanged for 2015.

- The Township enacted a new Fund Balance Policy which is available to view at the Township Building.

All of these factors were considered in preparing the Township's budget for the 2015 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: Joseph F. DiRocco, CPA, Director of Finance, 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, 2014**

(With Summarized Comparative Data for December 31, 2013)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,128,558</td>
<td>$2,582,421</td>
<td>$8,710,979</td>
</tr>
<tr>
<td>Investments</td>
<td>14,277,467</td>
<td>23,210,384</td>
<td>37,487,851</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>97,906</td>
<td>-</td>
<td>97,906</td>
</tr>
<tr>
<td>Accounts and other receivables</td>
<td>1,026,210</td>
<td>5,332,264</td>
<td>6,358,474</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>170,215</td>
<td>-</td>
<td>170,215</td>
</tr>
<tr>
<td>Internal balances</td>
<td>479,227</td>
<td>(479,227)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>22,179,583</td>
<td>30,645,842</td>
<td>52,825,425</td>
</tr>
<tr>
<td>NONCURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciable capital assets, net</td>
<td>48,473,161</td>
<td>9,794,688</td>
<td>58,267,849</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>823,999</td>
<td>4,039,661</td>
<td>4,863,660</td>
</tr>
<tr>
<td><strong>TOTAL NONCURRENT ASSETS</strong></td>
<td>56,405,844</td>
<td>13,834,349</td>
<td>70,240,193</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>78,585,427</td>
<td>44,480,191</td>
<td>123,065,618</td>
</tr>
</tbody>
</table>

| LIABILITIES | | | |
| LIABILITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and other current liabilities | 643,748 | 2,755,604 | 3,399,352 | 4,622,020 |
| Accrued interest | 34,293 | - | 34,293 | 38,646 |
| Escrow deposit | 770,942 | - | 770,942 | - |
| Note and bonds payable, net | 1,988,677 | 399,111 | 2,387,788 | 2,335,645 |
| Capital leases | 41,711 | - | 41,711 | 43,179 |
| Compensated absences | 43,173 | - | 43,173 | 48,526 |
| **TOTAL CURRENT LIABILITIES** | 3,522,544 | 3,154,715 | 6,677,259 | 7,088,216 |
| NONCURRENT LIABILITIES: | | | |
| Note and bonds payable, net | 12,347,522 | 1,646,893 | 13,994,415 | 16,381,544 |
| Capital leases | - | - | - | 41,713 |
| Compensated absences | 426,646 | - | 426,646 | 226,682 |
| OPEB obligation | 13,032,590 | - | 13,032,590 | 12,746,562 |
| **TOTAL NONCURRENT LIABILITIES** | 25,806,758 | 1,646,893 | 27,453,651 | 29,396,501 |
| **TOTAL LIABILITIES** | 29,329,302 | 4,801,608 | 34,130,910 | 36,464,717 |

| NET POSITION | | | |
| Net investment in capital assets | 42,727,568 | 11,829,349 | 54,556,917 | 57,061,223 |
| Unrestricted | 6,528,557 | 27,885,686 | 34,414,243 | 29,492,914 |
| **TOTAL NET POSITION** | $49,256,125 | $39,715,035 | $88,971,160 | $86,554,137 |

The accompanying notes are an integral part of these financial statements.
## TREDYFFRIN TOWNSHIP
### STATEMENT OF ACTIVITIES
#### FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

<table>
<thead>
<tr>
<th>Program Revenues</th>
<th>Net (Expenses) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNMENTAL ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$ 2,027,830</td>
</tr>
<tr>
<td>Public safety</td>
<td>11,202,064</td>
</tr>
<tr>
<td>Public works - highways and streets</td>
<td>3,220,810</td>
</tr>
<tr>
<td>Public works - sanitation</td>
<td>19,688</td>
</tr>
<tr>
<td>Library</td>
<td>1,397,571</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>1,131,899</td>
</tr>
<tr>
<td>Interest expense</td>
<td>301,926</td>
</tr>
<tr>
<td>TOTAL GOVERNMENTAL ACTIVITIES</td>
<td>19,301,790</td>
</tr>
<tr>
<td>BUSINESS-TYPE ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Sewer</td>
<td>5,536,353</td>
</tr>
<tr>
<td>TOTAL BUSINESS-TYPE ACTIVITIES</td>
<td>5,536,353</td>
</tr>
<tr>
<td>TOTAL PRIMARY GOVERNMENT</td>
<td>$24,838,143</td>
</tr>
</tbody>
</table>

### GENERAL REVENUES
Taxes:
- Real estate taxes | 8,757,957 | - | 8,757,957 | 8,686,317 |
- Real estate transfer taxes | 3,159,007 | - | 3,159,007 | 4,012,618 |
- Local services taxes | 1,798,767 | - | 1,798,767 | 1,810,206 |
- Franchise fees | 734,681 | - | 734,681 | 721,791 |
- Fines and forfeitures | 191,456 | - | 191,456 | 215,217 |
- Investment earnings | 311,646 | 158,350 | 469,996 | 378,320 |
- Grants and contributions not restricted to specific programs | 17,985 | - | 17,985 | 15,813 |
- Sale of assets | 15,394 | - | 15,394 | 4,496 |
- Miscellaneous | 57,524 | - | 57,524 | 73,700 |
| TOTAL GENERAL REVENUES | $15,044,417 | $158,350 | $15,202,767 | $15,918,478 |

### CHANGE IN NET POSITION
- 1,176,340 | 1,238,983 | 2,417,023 | 726,710 |

### NET POSITION, BEGINNING OF YEAR
- 48,077,785 | 38,476,352 | 86,554,137 | 86,554,137 |

### NET POSITION, END OF YEAR
- $49,256,125 | $39,715,035 | $88,971,160 | $86,554,137 |

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
<th>Capital Construction Fund</th>
<th>Highway Projects Fund</th>
<th>Other Governmental Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,903,613</td>
<td>$1,962,861</td>
<td>$519,951</td>
<td>$842,133</td>
<td>$6,128,558</td>
</tr>
<tr>
<td>Investments</td>
<td>8,867,106</td>
<td>1,285,104</td>
<td>2,825,946</td>
<td>1,299,311</td>
<td>14,277,467</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>90,238</td>
<td>-</td>
<td>-</td>
<td>7,668</td>
<td>97,906</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,012,790</td>
<td>13,420</td>
<td>-</td>
<td>-</td>
<td>1,026,210</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>3,713,076</td>
<td>649,121</td>
<td>-</td>
<td>45,918</td>
<td>4,408,115</td>
</tr>
<tr>
<td>Prepaid expenditures</td>
<td>170,215</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170,215</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>257,446</td>
<td>241,442</td>
<td>-</td>
<td>-</td>
<td>498,888</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>144,860</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>144,860</td>
</tr>
<tr>
<td>Escrow deposit</td>
<td>770,942</td>
<td>-</td>
<td>-</td>
<td>770,942</td>
<td>-</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>512,925</td>
<td>2,869,430</td>
<td>45,918</td>
<td>500,615</td>
<td>3,928,888</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>1,686,173</td>
<td>3,110,872</td>
<td>45,918</td>
<td>500,615</td>
<td>5,343,578</td>
</tr>
<tr>
<td>DEFERRED INFLOWS OF RESOURCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unavailable revenue - property taxes/assessments</td>
<td>90,238</td>
<td>-</td>
<td>-</td>
<td>7,668</td>
<td>97,906</td>
</tr>
<tr>
<td>FUND BALANCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>169,504</td>
</tr>
<tr>
<td>Nonspendable</td>
<td>170,215</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170,215</td>
</tr>
<tr>
<td>Restricted for streets and highways</td>
<td>-</td>
<td>-</td>
<td>3,299,979</td>
<td>127</td>
<td>3,300,106</td>
</tr>
<tr>
<td>Restricted for capital projects</td>
<td>-</td>
<td>699,634</td>
<td>-</td>
<td>699,634</td>
<td>2,598,541</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>-</td>
<td>-</td>
<td>45,918</td>
<td>45,918</td>
<td>46,467</td>
</tr>
<tr>
<td>Assigned for debt service</td>
<td>-</td>
<td>-</td>
<td>1,640,702</td>
<td>1,640,702</td>
<td>1,518,001</td>
</tr>
<tr>
<td>Unassigned</td>
<td>14,810,412</td>
<td>-</td>
<td>-</td>
<td>14,810,412</td>
<td>13,411,447</td>
</tr>
<tr>
<td>TOTAL FUND BALANCES</td>
<td>$14,980,627</td>
<td>$699,634</td>
<td>$3,299,979</td>
<td>$1,666,747</td>
<td>$20,666,987</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
TOTAL GOVERNMENTAL NET POSITION

