

**TOWNSHIP OF FRANCONIA**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2014*



# **INTRODUCTORY SECTION**

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**YEAR ENDED DECEMBER 31, 2014**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Members of the Board of Supervisors  
Township of Franconia  
Telford, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Franconia as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township of Franconia's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Township of Franconia's 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of the Board of Supervisors  
Township of Franconia  
Telford, Pennsylvania

### ***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 discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Franconia as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Emphasis of Matter***

As discussed in Note N to the financial statements, the December 31, 2013 financial statements have been restated to record transactions in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

For the year ended December 31, 2014, the Township of Franconia adopted new accounting guidance, implementing Government Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 11, budgetary comparison information on pages 47 through 50 and pension plan information on pages 51 through 56 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.



Oaks, Pennsylvania  
June 25, 2015

**TOWNSHIP OF FRANCONIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2014

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Our discussion and analysis of the Township of Franconia's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2014. Please read it in conjunction with the Township's financial statements that begin on page 12.

**FINANCIAL HIGHLIGHTS**

- The Township's Governmental Funds expenses exceeded total revenues, on the modified accrual basis of accounting, by \$208,076 for the year.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

**Report Components**

This annual report consists of four parts as follows:

***Government-Wide Financial Statements:*** The statement of net position and the statement of activities (on pages 12 and 13) provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

The government-wide financial statements include not only the Township of Franconia itself (known as the Primary Government), but also the legally separate entity which is financially accountable to the Township (known as the component unit). The component unit is the Franconia Sewer Authority. Information for the component unit is reported separately from the financial information presented for the Township itself.

***Fund Financial Statements:*** Fund financial statements focus separately on major Governmental Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the Township's Fiduciary Funds follow the Governmental Funds and include net position, additions, deductions and changes in net position. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.

***Notes to the Financial Statements:*** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**TOWNSHIP OF FRANCONIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2014

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***Required Supplementary Information:*** This management's discussion and analysis and the General Fund, Open Space/Park Fund, State Liquid Fuels Highway Aid Fund and Capital Reserve Fund budgetary comparison schedules (pages 47 through 50) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

**REPORTING THE TOWNSHIP AS A WHOLE**

***The Township's Reporting Entity Presentation***

This annual report includes all activities for which the Franconia Township Board of Supervisors is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate entities that make up the primary government.

***The Government-Wide Statement of Net Position and the Statement of Activities***

Our financial analysis of the Township as a whole begins on page 12. The government-wide financial statements are presented on pages 12 and 13. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

These two statements report the Township's net position and changes in it. You can think of the Township's net position--the difference between assets/deferred outflows and liabilities/deferred inflows--as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's tax base and the condition of the Township's roads, to assess the overall health of the Township.

**TOWNSHIP OF FRANCONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2014**

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**A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net Position**

The Township's net position as of December 31, 2014 and 2013, is presented below:

	Governmental Activities	
	2014	2013
<b>Statements of Net Position</b>		
<b>December 31, 2014 and 2013</b>		
<b>ASSETS</b>		
Current and other assets	\$ 2,645,299	\$ 2,982,304
Capital assets	19,158,248	18,930,139
<b>TOTAL ASSETS</b>	<u>21,803,547</u>	<u>21,912,443</u>
<b>LIABILITIES</b>		
Current and other liabilities	1,066,674	841,010
Long-term debt	7,957,840	8,428,043
<b>TOTAL LIABILITIES</b>	<u>9,024,514</u>	<u>9,269,053</u>
<b>NET POSITION</b>		
Net investment in capital assets	10,707,323	10,022,742
Restricted	3,095,725	1,979,604
Unrestricted	<u>(1,024,015)</u>	<u>641,044</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,779,033</u>	<u>\$ 12,643,390</u>

**TOWNSHIP OF FRANCONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2014**

**Changes in Net Position**

For the years ended December 31, 2014 and 2013, net position of the primary government changed as follows:

	Governmental Activities	
	2014	2013
<b>Statements of Changes in Net Position</b>		
<b>Years Ended December 31, 2014 and 2013</b>		
REVENUES		
Program revenues		
Charges for services	\$ 392,154	\$ 168,021
Operating grants and contributions	712,096	650,176
General revenues		
Taxes	4,889,897	4,224,973
Assessments, permits and related fees	263,838	100,419
Sewer Authority and other reimbursements	575,744	944,371
Cable television franchise fees	245,748	234,302
Investment earnings	4,598	2,556
Grants, subsidies and contributions	45,649	1,341
Rentals	66,400	66,750
Sale of capital assets	3,671	9,500
TOTAL REVENUES	<u>7,199,795</u>	<u>6,402,409</u>
EXPENSES		
General government	1,710,598	1,399,389
Public safety	3,405,237	3,186,198
Highways and streets	1,168,795	1,157,683
Culture and recreation	486,608	388,431
Interest on long-term debt	292,914	329,633
TOTAL EXPENSES	<u>7,064,152</u>	<u>6,461,334</u>
CHANGE IN NET POSITION	<u>\$ 135,643</u>	<u>\$ (58,925)</u>

**TOWNSHIP OF FRANCONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2014**

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**Governmental Activities**

To aid in understanding the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the Township's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund had an excess of expenditures over revenues in 2014 of \$(151,482) and an excess of revenues over expenditures of \$43,741 for 2013. In 2014, an operating deficit of \$727,100 was anticipated; however, actual revenues and transfers exceeded budgeted revenues by \$920,448, and actual expenses and transfers were more than budgeted expenses by \$348,501. In 2013, an operating deficit of \$45,000 was anticipated; however, budgeted revenues exceeded actual revenues by \$145,850, and actual expenses and transfers were more than budgeted expenses and transfers by \$66,109.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 8,660,301	\$ -	\$ -	\$ 8,660,301
Development rights	5,666,272	67,500	-	5,733,772
Land improvements	104,481	-	-	104,481
Infrastructure	2,677,530	255,007	-	2,932,537
Buildings and building improvements	2,291,580	-	-	2,291,580
Vehicles	1,388,726	99,234	(47,180)	1,440,780
Fixtures and equipment	1,241,686	41,913	-	1,283,599
	<u>22,030,576</u>	<u>463,654</u>	<u>(47,180)</u>	<u>22,447,050</u>
Accumulated depreciation	<u>(3,100,437)</u>	<u>(235,545)</u>	<u>47,180</u>	<u>(3,288,802)</u>
	<u>\$ 18,930,139</u>	<u>\$ 228,109</u>	<u>\$ -</u>	<u>\$ 19,158,248</u>

**TOWNSHIP OF FRANCONIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2014

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**Long-Term Debt**

During 2014, the Township repaid a total of \$502,000 of its long-term debt. At December 31, 2014, the Township had \$8,353,000 in long-term debt compared to \$8,855,000 at December 31, 2013, all related to governmental activities. This represents a decrease of 6%.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Township of Franconia continues to experience relatively flat tax revenue since 2009. The real estate millage tax has been increased annually to help offset fixed cost increases in the General Fund. Earned Income Tax (EIT) collections remain consistent without any loss of revenue and regularly generate the anticipated budget income projections. The median household income in the Township of Franconia is estimated at approximately \$65,000 annually based upon census information.

Economic development within the Township of Franconia has not been as significant since 2009, but local businesses have remained steady without realizing sufficient growth. The Township collects a Local Services Tax of \$52.00 per employee working within the Township of Franconia and earning over \$12,000 annually. This revenue source has also remained relatively flat since 2009. There have been a number of small businesses that have opened in the Township of Franconia and the business base does appear to hold its own level. The Township continues to promote its Limited Industrial base through county agencies and private real estate brokers.

Residential development has not been significantly measurable since 2009. The only residential development and growth has been on small sub-divided individual lots and not through large (20 units or greater) development projects since the 2008 economic housing market downturn that adversely impacted local residential development. There is currently one residential development of 23 homes that is expected to begin construction in 2014 and should continue through 2016. Another large residential development (82 units) remains active in regards to planning approvals, but has not been presented for permitting and is currently being marketed through real estate brokers.

The Township expects to see the redevelopment of approximately 25 plus acres in the Village of Franconia at the site of the former Pilgrim Pride meat processing plant. The site is intended to be developed under the Commercial Zoning Ordinance in 2015. The redevelopment of this site will bring infrastructure improvements to the center of the Township and an estimated 75 to 100 new jobs at various income levels.

The Township of Franconia relies upon its Public Works Department for most infrastructure improvements, maintenance and repairs. Annually contracts are established for support as required depending upon the project. Capital improvements and purchases are determined during the annual budgeting process and are planned to ensure that buildings and equipment are maintained and replaced as required.

The Township of Franconia Police Department represents the largest financial obligation while supporting a 15 full-time member department and requires approximately 50% plus of the General Fund obligations and is a 24/7 operation.

**TOWNSHIP OF FRANCONIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2014

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The Township manages and funds its own Non-Uniform and Uniform Pension Plans. Both plans are solid in comparison to other municipal and state plans and have received solvent grades from the Commonwealth of Pennsylvania and neither plan is classified as distressed. The plans recently received their two-year audit from the state and were found to be in compliance without any findings of significance.

The Franconia Sewer Authority continues to expand the Township sanitary sewer system in order to alleviate residential property from failing on-lot disposal systems. This infrastructure improvement provides a better opportunity for the re-sale of existing homes and aids in stimulating the Real Estate Transfer Tax income that has been adversely impacted since 2008 due to the housing market downturn. At its peak, the tax generated nearly \$550,000 annually (2000 - 2007) and currently has an average tax revenue of approximately \$225,000 since 2009.

Annual budgets have been successfully passed as balanced and have typically realized a balance carry-over from the previous year due to direct over-sight and management by department managers.

The Board of Supervisors reviews its General Fund budget on a quarterly basis. Capital funding remains a high priority in order to ensure future needs are properly funded. Capital Fund balances average approximately \$300,000 annually. With the exception of the Open Space Fund (receives funding through a dedicated EIT tax base of .25%), the Township only carries a debt obligation of approximately \$2.5 million over 20 years.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township's office at 671 Allentown Road, Telford, Pennsylvania, or telephone at 215-723-1137.