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: $48,473,161
- Construction-in-progress: 823,999

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

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: (469,819)
- Net OPEB obligation: (13,032,590)
- Accrued interest payable: (34,293)
- Capital lease obligation: (41,711)
- Bond discounts: 9,564
- Bond premiums: (211,498)
- Bonds payable: (14,134,265)

NET POSITION OF GOVERNMENTAL ACTIVITIES

$49,256,125

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, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Capital Construction Fund</th>
<th>Highway Projects Fund</th>
<th>Other Governmental Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 13,280,205</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 507,124</td>
<td>$ 13,787,329</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>3,194,342</td>
<td>-</td>
<td>-</td>
<td>5,791</td>
<td>3,194,342</td>
</tr>
<tr>
<td>Fines, forfeits, and costs</td>
<td>191,456</td>
<td>-</td>
<td>-</td>
<td>191,456</td>
<td>215,217</td>
</tr>
<tr>
<td>Interest, dividends and rents</td>
<td>263,669</td>
<td>22,525</td>
<td>56,012</td>
<td>-</td>
<td>5,791</td>
</tr>
<tr>
<td>Unrealized gains (losses) on investments</td>
<td>(19,427)</td>
<td>25,507</td>
<td>(10,677)</td>
<td>-</td>
<td>(4,597)</td>
</tr>
<tr>
<td>Realized gains (losses) on investments</td>
<td>3,685</td>
<td>(42,227)</td>
<td>6,788</td>
<td>-</td>
<td>(157,827)</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>1,302,967</td>
<td>182,005</td>
<td>-</td>
<td>650,512</td>
<td>2,135,484</td>
</tr>
<tr>
<td>Charges for services/fees</td>
<td>858,553</td>
<td>-</td>
<td>-</td>
<td>858,553</td>
<td>550,086</td>
</tr>
<tr>
<td>Miscellaneous revenue/other</td>
<td>57,524</td>
<td>-</td>
<td>-</td>
<td>57,524</td>
<td>73,700</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>19,132,974</td>
<td>187,810</td>
<td>52,123</td>
<td>1,163,427</td>
<td>20,536,334</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20,100,787</td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>1,733,314</td>
<td>2,397</td>
<td>-</td>
<td>2,196,161</td>
<td>4,108,785</td>
</tr>
<tr>
<td>Public safety</td>
<td>10,818,161</td>
<td>-</td>
<td>-</td>
<td>10,818,161</td>
<td>11,396,006</td>
</tr>
<tr>
<td>Public works - highways and streets</td>
<td>1,957,364</td>
<td>2,084,320</td>
<td>-</td>
<td>4,041,684</td>
<td>3,528,830</td>
</tr>
<tr>
<td>Public works - sanitation</td>
<td>1,9,432</td>
<td>-</td>
<td>-</td>
<td>19,432</td>
<td>39,872</td>
</tr>
<tr>
<td>Library</td>
<td>1,017,181</td>
<td>-</td>
<td>-</td>
<td>1,017,181</td>
<td>1,136,785</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>792,019</td>
<td>-</td>
<td>-</td>
<td>792,019</td>
<td>767,985</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>1,560,000</td>
<td>-</td>
<td>-</td>
<td>1,560,000</td>
<td>1,925,000</td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>332,229</td>
<td>-</td>
<td>-</td>
<td>332,229</td>
<td>366,621</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>16,028,700</td>
<td>2,086,717</td>
<td>-</td>
<td>17,115,417</td>
<td>20,727,529</td>
</tr>
</tbody>
</table>
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 903,274 | (1,898,907) | 52,123 | 772,700 | (170,810) | (624,240)
| **OTHER FINANCING SOURCES (USES)** | 665,906 | (650,512) | (650,512) | (3,042,009) | (3,042,009) | (437,492)
| **NET CHANGES IN FUND BALANCES** | 1,569,180 | (1,898,907) | 52,123 | 122,188 | (155,416) | (1,061,732)
| **FUND BALANCES, BEGINNING OF YEAR** | 13,411,447 | 2,598,541 | 3,247,856 | 1,564,559 | 20,822,403 | 21,884,135
| **FUND BALANCES, END OF YEAR** | $ 14,980,627 | $ 699,634 | $ 3,299,979 | $ 1,686,747 | $ 20,666,987 | $ 20,822,403

The accompanying notes are an integral part of these financial statements.
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS $ (155,416)

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 depreciation expense ($2,728,489) exceeded capital outlays ($2,645,633) in the current period. (82,856)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (71,598)

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.

Note and bond principal $ 1,880,735
Capital lease payments 43,181
Accrued interest 4,553
Amortization of bond premiums and discounts 60,140 1,988,609

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 (19,760)
Compensated absences (194,611)
OPEB liability (286,028) (500,399)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES $ 1,178,340

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Revenue</th>
<th>Original and Final Appropriated Budget</th>
<th>Actual Amounts (Budgetary Basis)</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$ 8,302,000</td>
<td>$ 8,322,431</td>
<td>$ 20,431</td>
</tr>
<tr>
<td>Transfer taxes</td>
<td>2,800,000</td>
<td>3,159,007</td>
<td>359,007</td>
</tr>
<tr>
<td>Local services taxes</td>
<td>1,800,000</td>
<td>1,798,767</td>
<td>(1,233)</td>
</tr>
<tr>
<td>Licensees and permits</td>
<td>2,132,500</td>
<td>3,194,342</td>
<td>1,061,842</td>
</tr>
<tr>
<td>Fines, forfeits, and costs</td>
<td>145,000</td>
<td>191,456</td>
<td>46,456</td>
</tr>
<tr>
<td>Interest, dividends, and rents</td>
<td>290,000</td>
<td>263,669</td>
<td>(26,331)</td>
</tr>
<tr>
<td>Unrealized losses on investments</td>
<td>-</td>
<td>(19,427)</td>
<td>(19,427)</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>-</td>
<td>3,685</td>
<td>3,685</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>1,365,600</td>
<td>1,302,967</td>
<td>(62,633)</td>
</tr>
<tr>
<td>Charges for services/fees</td>
<td>347,000</td>
<td>858,553</td>
<td>511,553</td>
</tr>
<tr>
<td>Miscellaneous revenue/other</td>
<td>76,500</td>
<td>57,524</td>
<td>(19,976)</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>17,260,600</td>
<td>19,132,974</td>
<td>1,872,374</td>
</tr>
</tbody>
</table>