# TOWNSHIP OF FRANCONIA

## STATEMENT OF NET POSITION

DECEMBER 31, 2014

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,902,534	\$ 585,665	\$ 2,488,199
Taxes receivable	640,290	-	640,290
Accounts and other receivable	82,475	658,209	740,684
Due from component unit	20,000	-	20,000
Notes receivable, current portion	-	20,119	20,119
	<u>2,645,299</u>	<u>1,263,993</u>	<u>3,909,292</u>
NONCURRENT ASSETS			
Restricted assets			
Cash and cash equivalents	-	1,580,838	1,580,838
Property, plant and equipment			
Land	8,660,301	649,865	9,310,166
Development rights	5,733,772	-	5,733,772
Participation rights	-	1,532,350	1,532,350
Construction in progress	-	261,789	261,789
Land improvements	104,481	-	104,481
Infrastructure	2,932,537	38,699,743	41,632,280
Buildings and building improvements	2,291,580	-	2,291,580
Vehicles	1,440,780	-	1,440,780
Fixtures and equipment	1,283,599	119,136	1,402,735
Accumulated depreciation	<u>(3,288,802)</u>	<u>(8,267,220)</u>	<u>(11,556,022)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	19,158,248	32,995,663	52,153,911
Notes receivable, long-term portion	-	170,410	170,410
TOTAL NONCURRENT ASSETS	<u>19,158,248</u>	<u>34,746,911</u>	<u>53,905,159</u>
	21,803,547	36,010,904	57,814,451
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	-	88,058	88,058
	<u>21,803,547</u>	<u>36,098,962</u>	<u>57,902,509</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,803,547</u>	<u>\$ 36,098,962</u>	<u>\$ 57,902,509</u>

See accompanying notes to the basic financial statements.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 512,775	\$ 213,400	\$ 726,175
Accrued salaries, benefits and related taxes	2,681	-	2,681
Accrued interest	-	305,038	305,038
Due to primary government	-	20,000	20,000
Notes payable, current portion	513,000	234,232	747,232
Capital lease obligation, current portion	38,218	100,110	138,328
Revenue bonds payable, current portion	-	120,000	120,000
Other	-	1,000	1,000
	<u>1,066,674</u>	<u>993,780</u>	<u>2,060,454</u>
NONCURRENT LIABILITIES			
Notes payable	7,840,000	1,625,276	9,465,276
Capital lease obligation	59,707	1,044,903	1,104,610
Revenue bonds payable	-	12,517,453	12,517,453
Compensated absences	58,133	-	58,133
	<u>7,957,840</u>	<u>15,187,632</u>	<u>23,145,472</u>
TOTAL LIABILITIES			
	<u>9,024,514</u>	<u>16,181,412</u>	<u>25,205,926</u>
NET POSITION			
Net investment in capital assets	10,707,323	15,772,851	26,480,174
Restricted	3,095,725	-	3,095,725
Unrestricted	(1,024,015)	4,144,699	3,120,684
	<u>12,779,033</u>	<u>19,917,550</u>	<u>32,696,583</u>
TOTAL LIABILITIES AND NET POSITION			
	<u>\$ 21,803,547</u>	<u>\$ 36,098,962</u>	<u>\$ 57,902,509</u>

**TOWNSHIP OF FRANCONIA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
General government	\$ 1,710,598	\$ 16,537	\$ 89,343	\$ -
Public safety				
Police	3,013,068	58,733	116,180	-
Fire and ambulance	260,141	-	110,791	-
Health and welfare	132,028	185,816	-	-
Highways and streets	1,168,795	125,738	395,782	-
Culture and recreation	486,608	5,330	-	-
Interest on long-term debt	292,914	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>7,064,152</b>	<b>392,154</b>	<b>712,096</b>	<b>-</b>
<b>COMPONENT UNIT</b>	<b>3,487,970</b>	<b>3,536,999</b>	<b>-</b>	<b>274,186</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 10,552,122</b>	<b>\$ 3,929,153</b>	<b>\$ 712,096</b>	<b>\$ 274,186</b>

**GENERAL REVENUES**

- Taxes
  - Property taxes
  - Earned income tax
  - Local services, realty transfer and other taxes
- Assessments, permits and related fees
- Sewer Authority and other reimbursements
- Cable television and franchise fees
- Investment earnings
- Grants, subsidies and contributions
- Rentals
- Proceeds from sale of capital assets
- TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary</u>	<u>Component</u>	
<u>Government</u>	<u>Unit</u>	<u>Totals</u>
\$ (1,604,718)	\$ -	\$ (1,604,718)
(2,838,155)	-	(2,838,155)
(149,350)	-	(149,350)
53,788	-	53,788
(647,275)	-	(647,275)
(481,278)	-	(481,278)
(292,914)	-	(292,914)
(5,959,902)	-	(5,959,902)
-	323,215	323,215
(5,959,902)	323,215	(5,636,687)
1,253,039	-	1,253,039
3,001,050	-	3,001,050
635,808	-	635,808
263,838	-	263,838
575,744	-	575,744
245,748	-	245,748
4,598	9,482	14,080
45,649	-	45,649
66,400	18,050	84,450
3,671	-	3,671
6,095,545	27,532	6,123,077
135,643	350,747	486,390
12,643,390	19,566,803	32,210,193
\$ <u>12,779,033</u>	\$ <u>19,917,550</u>	\$ <u>32,696,583</u>

# TOWNSHIP OF FRANCONIA

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2014

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	<u>General Fund</u>	<u>Open Space Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 25,793	\$ 1,434,116
Taxes receivable	640,290	-
Other receivables	82,475	-
Due from other funds	<u>-</u>	<u>1,283,769</u>
TOTAL ASSETS	<u>\$ 748,558</u>	<u>\$ 2,717,885</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 301,737	\$ 2,412
Bank overdraft	145,728	-
Accrued payroll and related liabilities	2,681	-
Due to other funds	<u>1,638,769</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,088,915</u>	<u>2,412</u>
<b>FUND BALANCES (DEFICIT)</b>		
Restricted for		
Open space	-	2,715,473
Highway use	-	-
Capital projects	-	-
Unassigned	<u>(1,340,357)</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(1,340,357)</u>	<u>2,715,473</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 748,558</u>	<u>\$ 2,717,885</u>

See accompanying notes to the basic financial statements.

<u>Highway Aid Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 233,164	\$ 16,755	\$ 192,706	\$ 1,902,534
-	-	-	640,290
-	-	-	82,475
-	355,000	-	1,638,769
<u>233,164</u>	<u>371,755</u>	<u>192,706</u>	<u>4,264,068</u>
\$ 6,655	\$ 6,807	\$ 49,436	\$ 367,047
-	-	-	145,728
-	-	-	2,681
-	-	-	1,638,769
<u>6,655</u>	<u>6,807</u>	<u>49,436</u>	<u>2,154,225</u>
-	-	-	2,715,473
226,509	-	-	226,509
-	364,948	-	364,948
-	-	143,270	(1,197,087)
<u>226,509</u>	<u>364,948</u>	<u>143,270</u>	<u>2,109,843</u>
\$ <u>233,164</u>	\$ <u>371,755</u>	\$ <u>192,706</u>	\$ <u>4,264,068</u>

**TOWNSHIP OF FRANCONIA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2014**

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 2,109,843

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

Land	8,660,301
Development rights	5,733,772
Land improvements, net of \$47,186 depreciation	57,295
Buildings and building improvements, net of \$729,890 depreciation	1,561,690
Fixtures and equipment, net of \$1,100,556 depreciation	183,043
Vehicles, net of \$1,103,150 depreciation	337,630
Infrastructure, net of \$308,020 depreciation	2,624,517

Other receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported or deferred in the funds. 20,000

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances at December 31, 2014, are:

Notes payable	(8,353,000)
Capital lease obligation	(97,925)
Compensated absences	(58,133)
	(8,509,058)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,779,033

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF FRANCONIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Open Space Fund</u>
<b>REVENUES</b>		
Taxes	\$ 4,634,977	\$ -
Licenses, permits and fees	267,605	-
Fines and forfeits	46,226	-
Interest	717	2,309
Rents	69,787	-
Intergovernmental	388,091	-
Charges for services	639,637	-
Refunds of prior year expenditures	31,369	-
Assessments and other	180,516	-
	<u>6,258,925</u>	<u>2,309</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES</b>		
General government	1,345,192	-
Public safety	3,166,594	-
Public works, highways and streets	1,012,438	-
Culture and recreation	168,006	-
Capital outlay	-	89,946
Debt service	199,179	595,735
	<u>5,891,409</u>	<u>685,681</u>
<b>TOTAL EXPENDITURES</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		
	<u>367,516</u>	<u>(683,372)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from sale of capital assets	3,671	-
Transfers in	620,423	985,144
Transfers out	(1,143,092)	(195,416)
	<u>(518,998)</u>	<u>789,728</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		
<b>NET CHANGE IN FUND BALANCES</b>		
	(151,482)	106,356
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, restated</b>		
	<u>(1,188,875)</u>	<u>2,609,117</u>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>		
	<u>\$ (1,340,357)</u>	<u>\$ 2,715,473</u>

*See accompanying notes to the basic financial statements.*

<u>Highway Aid Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 319,920	\$ 4,954,897
-	-	-	267,605
-	-	-	46,226
529	483	560	4,598
-	-	-	69,787
308,505	15,500	54,416	766,512
-	-	-	639,637
-	40,375	-	71,744
-	107,333	87,269	375,118
309,034	163,691	462,165	7,196,124
-	-	24,547	1,369,739
-	-	145,350	3,311,944
74,144	-	7,552	1,094,134
-	-	199,584	367,590
258,727	86,832	30,374	465,879
-	-	-	794,914
332,871	86,832	407,407	7,404,200
(23,837)	76,859	54,758	(208,076)
-	-	-	3,671
616	127,332	30,000	1,763,515
-	(415,000)	(10,007)	(1,763,515)
616	(287,668)	19,993	3,671
(23,221)	(210,809)	74,751	(204,405)
249,730	575,757	68,519	2,314,248
\$ 226,509	\$ 364,948	\$ 143,270	\$ 2,109,843

**TOWNSHIP OF FRANCONIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (204,405)

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$463,654) exceed depreciation expense (\$235,545) in the current period (see Note D). 228,109

Because some taxes and other receivables will not be collected for several months after the Township's year-end, they are not considered as "available" revenues in the Governmental Funds, but are considered revenues in the statement of activities. These taxes and other receivables are net of corresponding amounts due at the end of the prior year. These amounts decreased by this amount this year. (326,000)