| Expenditures                     |                                       |                                  |                              |
|----------------------------------|                                       |                                  |                              |
| **Current**                      |                                       |                                  |                              |
| General government               | 1,698,895                             | 1,733,314                        | (34,419)                     |
| Public safety                    | 10,146,680                            | 10,818,161                       | (671,481)                    |
| Public works - highways and streets | 1,736,360                         | 1,957,364                        | (221,004)                    |
| Public works - sanitation        | 28,500                                | 19,432                           | 9,068                        |
| Library                          | 1,098,400                             | 1,017,181                        | 81,219                       |
| Culture and recreation           | 783,200                               | 792,019                          | (8,819)                      |
| **Debt service**                 |                                       |                                  |                              |
| Principal                        | 1,560,000                             | 1,560,000                        | -                            |
| Interest and other charges       | 332,300                               | 332,229                          | 71                           |
| **TOTAL EXPENDITURES**           | 17,384,335                            | 18,229,700                       | (845,365)                    |

| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (123,735) | 903,274 | 1,027,009 |

| Other Financing Sources          |                                       |                                  |                              |
|----------------------------------|                                       |                                  |                              |
| Proceeds from sale of capital assets | 30,000                          | 15,394                            | (14,606)                     |
| Transfers in (out), net          | (600,000)                             | 650,512                           | 1,250,512                    |
| **TOTAL OTHER FINANCING SOURCES** | (570,000)                            | 665,906                           | 1,235,906                    |

| Net Change in Fund Balance       | (603,735)                             | 1,569,180                        | 2,262,915                    |

| Fund Balances, Beginning of Year | 13,411,447                            | 13,411,447                       |                              |

| Fund Balances, End of Year       | $ 12,717,712                           | $ 14,980,627                     | $ 2,262,915                  |

The accompanying notes are an integral part of these financial statements.
TREDYFFRIN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014
(With Summarized Comparative Data for December 31, 2013)

Enterprise Funds

<table>
<thead>
<tr>
<th></th>
<th>Sewer Utility Fund</th>
<th>TTMA - Sewer Projects Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,525,172</td>
<td>$ 57,249</td>
<td>$ 2,582,421</td>
</tr>
<tr>
<td>Investments</td>
<td>23,210,384</td>
<td>23,210,384</td>
<td>23,862,674</td>
</tr>
<tr>
<td>Accounts receivable - liened</td>
<td>407,131</td>
<td>-</td>
<td>407,131</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unbilled receivable</td>
<td>4,925,133</td>
<td>-</td>
<td>4,925,133</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>975,818</td>
<td>-</td>
<td>975,818</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>32,043,638</td>
<td>57,249</td>
<td>32,100,887</td>
</tr>
<tr>
<td><strong>NONCURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciable capital assets, net</td>
<td>9,794,688</td>
<td>-</td>
<td>9,913,321</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>4,039,661</td>
<td>-</td>
<td>4,039,661</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>13,834,349</td>
<td>-</td>
<td>13,458,332</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>45,877,987</td>
<td>57,249</td>
<td>45,935,236</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amount on refunding</td>
<td>-</td>
<td>36,452</td>
<td>36,452</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,755,604</td>
<td>-</td>
<td>2,755,604</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>-</td>
<td>399,111</td>
<td>399,111</td>
</tr>
<tr>
<td>Lease payable (receivable)</td>
<td>390,000</td>
<td>(390,000)</td>
<td>-</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>1,455,045</td>
<td>-</td>
<td>1,455,045</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>4,600,649</td>
<td>9,111</td>
<td>4,609,760</td>
</tr>
<tr>
<td><strong>NONCURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease payable (receivable)</td>
<td>1,615,000</td>
<td>(1,615,000)</td>
<td>-</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>-</td>
<td>1,646,893</td>
<td>1,646,893</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>1,615,000</td>
<td>31,893</td>
<td>1,646,893</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>6,215,649</td>
<td>41,004</td>
<td>6,256,653</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>11,829,349</td>
<td>-</td>
<td>11,829,349</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>27,832,989</td>
<td>52,697</td>
<td>27,885,686</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$39,662,338</td>
<td>$ 52,697</td>
<td>$39,715,035</td>
</tr>
</tbody>
</table>

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, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>Sewer Utility Fund</th>
<th>TTMA - Sewer Projects Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer fees</td>
<td>$ 4,615,646</td>
<td></td>
<td>$ 4,615,646</td>
</tr>
<tr>
<td>Sewer fees - other governments</td>
<td>1,918,787</td>
<td></td>
<td>1,918,787</td>
</tr>
<tr>
<td>Other fees</td>
<td>82,253</td>
<td></td>
<td>82,253</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>6,616,686</td>
<td></td>
<td>6,616,686</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES** | | | |
| Sewer disposal | 2,079,529 | | 2,079,529 |
| Salaries and wages | 283,932 | | 283,932 |
| Employee benefits | 199,359 | | 199,359 |
| Administration | 477,714 | | 477,714 |
| Engineering | 8,097 | | 8,097 |
| Allocation of expenses | 305,189 | | 305,189 |
| Supplies | 40,656 | | 40,656 |
| Electric/Lighting | 401,265 | | 401,265 |
| Repairs and maintenance, net of insurance | 1,178,146 | | 1,178,146 |
| Depreciation | 502,359 | | 502,359 |
| **TOTAL OPERATING EXPENSES** | 5,476,246 | | 5,476,246 |

| **OPERATING INCOME** | | | |
| | 1,140,440 | | 1,140,440 |

| **NONOPERATING REVENUE (EXPENSES)** | | | |
| Interest on lease rental payments | (61,118) | 61,118 | - |
| Interest and investment revenue | 233,995 | | 233,995 |
| Unrealized loss on investments | (75,645) | | (75,645) |
| Interest expense on bonds | - | (61,118) | (61,118) |
| Amortization of deferred charges | - | 1,011 | 1,011 |
| **TOTAL NONOPERATING REVENUE** | 97,232 | 1,011 | 98,243 |

| **CHANGE IN NET POSITION** | | | |
| | 1,237,672 | 1,011 | 1,238,683 |

| **NET POSITION, BEGINNING OF YEAR** | 38,424,666 | 51,686 | 38,476,352 |

| **NET POSITION, END OF YEAR** | $39,662,338 | $52,697 | $39,715,035 |
TREDYFFRIN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Data for the Year Ended December 31, 2013)