Issuance of long-term debt provides current financial resources to the Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. However, neither transaction has any effect on net position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. The net effect of these transactions is this amount for the current year. 443,182

In the statement of activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (5,243)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 135,643

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF FRANCONIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2014**

	<u>Pension Funds</u>	<u>Escrow Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 645,891	\$ 1,539,996
Due from members	3,758	-
Accrued investment income	19,965	-
Investments at fair value	<u>5,681,004</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,350,618</u>	<u>\$ 1,539,996</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Escrow funds	\$ -	\$ 1,539,996
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>6,350,618</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,350,618</u>	<u>\$ 1,539,996</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF FRANCONIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Pension Funds</u>
ADDITIONS	
Contributions	
General municipal pension state aid	\$ 182,016
Township	365,559
Employees	40,035
TOTAL CONTRIBUTIONS	<u>587,610</u>
Investment income	
Net increase in fair value of assets	15,990
Interest, dividend and capital gain income	294,965
TOTAL INVESTMENT INCOME	<u>310,955</u>
Investment expenses	(35,595)
INVESTMENT INCOME, net	<u>275,360</u>
TOTAL ADDITIONS	<u>862,970</u>
DEDUCTIONS	
Benefits	268,216
Administrative expenses	8,000
TOTAL DEDUCTIONS	<u>276,216</u>
CHANGE IN NET POSITION	586,754
NET POSITION AT BEGINNING OF YEAR	<u>5,763,864</u>
NET POSITION AT END OF YEAR	<u>\$ 6,350,618</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Township of Franconia (the "Township") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies of the Township.

**Reporting Entity**

The Board of Supervisors ("the Board") is the basic level of government which has financial accountability and control over all activities related to municipal functions in the Township. The Board receives funding from local, state and federal sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the Government Accounting Standards Board since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary accountability for fiscal matters.

The Township follows the criteria promulgated by GASB for purposes of determining the scope of its reporting entity. As required by GAAP, the basic financial statements of the reporting entity include those of the Township of Franconia (the "Primary Government") and its component unit, the Franconia Sewer Authority (the "Authority"). The Authority is considered a component unit of the Township as its governing board is appointed by the Township, the Township guarantees much of its debt and its activities are considered significant in determining the reporting entity. The financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit. Accordingly, the component unit columns in the basic financial statements include the financial data of the Authority in a separate column to emphasize that it is legally separate from the Township.

**Basis of Presentation**

**Government-Wide Financial Statements** - The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the Fiduciary Funds. The statements distinguish between governmental activities and the discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from the activities of the component unit, which are generally financed through fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds and the Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

***Fund Financial Statements*** - Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the Governmental and Fiduciary Funds statements. An emphasis is placed on major funds within the governmental category.

**Governmental Funds** - Governmental Funds are those funds through which most governmental functions of the Township are financed. The acquisition, use and balance of the Township's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Township's Governmental Funds:

*General Fund* - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

*Open Space Fund* - The Open Space Fund is used to account for resources for the acquisition of open space, including development rights.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Highway Aid Fund - The Highway Aid Fund, as required by law, accounts for revenue from the State Motor License Fund (gasoline tax distribution, etc.) and the approved expenditure of such monies for highway purposes.

Capital Reserve Fund - The Capital Reserve Fund accounts for financial resources to be used for the acquisition or construction of major capital projects.

Other Governmental Funds - Other Governmental Funds consist of the following funds, which are accounted for as Special Revenue or Capital Projects Funds:

- *Special Revenue Funds*
  - Light and Hydrant
  - Fire Protection
  - Municipal Recycling
  - Facilities and Services
  - Impact Fees
  - Library Tax
- *Capital Projects Funds*
  - Parks and Recreation

**Fiduciary Funds** - The Fiduciary Funds are used to account for assets held by the Township as trustee for and on behalf of individuals or organizations who have designated the Township as trustee of the assets. The Fiduciary Funds consist of the Township's pension plans with its uniformed and nonuniformed employees and escrow funds which it is holding on behalf of others. The Township excludes these activities from the government-wide financial statements because those assets cannot be used to finance operations.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting.

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental Funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. 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 Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Fiduciary Funds are reported using the economic resources measurement focus and the accrual basis of accounting.

**Budgets and Budgetary Accounting**

The Township annually adopts its general operating budget in accordance with the Commonwealth of Pennsylvania Second Class Township Code of May 1, 1933 (P. L. 103, No. 69 as amended). The budget is advertised as required and filed with the Pennsylvania Department of Community Affairs as prescribed by the Department.

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents.

**Real Property Taxes**

The Township levies real property taxes on January 1 of each year based upon the assessed valuation as of January 1, as determined by the County of Montgomery. Property taxes are due upon receipt with a discount of 2% allowed through April 30, face amount due from May 1 through June 30 and a penalty of 10% levied for all payments received after June 30. All unpaid real property taxes are liened with the County of Montgomery on January 15 following the year levied.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are long-lived assets of the Township as a whole and reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with a life expectancy of greater than one year and an initial cost ranging from \$3,000, depending on asset classification. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed; at estimated fair market value at the time of receipt if donated.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

**Government-Wide Financial Statements** - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation. A capitalization threshold of \$3,000 is used to report capital assets.

The estimated useful lives by type of asset are as follows:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	25-50
Fixtures and equipment	10-25
Vehicles	7-10
Infrastructure	25-50

**Fund Financial Statements** - In the fund financial statements, capital assets arising from cash transactions acquired for use in Governmental Funds operations are accounted for as capital outlay expenditures of the Governmental Funds upon acquisition. Capital assets acquired for use in Proprietary Fund operations are accounted for the same as in the government-wide statements.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Township policy permits employees to accumulate a limited amount of earned but unused sick time. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred in the government-wide financial statements. The computed liability is in compliance with GASB Statement No. 16, *Accounting for Compensated Absences*.

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Township does not currently have any items that fit in this category.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Fund Balance and GASB Statement No. 54**

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. The Supervisors have not delegated that authority as of December 31, 2014.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The details of the fund balances are included in the Governmental Funds balance sheet (page 14).

**Transactions Between Funds**

Short-term amounts owed between funds, if any, are classified as interfund receivables/payables. Legally authorized transfers are treated as operating transfers and are included in the results of operations of the funds.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Component Unit - Franconia Sewer Authority**

The Franconia Sewer Authority ("Authority") was incorporated under the provisions of the Pennsylvania Municipality Authorities Act of 1945, as amended and supplemented, pursuant to a resolution passed by the Supervisors of the Board of Township Supervisors of the Township of Franconia, Pennsylvania.

***Basis of Accounting*** - The Authority follows the accounting and financial reporting standards in accordance with generally accepted accounting principles as applied to governmental units.

As a single function special purpose government, the Authority's financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**NOTE B - CASH AND INVESTMENTS**

**Cash**

The Township's cash and cash investments consist of deposits with financial institutions.

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$1,920,941 of the Township's bank balance of \$2,170,941 was exposed to custodial credit risk as follows:

Checking and money market accounts	\$ <u>1,920,941</u>
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**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Investments**

**Interest Rate Risk** - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Pension Plans** - As of December 31, 2014, the Township had the following investments in pension plans:

**Police Pension Plan**

	<u>Market Value</u>	<u>Cost</u>
U.S. Government and agencies	\$ 1,024,245	\$ 1,022,893
Mutual funds	2,054,389	1,522,229
Certificates of deposit	480,000	479,916
Common stock	91,728	71,469
Corporate bonds	<u>606,809</u>	<u>578,310</u>
	<u>\$ 4,257,171</u>	<u>\$ 3,674,817</u>

**Non-Uniformed Employees' Pension Plan**

	<u>Market Value</u>	<u>Cost</u>
U.S. Government and agencies	\$ 349,632	\$ 351,939
Mutual funds	679,897	505,418
Certificates of deposit	165,000	164,948
Common stock	30,724	23,884
Corporate bonds	<u>198,580</u>	<u>194,985</u>
	<u>\$ 1,423,833</u>	<u>\$ 1,241,174</u>

**Credit Risk** - State law limits investments in obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The Township has no investment policy that would further limit its investment choices.

**TOWNSHIP OF FRANCONIA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk** - The Township places no limit on the amount the Township may invest in any one issuer.

**Component Unit - Franconia Sewer Authority** - The bank balances of the Authority at December 31, 2014, totaled \$654,689, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining amounts are collateralized under applicable statutes of the Commonwealth of Pennsylvania Act 72. The Authority does not have a deposit policy for custodial credit risk, which is the risk that, in the event of a failure of the financial institutions, the Authority's deposits may not be returned to it.

The Authority was not holding any investments at December 31, 2014. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. The Authority does not have a formal policy concerning interest rate risk.

**NOTE C - TAXES RECEIVABLE AND DEFERRED TAX RECEIVABLE**

The Township, in accordance with generally accepted accounting principles, recognizes in its government-wide financial statements its unpaid and delinquent and unpaid taxes receivable at their estimated realizable balances. Since the Township has the authority to lien property for unpaid taxes, an allowance for uncollectible taxes is not considered necessary.

Taxes receivable consist of the following:

Real estate taxes	\$ 5,769
Earned income taxes	544,843
Other taxes	<u>89,678</u>
	<u>\$ 640,290</u>

A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue in the fund financial statements. Of the total taxes receivable, \$640,290 has been recognized as revenue during the year ended December 31, 2014, in the fund financial statements.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE D - CAPITAL ASSETS**