<table>
<thead>
<tr>
<th></th>
<th>Enterprise Funds</th>
<th>TTMAT - Sewer Projects Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sewer Utility Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$4,035,349</td>
<td>$-</td>
<td>$4,035,349</td>
</tr>
<tr>
<td>Receipts from other governments</td>
<td>1,232,357</td>
<td>-</td>
<td>1,232,357</td>
</tr>
<tr>
<td>Payments to suppliers for goods and services</td>
<td>(6,176,618)</td>
<td>-</td>
<td>(5,176,618)</td>
</tr>
<tr>
<td>NET CASH PROVIDED BY OPERATING ACTIVITIES</td>
<td>90,788</td>
<td>-</td>
<td>90,788</td>
</tr>
<tr>
<td>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Repayments) Advances (to) from other funds</td>
<td>425,526</td>
<td>-</td>
<td>425,526</td>
</tr>
<tr>
<td>Transfers from other funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</td>
<td>425,526</td>
<td>-</td>
<td>425,526</td>
</tr>
<tr>
<td>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest (paid) received on lease receivable</td>
<td>(61,118)</td>
<td>61,118</td>
<td>-</td>
</tr>
<tr>
<td>Principal (paid) received on lease receivable</td>
<td>(385,000)</td>
<td>385,000</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(678,376)</td>
<td>-</td>
<td>(678,376)</td>
</tr>
<tr>
<td>Principal paid on capital debt</td>
<td>-</td>
<td>(385,000)</td>
<td>(385,000)</td>
</tr>
<tr>
<td>Interest paid on capital debt</td>
<td>-</td>
<td>(61,118)</td>
<td>(61,118)</td>
</tr>
<tr>
<td>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</td>
<td>(1,324,494)</td>
<td>-</td>
<td>(1,324,494)</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and investment revenues</td>
<td>233,995</td>
<td>-</td>
<td>233,995</td>
</tr>
<tr>
<td>Sale (purchase) of investments</td>
<td>576,645</td>
<td>-</td>
<td>576,645</td>
</tr>
<tr>
<td>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</td>
<td>810,640</td>
<td>-</td>
<td>810,640</td>
</tr>
<tr>
<td>NET CHANGE IN CASH AND CASH EQUIVALENTS</td>
<td>2,460</td>
<td>-</td>
<td>2,460</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</td>
<td>2,522,712</td>
<td>57,249</td>
<td>2,579,961</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, END OF YEAR</td>
<td>$2,525,172</td>
<td>$57,249</td>
<td>$2,582,421</td>
</tr>
<tr>
<td>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$1,140,440</td>
<td>$-</td>
<td>$1,140,440</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>502,359</td>
<td>-</td>
<td>502,359</td>
</tr>
<tr>
<td>(Increase) Decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(50,564)</td>
<td>-</td>
<td>(50,564)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>14,913</td>
<td>-</td>
<td>14,913</td>
</tr>
<tr>
<td>Unbilled receivables</td>
<td>(580,297)</td>
<td>-</td>
<td>(580,297)</td>
</tr>
<tr>
<td>Increase (Decrease) in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(936,063)</td>
<td>-</td>
<td>(936,063)</td>
</tr>
<tr>
<td>NET CASH PROVIDED BY OPERATING ACTIVITIES</td>
<td>$90,788</td>
<td>$-</td>
<td>$90,788</td>
</tr>
<tr>
<td>NONCASH INVESTING ACTIVITY:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>$ (75,645)</td>
<td>$-</td>
<td>(75,645)</td>
</tr>
<tr>
<td>NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred charges</td>
<td>$-</td>
<td>$1,011</td>
<td>$1,011</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
TREDYFFRIN TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>OPEB Trust</th>
<th>Pension Trust Fund</th>
<th>Agency Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ -</td>
<td>$ 601,593</td>
<td>$ 129,445</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>-</td>
<td>9,087,646</td>
<td>-</td>
</tr>
<tr>
<td>Stock mutual funds</td>
<td>2,312,228</td>
<td>8,343,109</td>
<td>-</td>
</tr>
<tr>
<td>International mutual funds</td>
<td>-</td>
<td>4,660,320</td>
<td>-</td>
</tr>
<tr>
<td>Common stock</td>
<td>-</td>
<td>4,960,440</td>
<td>-</td>
</tr>
<tr>
<td>Real estate investment funds</td>
<td>-</td>
<td>1,820,301</td>
<td>-</td>
</tr>
<tr>
<td>Emerging market funds</td>
<td>-</td>
<td>538,290</td>
<td>-</td>
</tr>
<tr>
<td>Bond mutual funds</td>
<td>283,659</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>15,726</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>-</td>
<td>15,130</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 2,595,887</td>
<td>$ 30,042,555</td>
<td>$ 129,445</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET POSITION**|            |                    |             |
| **LIABILITIES**              |            |                    |             |
| Accounts payable             | $ -        | $ 23,328           | $ 129,445   |
| **TOTAL LIABILITIES**        | -          | 23,328             | 129,445     |

| **NET POSITION**             |            |                    |             |
| Held in trust for pension benefits and pool participants | $ 2,595,887 | 30,019,227 | - |

| **TOTAL LIABILITIES AND NET POSITION** | $ 2,595,887 | $ 30,042,555 | $ 129,445 |

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, 2014
(With Summarized Comparative Data For the Year Ended December 31, 2013)

<table>
<thead>
<tr>
<th></th>
<th>OPEB Trust</th>
<th>Pension Trust Fund</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State aid</td>
<td>$</td>
<td>$ 332,556</td>
<td>$ 332,556</td>
<td>$ 318,517</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>500,000</td>
<td>452,851</td>
<td>952,851</td>
<td>2,258,110</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>-</td>
<td>196,388</td>
<td>196,388</td>
<td>195,959</td>
</tr>
<tr>
<td><strong>Total Contributions</strong></td>
<td>500,000</td>
<td>981,795</td>
<td>1,481,795</td>
<td>2,772,586</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>71,612</td>
<td>635,230</td>
<td>706,842</td>
<td>611,318</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>1,518</td>
<td>612,047</td>
<td>613,565</td>
<td>1,873,899</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>1,036</td>
<td>910,571</td>
<td>911,606</td>
<td>1,459,451</td>
</tr>
<tr>
<td><strong>Total Investment Income</strong></td>
<td>74,165</td>
<td>2,157,848</td>
<td>2,232,013</td>
<td>3,944,668</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>574,165</td>
<td>3,139,643</td>
<td>3,713,808</td>
<td>6,717,254</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension payments</td>
<td>-</td>
<td>1,324,161</td>
<td>1,324,161</td>
<td>1,508,890</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-</td>
<td>149,802</td>
<td>149,802</td>
<td>92,812</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td>-</td>
<td>1,473,963</td>
<td>1,473,963</td>
<td>1,601,702</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>574,165</td>
<td>1,665,680</td>
<td>2,239,845</td>
<td>5,115,552</td>
</tr>
<tr>
<td><strong>NET POSITION, BEGINNING OF YEAR</strong></td>
<td>2,021,722</td>
<td>28,353,547</td>
<td>30,375,269</td>
<td>25,259,717</td>
</tr>
<tr>
<td><strong>NET POSITION, END OF YEAR</strong></td>
<td>$ 2,595,887</td>
<td>$30,019,227</td>
<td>$32,615,114</td>
<td>$30,375,269</td>
</tr>
</tbody>
</table>

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

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.

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

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.

**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
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  (cont’d)

Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid “doubling up” revenues and expenses. Net position is reported as restricted when constraints placed on net 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.

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 TIMA Transportation District Fund, the Debt Service Fund, and the TIMA 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 TIMA 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.
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  (cont'd)

**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.

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.
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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 the Other Post-employment Benefits ("OPEB") Trust, Pension Trust, and Agency Funds. The OPEB and 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.