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

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,660,301	\$ -	\$ -	\$ 8,660,301
Development rights	5,666,272	67,500	-	5,733,772
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>14,326,573</b>	<b>67,500</b>	<b>-</b>	<b>14,394,073</b>
Capital assets being depreciated				
Land improvements	104,481	-	-	104,481
Infrastructure	2,677,530	255,007	-	2,932,537
Buildings and building improvements	2,291,580	-	-	2,291,580
Vehicles	1,388,726	99,234	(47,180)	1,440,780
Fixtures and equipment	1,241,686	41,913	-	1,283,599
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>7,704,003</b>	<b>396,154</b>	<b>(47,180)</b>	<b>8,052,977</b>
Accumulated depreciation				
Land improvements	40,352	6,834	-	47,186
Infrastructure	239,979	68,041	-	308,020
Buildings and building improvements	684,058	45,832	-	729,890
Vehicles	1,078,393	71,937	(47,180)	1,103,150
Fixtures and equipment	1,057,655	42,901	-	1,100,556
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>3,100,437</b>	<b>235,545</b>	<b>(47,180)</b>	<b>3,288,802</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>4,603,566</b>	<b>160,609</b>	<b>-</b>	<b>4,764,175</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 18,930,139</b>	<b>\$ 228,109</b>	<b>\$ -</b>	<b>\$ 19,158,248</b>
<b>COMPONENT UNIT</b>				
Capital assets not being depreciated				
Land	\$ 649,865	\$ -	\$ -	\$ 649,865
Construction in progress	354,576	410,670	(503,457)	261,789
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>1,004,441</b>	<b>410,670</b>	<b>(503,457)</b>	<b>911,654</b>
Capital assets being depreciated				
Sewer system infrastructure	38,196,286	503,457	-	38,699,743
Participation rights in other facilities	1,532,350	-	-	1,532,350
Fixtures and equipment	86,797	32,339	-	119,136
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>39,815,433</b>	<b>535,796</b>	<b>-</b>	<b>40,351,229</b>
Accumulated depreciation	(7,493,776)	(773,444)	-	(8,267,220)
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>32,321,657</b>	<b>(237,648)</b>	<b>-</b>	<b>32,084,009</b>
<b>COMPONENT UNIT CAPITAL ASSETS, net</b>	<b>\$ 33,326,098</b>	<b>\$ 173,022</b>	<b>\$ (503,457)</b>	<b>\$ 32,995,663</b>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE D - CAPITAL ASSETS (Continued)**

Depreciation expense for governmental activities was charged to functions as follows in the statement of activities:

GOVERNMENTAL ACTIVITIES	
General government	\$ 28,841
Public safety	
Police	78,534
Other	336
Highways and streets	114,153
Culture and recreation	<u>13,681</u>
	<u>\$ 235,545</u>

**NOTE E - LONG-TERM DEBT**

**Guaranteed Revenue Notes of 2007**

The Township borrowed \$8,500,000 from Delaware Valley Regional Finance Authority, consisting of two Guaranteed Revenue Notes, Series A of 2007, for \$2,609,000 and Series B of 2007 for \$5,891,000 for the purpose of providing funds for and toward:

1. Redeeming the General Obligation Note, Series of 2002.
2. Make purchases of development rights and land for open space.
3. Make improvements to land acquired as open space.
4. Reimburse other funds for open space expenditures made prior to this borrowing.
5. Cover the issue costs of the borrowing. These costs totaled \$48,000 and are being amortized over ten years.

The loan agreement allowed interest on the debt to be variable or fixed for certain periods of time. The Township elected fixed rates, as summarized below:

	Series A of 2007		Series B of 2007	
	Principal	Rate	Principal	Rate
Six-year fixed; reset June 25, 2013	\$ 871,000	3.883%	\$ 1,964,000	3.884%
Nine-year fixed; resets June 25, 2016	871,000	4.042%	1,964,000	4.042%
Twelve-year fixed; resets June 25, 2019	<u>867,000</u>	4.153%	<u>1,963,000</u>	4.152%
Original borrowing	<u>\$ 2,609,000</u>		<u>\$ 5,891,000</u>	

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE E - LONG-TERM DEBT (Continued)**

In addition to interest, the Township pays monthly service charges totaling \$2,834 to the financial institution administering the notes. Wells Fargo is paid \$870 per month to administer the Series A note and \$1,964 to administer the Series B note. The service charges are expensed as incurred.

By referendum, the Township's earned income tax was increased one-quarter percent during 2002 for the purpose of funding the acquisition of open space. The earned income tax earmarked for open space is used, in part, to fund the debt service on borrowings made for open space purposes.

In June 2013, the interest rate on the notes was reset to 2.03% through June 25, 2021. Accordingly, following are the estimated remaining repayments on the notes, assuming the interest rate reverts to a variable rate of 3% after the fixed rate terminates on June 25, 2021:

**Series A**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 119,000	\$ 65,172	\$ 184,172
2016	123,000	61,164	184,164
2017	127,000	57,013	184,013
2018	132,000	52,720	184,720
2019	137,000	48,241	185,241
2020 to 2024	755,000	168,308	923,308
2025 to 2027	518,000	36,057	554,057
	<u>\$ 1,911,000</u>	<u>\$ 488,675</u>	<u>\$ 2,399,675</u>

**Series B**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 269,000	\$ 147,245	\$ 416,245
2016	279,000	138,209	417,209
2017	289,000	128,804	417,804
2018	298,000	119,051	417,051
2019	308,000	108,971	416,971
2020 to 2024	1,704,000	380,382	2,084,382
2025 to 2027	1,170,000	81,558	1,251,558
	<u>\$ 4,317,000</u>	<u>\$ 1,104,220</u>	<u>\$ 5,421,220</u>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE E - LONG-TERM DEBT (Continued)**

**General Obligation Note, Series 2011**

During 2011, the Township borrowed \$2,500,000 from QNB Bank. Proceeds of the General Obligation Note, Series of 2011, were used to:

1. Redeem the General Obligation Note, Series of 2003.
2. To undertake a capital improvement program to fund the costs of various municipal projects including traffic, road and trail improvements, upgrades to the administration complex and public works building and other related projects and acquisitions.
3. Cover the debt issue costs.