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

- 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."

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").

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.
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 - 20 years</td>
</tr>
<tr>
<td>Land improvements</td>
<td>10 - 30 years</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>10 - 30 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10 - 50 years</td>
</tr>
</tbody>
</table>

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.

The liability for compensated absences totaled $469,819 as of December 31, 2014 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. The proprietary funds report the loss on debt refunding as deferred outflows of resources.

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. Bond issuance costs are expensed when incurred.
NOTE 1  

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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, 2014, 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).

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

It is the policy of the Township to maintain a minimum general fund unassigned fund balance to be used for unanticipated emergencies of no less than 25 percent of all general operating expenditures. Further, it is the goal of the Township to maintain a year-end unassigned fund balance with a minimum of 30 percent and a maximum of 35 percent of general fund operating expenditures. In the event the unassigned fund balance drops below the minimum level, the Township shall plan to adjust the budgeted resources in the subsequent year to restore the balance.

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. When an expenditure is incurred for which committed, assigned, or unassigned resources are available for use, it is the Township’s policy to use committed funds first, followed by assigned resources, and then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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, 2013, from which the summarized information was derived.
NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year 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 of America, 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, 2014, the carrying amount of the Township's deposits (excluding the pension deposits) was $8,840,424, and the bank balance was $9,166,770. Of the bank balance, $750,000 was covered by federal depository insurance; $5,018,524 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 $3,398,246 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, 2014, PLGIT had a credit rating of AAAm.
NOTE 2  DEPOSITS AND INVESTMENTS  (cont’d)

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 Trust Fund is 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 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 9 and 16 for pension and OPEB deposit and investment disclosures.

As of December 31, 2014, the Township had the following investments:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Investment Maturities in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Less Than One Year</td>
</tr>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>$4,999,233</td>
<td>$150,059</td>
</tr>
<tr>
<td>U.S. Bank money market accounts</td>
<td>1,070,431</td>
<td>1,070,431</td>
</tr>
<tr>
<td>PA INVEST</td>
<td>1,341,325</td>
<td>1,341,325</td>
</tr>
<tr>
<td>Vanguard ST Bond Fund</td>
<td>6,866,478</td>
<td>6,866,478</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>$14,277,467</td>
<td>$9,428,293</td>
</tr>
<tr>
<td><strong>Business-type Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>$15,742,834</td>
<td>$9,717,524</td>
</tr>
<tr>
<td>U.S. Bank money market accounts</td>
<td>412,006</td>
<td>412,006</td>
</tr>
<tr>
<td>Vanguard money market account</td>
<td>1,787,362</td>
<td>1,787,362</td>
</tr>
<tr>
<td>Vanguard ST Bond Fund</td>
<td>5,268,182</td>
<td>5,268,182</td>
</tr>
<tr>
<td><strong>Total Business-type Activities</strong></td>
<td>$23,210,384</td>
<td>$17,185,074</td>
</tr>
</tbody>
</table>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. As noted in the chart above, as of December 31, 2014, all of the Township’s investments have maturities of five years or less.

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, 2014, the Township did not have any investments subject to custodial credit risk.
NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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.
- 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, 2014, 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 and mutual fund accounts with U.S. Bank and Vanguard 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, 2014 was as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Due From</th>
<th>Due To</th>
</tr>
</thead>
<tbody>
<tr>
<td>General fund</td>
<td>$3,713,076</td>
<td>$512,925</td>
</tr>
<tr>
<td>Capital construction fund</td>
<td>$649,121</td>
<td>$2,869,430</td>
</tr>
<tr>
<td>Highway projects fund</td>
<td>-</td>
<td>$45,918</td>
</tr>
<tr>
<td>Nonmajor governmental funds</td>
<td>$45,918</td>
<td>$500,615</td>
</tr>
<tr>
<td>Sewer utility fund</td>
<td>$975,818</td>
<td>$1,455,045</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,383,933</strong></td>
<td><strong>$5,383,933</strong></td>
</tr>
</tbody>
</table>

Interfund balances represent temporary loans recorded at year end. The balances are repaid shortly after year end.
NOTE 3  INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont’d)

Interfund transfers:

<table>
<thead>
<tr>
<th>Transfers In</th>
<th>Transfers Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>General fund</td>
<td>General fund</td>
</tr>
<tr>
<td>$ 650,512</td>
<td>$ -</td>
</tr>
<tr>
<td>Other governmental funds</td>
<td>Other governmental funds</td>
</tr>
<tr>
<td>554</td>
<td>661,066</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>$ 651,066</td>
<td>$ 651,066</td>
</tr>
</tbody>
</table>

Transfers represent funds used for the payment of liquid fuels expenditures and debt service expenditures.

NOTE 4  CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance 01/01/14</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>713,335</td>
<td>275,740</td>
<td>165,076</td>
<td>823,999</td>
</tr>
<tr>
<td>Total Capital Assets Not Being Depreciated</td>
<td>7,822,019</td>
<td>275,740</td>
<td>165,076</td>
<td>7,932,683</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>26,811,561</td>
<td>1,793,263</td>
<td>139,036</td>
<td>28,743,860</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>21,079,856</td>
<td>33,381</td>
<td>-</td>
<td>21,113,237</td>
</tr>
<tr>
<td>Vehicles</td>
<td>2,840,851</td>
<td>409,948</td>
<td>198,163</td>
<td>3,052,636</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2,748,411</td>
<td>133,301</td>
<td>32,374</td>
<td>2,849,338</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>33,105,534</td>
<td>-</td>
<td>-</td>
<td>33,105,534</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated</td>
<td>66,586,213</td>
<td>2,369,893</td>
<td>91,501</td>
<td>68,864,605</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>37,899,772</td>
<td>2,728,489</td>
<td>236,817</td>
<td>40,391,444</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated, Net</td>
<td>48,686,441</td>
<td>(358,596)</td>
<td>145,316</td>
<td>48,473,161</td>
</tr>
<tr>
<td>Governmental Activities, Net</td>
<td>$ 56,508,460</td>
<td>$ (82,856)</td>
<td>$ (19,760)</td>
<td>$ 56,405,844</td>
</tr>
</tbody>
</table>
### Capital Assets (cont'd)

<table>
<thead>
<tr>
<th></th>
<th>Balance 01/01/14</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business-type Activities</strong>:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>$3,545,011</td>
<td>$494,650</td>
<td>$-</td>
<td>$4,039,661</td>
</tr>
<tr>
<td>Total Capital Assets Not Being Depreciated</td>
<td>$3,545,011</td>
<td>$494,650</td>
<td>$-</td>
<td>$4,039,661</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection sewer system - infrastructure</td>
<td>4,710,155</td>
<td>89,319</td>
<td>$-</td>
<td>4,799,474</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>289,745</td>
<td>193,034</td>
<td>$-</td>
<td>482,779</td>
</tr>
<tr>
<td>Vehicles</td>
<td>274,916</td>
<td>$-</td>
<td>$-</td>
<td>274,916</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>831,359</td>
<td>101,373</td>
<td>$-</td>
<td>932,732</td>
</tr>
<tr>
<td>Infrastructure - collection systems</td>
<td>13,395,083</td>
<td>$-</td>
<td>$-</td>
<td>13,395,083</td>
</tr>
<tr>
<td>Infrastructure - traffic signals and street lights</td>
<td>4,130,000</td>
<td>$-</td>
<td>$-</td>
<td>4,130,000</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated</td>
<td>23,631,258</td>
<td>383,726</td>
<td>$-</td>
<td>24,014,984</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>13,717,937</td>
<td>502,359</td>
<td>$-</td>
<td>14,220,296</td>
</tr>
<tr>
<td>Total Capital Assets Being Depreciated, Net</td>
<td>9,913,321</td>
<td>$(118,633)</td>
<td>$-</td>
<td>9,794,688</td>
</tr>
<tr>
<td>Business-type Activities, Net</td>
<td>$13,458,332</td>
<td>$376,017</td>
<td>$-</td>
<td>$13,834,349</td>
</tr>
</tbody>
</table>

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

**Governmental Activities:**
- General government $305,426
- Public safety 158,231
- Public works - highway and maintenance 638,371
- Public works - infrastructure 894,940
- Library 375,649
- Culture and recreation 355,872

Total Governmental Activities $2,728,489

**Business-type Activities:**
- Sewer $502,359
NOTE 5  

LONG-TERM DEBT

Series of 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. $ 1,915,000

Series of 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.  2,550,000

Series of 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.  8,310,000

General Obligation Note, Series of 2013 issued $1,680,000 in December 2013 at 2.20%, interest and principal payable monthly from January 2014 through December 2018. The purpose of the issue was to advance refund the remaining portion of the 2008 Highway Improvement Bonds.  1,359,265

Total Governmental Activities  14,134,265

Series of 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 of 2003 Guaranteed Sewer Revenue Bonds.  2,005,000

TOTAL  $ 16,139,265
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:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$ 2,318,537</td>
<td>$ 366,624</td>
</tr>
<tr>
<td>2016</td>
<td>2,390,838</td>
<td>308,308</td>
</tr>
<tr>
<td>2017</td>
<td>2,433,301</td>
<td>246,675</td>
</tr>
<tr>
<td>2018</td>
<td>2,556,589</td>
<td>193,690</td>
</tr>
<tr>
<td>2019</td>
<td>2,196,000</td>
<td>141,554</td>
</tr>
<tr>
<td>2020-2023</td>
<td>4,245,000</td>
<td>180,054</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 16,139,265</td>
<td>$ 1,436,905</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Outstanding 01/01/14</th>
<th>Additions</th>
<th>Retirements</th>
<th>Outstanding 12/31/14</th>
<th>Amounts Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009 G.O.B. - refunding</td>
<td>$ 2,100,000</td>
<td>-</td>
<td>$ 185,000</td>
<td>$ 1,915,000</td>
<td>$ 190,000</td>
</tr>
<tr>
<td>2011 G.O.B. - refunding</td>
<td>3,545,000</td>
<td>-</td>
<td>996,000</td>
<td>2,550,000</td>
<td>1,025,000</td>
</tr>
<tr>
<td>2012 G.O.B. - refunding</td>
<td>8,690,000</td>
<td>-</td>
<td>380,000</td>
<td>8,310,000</td>
<td>385,000</td>
</tr>
<tr>
<td>Discount</td>
<td>(10,760)</td>
<td>-</td>
<td>(1,196)</td>
<td>(9,564)</td>
<td>(1,196)</td>
</tr>
<tr>
<td>Premium</td>
<td>272,834</td>
<td>-</td>
<td>61,336</td>
<td>211,498</td>
<td>61,336</td>
</tr>
<tr>
<td>Total General Obligation Bonds</td>
<td>14,597,074</td>
<td>-</td>
<td>1,620,140</td>
<td>12,976,934</td>
<td>1,660,140</td>
</tr>
<tr>
<td>2013 General Obligation Note</td>
<td>1,680,000</td>
<td>-</td>
<td>320,735</td>
<td>1,359,265</td>
<td>328,537</td>
</tr>
<tr>
<td>Total General Obligation Notes</td>
<td>16,277,074</td>
<td>-</td>
<td>1,940,875</td>
<td>14,336,199</td>
<td>1,984,677</td>
</tr>
<tr>
<td>Capital leases</td>
<td>84,892</td>
<td>-</td>
<td>43,181</td>
<td>41,711</td>
<td>41,711</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>275,208</td>
<td>194,611</td>
<td>-</td>
<td>469,819</td>
<td>43,173</td>
</tr>
<tr>
<td>OPEB Obligation</td>
<td>12,746,562</td>
<td>286,028</td>
<td>-</td>
<td>13,032,590</td>
<td>-</td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td>$29,383,736</td>
<td>$ 480,639</td>
<td>$ 1,984,056</td>
<td>$27,880,319</td>
<td>$ 2,073,561</td>
</tr>
</tbody>
</table>

| **Business-type Activities:** |                  |           |             |                       |                              |
| 2010 Sewer Revenue Bonds | $ 2,390,000      | -         | $ 385,000   | $ 2,005,000           | $ 390,000                   |
| Premium                | 50,115            | -         | 9,111       | 41,004                | 9,111                       |
| Total Business-type Activities | $ 2,440,115      | -         | $ 394,111   | $ 2,046,004           | $ 399,111                   |

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.
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:

<table>
<thead>
<tr>
<th></th>
<th>Copiers</th>
<th>In-car Video Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$56,841</td>
<td>$142,977</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(39,789)</td>
<td>(114,382)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$17,052</td>
<td>$28,595</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ending</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$43,792</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less amount representing interest</td>
<td>(2,081)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$41,711</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 7  FUND BALANCES

As of December 31, 2014, fund balance is composed of the following:

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Capital Construction Fund</th>
<th>Highway Projects Fund</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenditures</td>
<td>$170,215</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$170,215</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streets and highways</td>
<td>-</td>
<td>-</td>
<td>3,299,979</td>
<td>127</td>
<td>3,300,106</td>
</tr>
<tr>
<td>Capital projects</td>
<td>-</td>
<td>699,634</td>
<td>-</td>
<td></td>
<td>699,634</td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45,918</td>
<td>45,918</td>
</tr>
<tr>
<td>Assigned:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,640,702</td>
<td>1,640,702</td>
</tr>
<tr>
<td>Unassigned</td>
<td>14,810,412</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,810,412</td>
</tr>
<tr>
<td></td>
<td>$14,980,627</td>
<td>$699,634</td>
<td>$3,299,979</td>
<td>$1,686,747</td>
<td>$20,666,987</td>
</tr>
</tbody>
</table>
NOTE 8  TAXES

For 2014, the following tax was levied on assessed value of real estate:

2.38 mills for general purposes

The taxable assessed valuation of property as of December 31, 2014 was $3,528,777,730.

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 2014:

- 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

Detailed information about the plan's fiduciary net position is available in the separately issued Tredyffrin Township Police Pension Fund financial report.

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, 2014 disclosed that pension plan membership consisted of the following:

- Active employees: 42
- Retirees and beneficiaries currently receiving benefits: 41
- Vested terminated members: 5

Total: 88
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 2.25 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.

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.
NOTE 9 POLICE PENSION PLAN (cont'd)

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. At December 31, 2014, the carrying amount of the Plan’s money market accounts was $601,593. 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, 2014, the Police Pension Plan had $29,410,106 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.

**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 2014. 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**

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Annual Required Contribution</th>
<th>Percentage Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 558,285</td>
<td>100%</td>
<td>***</td>
</tr>
<tr>
<td>2013</td>
<td>559,588</td>
<td>100%</td>
<td>$ 4,818,697</td>
</tr>
<tr>
<td>2014</td>
<td>785,407</td>
<td>100%</td>
<td>3,102,780</td>
</tr>
</tbody>
</table>
NOTE 9  POLICE PENSION PLAN  (cont'd)

***Actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The Township required actuarial information in 2014 due to implementation of GASB Statement No. 67.

Actuarial Methods and Assumptions

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial cost method</td>
<td>Entry age normal cost</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level dollar closed</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>N/A</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>Fair value</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7.5% per annum, compounded annually</td>
</tr>
<tr>
<td>Projected salary increases</td>
<td>5.00% per annum, compounded annually</td>
</tr>
<tr>
<td>Cost of living adjustments</td>
<td>2.25% per year, maximum</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Entry Age (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll [(b-a)/c]</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/14</td>
<td>$30,019,227</td>
<td>$33,122,007</td>
<td>$3,102,780</td>
<td>90.6%</td>
<td>$4,282,088</td>
<td>72.5%</td>
</tr>
</tbody>
</table>

NOTE 10  NON-UNIFORMED PENSION PLAN

The Township provides pension benefits for non-uniformed employees through the Pennsylvania Municipal Retirement System ("PMRS"), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the eleven-member Pennsylvania Municipal Retirement Board. 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.
NOTE 10  NON-UNIFORMED PENSION PLAN  (cont'd)

Determination of contribution requirements:

<table>
<thead>
<tr>
<th></th>
<th>PMRS Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>Based on actuarial study and minimum municipal obligation calculation</td>
</tr>
<tr>
<td>Plan members</td>
<td>4% of base and longevity</td>
</tr>
<tr>
<td>Period vested</td>
<td>8 years</td>
</tr>
<tr>
<td>Eligibility for distribution</td>
<td>Age 70½ or if becoming permanently disabled or deceased while employed</td>
</tr>
</tbody>
</table>

A review of the pension plan documents at December 31, 2014 disclosed that pension plan membership consisted of the following:

<table>
<thead>
<tr>
<th>PMRS Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active employees</td>
</tr>
<tr>
<td>Retirees and beneficiaries currently receiving benefits</td>
</tr>
<tr>
<td>Vested terminated employees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The current year annual pension cost for the PMRS Plan is shown below.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual Required Contribution</th>
<th>Percentage Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$247,059</td>
<td>100.00%</td>
</tr>
<tr>
<td>2013</td>
<td>$204,151</td>
<td>100.00%</td>
</tr>
<tr>
<td>2014</td>
<td>$201,874</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

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.
NOTE 10  NON-UNIFORMED PENSION PLAN  (cont'd)

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.

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 2014, 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, 2014, the plan's net position was $5,227,552.

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 2014, the Township appropriated and expensed $1,017,181 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.
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, 2014, the General Fund incurred expenditures in excess of appropriations in the following functions:

<table>
<thead>
<tr>
<th>Function</th>
<th>Expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$ 34,419</td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>$ 671,481</td>
<td></td>
</tr>
<tr>
<td>Public works – highways and streets</td>
<td>$ 221,004</td>
<td></td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>$ 8,819</td>
<td></td>
</tr>
</tbody>
</table>

The excess expenditures were covered by revenues exceeding budgeted amounts.

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 partial funding 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.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$2,182,943</td>
<td>$3,604,837</td>
<td>$3,172,967</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>701,061</td>
<td>425,719</td>
<td>345,546</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>(969,195)</td>
<td>(681,278)</td>
<td>(377,555)</td>
</tr>
<tr>
<td>Annual OPEB cost (expense)</td>
<td>1,914,809</td>
<td>3,349,278</td>
<td>3,140,958</td>
</tr>
<tr>
<td>Contributions made</td>
<td>(1,628,781)</td>
<td>(1,245,700)</td>
<td>(1,136,633)</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>286,028</td>
<td>2,103,578</td>
<td>2,004,325</td>
</tr>
<tr>
<td>Net OPEB obligation - beginning of year</td>
<td>12,746,562</td>
<td>10,642,984</td>
<td>8,638,659</td>
</tr>
<tr>
<td>Net OPEB obligation - end of year</td>
<td>$13,032,590</td>
<td>$12,746,562</td>
<td>$10,642,984</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 7.98 percent funded. The actuarial accrued liability for benefits was $25,335,575, and the actuarial value of assets was $2,021,722, resulting in an unfunded actuarial accrued liability ("UAAL") of $23,313,853. The covered payroll (annual payroll of active employees covered by the plan) was $3,802,718, and the ratio of the UAAL to the covered payroll was 613.08 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. In December 2013, the Township established an irrevocable trust for the purpose of funding the OPEB obligation. In 2014, the Township made a contribution of $500,000 to the irrevocable trust. As of December 31, 2014, the fair value of the investments in the irrevocable trust was $2,595,887 which consisted of 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.
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.

**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, 2014 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a discount rate of 5.5 percent. The annual trend rate for medical and prescription drug costs is assumed to be 7.0 percent in 2015, decreasing by .5 percent per year to an ultimate level of 5.0 percent. The annual healthcare cost trend for dental coverage is assumed to be 2.5 percent per year. The annual rate of increase for the reimbursement of cost sharing is assumed to be three percent annually. The trend rate for the Medicare Part B premium for uniformed retirees is zero percent for 2015 and two percent thereafter. The UAAL is being amortized as a level dollar amount over a 30-year period. As of the January 1, 2014 valuation, the amortization period is 24 years.

The following changes in actuarial assumptions have occurred since January 1, 2013, causing a $19,765,779 decrease in the unfunded actuarial accrued liability ("UAAL"):  
- The discount rate has changed from four percent per year to 5.5 percent per year due to the Township moving from the pay-as-you-go method of payment to partially funding other post-employment benefits.
- The assumed rate of increase for dental costs has been changed from four percent per year to 2.5 percent per year.
- The assumed rate of increase for the reimbursement of the deductible has been changed from four percent per year to three percent per year up to maximum of $3,000 per person per year.
- The assumed rate of increase for the reimbursement of copays has been changed from four percent per year to three percent per year.
- The assumed rate of increase for Medicare Part B premium reimbursement has been changed from 2.5 percent per year to zero percent for 2015 and two percent per year thereafter.
NOTE 17  CAPITAL IMPROVEMENT COMMITMENTS

As of December 31, 2014, anticipated construction commitments are as follows:

<table>
<thead>
<tr>
<th>Contract Amount</th>
<th>Completed at 12/31/2014</th>
<th>Estimated Balance to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital projects</td>
<td>$ 5,242,941</td>
<td>$ 4,863,660</td>
</tr>
</tbody>
</table>

NOTE 18  SUBSEQUENT EVENTS

In April 2015, the Township adopted a resolution for the current refunding by calling for the redemption of the Authority’s General Obligation Bonds, Series of 2009 maturing from 2020 through 2023 by applying available funds in the amount of $915,000.

The Township has evaluated all subsequent events through July 13, 2015, the date the financial statements were available to be issued.
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 three valuations have been required to date.

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Entry Age (b)</th>
<th>Unfunded AAL (UAAL) (b)-(a)</th>
<th>Funded Ratio (a)/(b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/14</td>
<td>$2,021,722</td>
<td>$25,335,575</td>
<td>$23,313,853</td>
<td>7.98%</td>
<td>$3,802,718</td>
<td>613.08%</td>
</tr>
<tr>
<td>01/01/13</td>
<td>-</td>
<td>43,079,632</td>
<td>43,079,632</td>
<td>0.00%</td>
<td>3,954,617</td>
<td>1089.35%</td>
</tr>
<tr>
<td>01/01/10</td>
<td>-</td>
<td>36,499,276</td>
<td>36,499,276</td>
<td>0.00%</td>
<td>5,581,158</td>
<td>653.97%</td>
</tr>
</tbody>
</table>

The Township is required to have an actuarial valuation once every three years. A valuation was done in 2014 due to the establishment of an irrevocable trust to fund the obligation.

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.
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, 2014
Actuarial cost method: Entry age normal
Amortization method: Level dollar closed
Remaining amortization period: 24 years
Asset valuation method: Fair value

Actuarial assumptions:
- Investment rate of return: 5.5% per annum, compounded annually
- Healthcare and prescription drug cost trend rate: 7.0% per annum, initially decreasing by .5% per year to an ultimate level of 5%
SUPPLEMENTARY INFORMATION
### TREDYFFRIN TOWNSHIP
#### COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
#### DECEMBER 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Highway Improvement Fund</th>
<th>Liquid Fuels Fund</th>
<th>TTMA Transportation District Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$</td>
<td>$ 50</td>
<td>$ 842,083</td>
</tr>
<tr>
<td>Investments</td>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from other funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>77</td>
<td>50</td>
<td>849,751</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td></td>
<td>500,615</td>
</tr>
<tr>
<td><strong>DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td>7,668</td>
</tr>
<tr>
<td>Unavailable revenue - property taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streets and highways</td>
<td>77</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigned for debt service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCES</strong></td>
<td>$ 77</td>
<td>$ 50</td>
<td>$ 341,468</td>
</tr>
</tbody>
</table>

Continued on next page.
## TREDYFFRIN TOWNSHIP
### COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
#### DECEMBER 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>TTMA Debt Service Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 842,133</td>
</tr>
<tr>
<td>Investments</td>
<td>1,299,234</td>
<td>-</td>
<td>1,299,311</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>-</td>
<td>-</td>
<td>7,668</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>45,918</td>
<td>45,918</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,299,234</td>
<td>45,918</td>
<td>2,195,030</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other funds</td>
<td>-</td>
<td>-</td>
<td>500,615</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>-</td>
<td>-</td>
<td>500,615</td>
</tr>
<tr>
<td><strong>DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unavailable revenue - property taxes</td>
<td>-</td>
<td>-</td>
<td>7,668</td>
</tr>
<tr>
<td><strong>FUND BALANCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streets and highways</td>
<td>-</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>45,918</td>
<td>45,918</td>
</tr>
<tr>
<td>Assigned for debt service</td>
<td>1,299,234</td>
<td>-</td>
<td>1,640,702</td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCES</strong></td>
<td>$ 1,299,234</td>
<td>$ 45,918</td>
<td>$ 1,686,747</td>
</tr>
</tbody>
</table>
### TREDYFFRIN TOWNSHIP
### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
### NONMAJOR GOVERNMENTAL FUNDS
### FOR THE YEAR ENDED DECEMBER 31, 2014

**Highway Improvement Fund** | **Liquid Fuels Fund** | **TTMA Transportation District Fund**
--- | --- | ---
**REVENUES** |  |  |
Taxes | $ - | $ - | $ 507,124
Interest, dividends, and rents | - | 36 | 5,100
Intergovernmental revenues | - | 650,512 | -
**TOTAL REVENUES** | - | 650,548 | 512,224

**EXPENDITURES** |  |  |
General government | - | - | 35,600
Debt service: |  |  | 
- Principal | - | - | 320,735
- Interest and other charges | - | - | 34,392
**TOTAL EXPENDITURES** | - | - | 390,727

**EXCESS OF REVENUES OVER EXPENDITURES** | - | 650,548 | 121,497

**OTHER FINANCING SOURCES (USES)** | - | - | 554
- Transfers in | - | - | 
- Transfers out | - | (650,512) | (650,512)
**TOTAL OTHER FINANCING SOURCES (USES)** | - | (650,512) | 554

**NET CHANGES IN FUND BALANCES** | - | 36 | 122,051

**FUND BALANCES, BEGINNING OF YEAR** | 77 | 14 | 219,417

**FUND BALANCES, END OF YEAR** | $ 77 | $ 50 | $ 341,468

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, 2014

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>TTMA Debt Service Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 507,124</td>
</tr>
<tr>
<td>Interest, dividends, and rents</td>
<td>650</td>
<td>5</td>
<td>5,791</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>-</td>
<td>-</td>
<td>650,512</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>650</td>
<td>5</td>
<td>1,163,427</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>-</td>
<td>-</td>
<td>35,600</td>
</tr>
<tr>
<td>Debt services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>-</td>
<td>-</td>
<td>320,735</td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>-</td>
<td>-</td>
<td>34,392</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>-</td>
<td>-</td>
<td>390,727</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER EXPENDITURES</strong></td>
<td>650</td>
<td>5</td>
<td>772,700</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>(554)</td>
<td>(651,066)</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>(554)</td>
<td>(650,512)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>NET CHANGES IN FUND BALANCES</strong></td>
<td>650</td>
<td>(549)</td>
<td>122,188</td>
</tr>
<tr>
<td><strong>FUND BALANCES, BEGINNING OF YEAR</strong></td>
<td>1,298,584</td>
<td>46,467</td>
<td>1,564,559</td>
</tr>
<tr>
<td><strong>FUND BALANCES, END OF YEAR</strong></td>
<td>$ 1,299,234</td>
<td>$ 45,918</td>
<td>$ 1,686,747</td>
</tr>
</tbody>
</table>
OTHER REPORT
July 13, 2015

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 Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of Tredyffrin Township (the "Township"), and have issued our report thereon dated July 13, 2015.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
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.

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 Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control 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

BID PROCEDURES

13-1 Finding

As set forth in Ordinance No. HR-393, the Township established that all contracts for the purchase of material and supplies or for maintenance, repairs, or construction in an amount requiring solicitation of quotes, except those excluded from competitive bidding requirements that may be made by the Board after solicitation of two or more quotes, shall be made only to the lowest responsive bidder after receipt of the quotes. While not specified in the Ordinance, the Township identifies the amount requiring quotes as established by the Second Class Township Code. During our audit, we tested various disbursements for the purchase of material and supplies or for maintenance, repairs, or construction that exceeded the dollar value requiring the solicitation of quotes ($10,200 per the Second Class Township Code). Our testing revealed 15 instances where the quotation and bid process had not been followed or properly documented.

Recommendation

We recommended that the Township amend its ordinance to specify that the Second Class Township Code defines the amounts of purchases that require competitive bids or written quotations. In addition, the Township should then develop and implement procedures to ensure that all expenditures needing a competitive bid or quotation have one and are properly documented.

Status

During our current year audit, we noted that the Township followed all bid and written quotation requirements of the Second Class Township Code. Therefore, this finding is no longer applicable.

CURRENT YEAR RECOMMENDATIONS

None.