The note will carry interest at an annual rate of 3.125% for the first five years of the 20-year term, following which it will adjust every year to a fixed tax exempt rate equal to 70% of the QNB Base Rate, subject to a minimum rate of 3% and a maximum of 5.25%.

Following is a summary of the note proceeds:

Issue costs	\$	7,438
Principal and interest of General Obligation Note, Series of 2003		1,402,183
Deposit to Franconia Township Capital Reserve Fund		<u>1,090,379</u>
<b>FACE AMOUNT OF BORROWING</b>	<b>\$</b>	<b><u><u>2,500,000</u></u></b>

Scheduled repayments are currently estimated as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 125,000	\$ 67,329	\$ 192,329
2016	125,000	63,542	188,542
2017	125,000	99,805	224,805
2018	125,000	93,151	218,151
2019	125,000	86,497	211,497
2020 to 2024	625,000	333,046	958,046
2025 to 2029	625,000	166,414	791,414
2030 to 2031	<u>250,000</u>	<u>19,961</u>	<u>269,961</u>
	<b><u><u>\$ 2,125,000</u></u></b>	<b><u><u>\$ 929,745</u></u></b>	<b><u><u>\$ 3,054,745</u></u></b>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE E - LONG-TERM DEBT (Continued)**

**Summary of Note Obligation**

A summary of the above scheduled repayments follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 513,000	\$ 279,746	\$ 792,746
2016	527,000	262,915	789,915
2017	541,000	285,622	826,622
2018	555,000	264,922	819,922
2019	570,000	243,709	813,709
2020 to 2024	3,084,000	881,736	3,965,736
2025 to 2029	2,313,000	284,029	2,597,029
2030 to 2031	<u>250,000</u>	<u>19,961</u>	<u>269,961</u>
	<u>\$ 8,353,000</u>	<u>\$ 2,522,640</u>	<u>\$ 10,875,640</u>

**Capital Leases**

The Township leases four vehicles under capital leases, two of which expire in 2015, one of which expires in 2017, and one of which expires in 2019.

A schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2014, is as follows:

<u>Year Ending December 31,</u>	
2015	\$ 42,719
2016	23,489
2017	20,956
2018	13,358
2019	<u>6,680</u>
TOTAL MINIMUM LEASE PAYMENTS	107,202
Amount representing interest	<u>(9,277)</u>
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 97,925</u>

The gross value of this equipment on the statement of net position is \$165,461 with accumulated depreciation of \$23,734.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE E - LONG-TERM DEBT (Continued)**

**Compensated Absences**

Compensated absences totaled \$58,133 as of December 31, 2014, all of which have been classified as a long-term liability.

Debt and compensated absences are attributable to governmental activities and will be liquidated by the Township's General and Open Space Funds.

**Component Unit - Franconia Sewer Authority**

At December 31, 2014, long-term debt consists of the following:

2011 Government Capital Promissory Note, due in varying annual installments through 2021, plus interest at varying rates with a floor of 4.17%	\$ 1,859,508
Guaranteed Sewer Revenue Bonds, Series of 2006, due in varying annual installments through 2037, plus interest at rates ranging from 3.75% to 4.50%	6,924,562
Guaranteed Sewer Revenue Bonds, Series of 2013, due in varying annual installments through 2038, plus interest at rates ranging from 0.70% to 3.625%	5,624,833
2009 Government Capital Lease, due in varying annual installments through 2024, plus interest at 2.95%	<u>1,145,013</u>
	<u>\$ 15,553,916</u>

The following is a summary of long-term debt transactions of the Authority for the year ended December 31, 2014:

<u>Borrowing Obligation</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Promissory note	\$ 2,084,363	\$ -	\$ (224,855)	\$ 1,859,508	\$ 234,232
Sewer Revenue Bonds					
Series of 2006	6,930,000	-	(110,000)	6,820,000	115,000
Series of 2013	5,845,000	-	(5,000)	5,840,000	5,000
Capital lease	1,242,255	-	(97,242)	1,145,013	100,110
Issuance premiums, discounts and loss on refunding	(117,434)	-	6,829	(110,605)	-
	<u>\$ 15,984,184</u>	<u>\$ -</u>	<u>\$ (430,268)</u>	<u>\$ 15,553,916</u>	<u>\$ 454,342</u>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE E - LONG-TERM DEBT (Continued)**

The annual requirements to amortize all outstanding debt as of December 31, 2014, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 454,342	\$ 599,800	\$ 1,054,142
2016	472,064	582,278	1,054,342
2017	490,278	564,064	1,054,342
2018	509,008	545,134	1,054,142
2019	528,271	525,302	1,053,573
2020 to 2024	2,730,558	2,301,453	5,032,011
2025 to 2029	3,185,000	1,747,650	4,932,650
2030 to 2034	3,860,000	1,073,397	4,933,397
2035 to 2038	3,435,000	259,897	3,694,897
	15,664,521	<u>\$ 8,198,975</u>	<u>\$ 23,863,496</u>
Net unamortized bond premiums, discounts and loss on refunding	<u>(110,605)</u>		
	<u>\$ 15,553,916</u>		

**NOTE F - INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances as of December 31, 2014, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 1,638,769
Open Space Fund	1,283,769	-
Capital Reserve Fund	<u>355,000</u>	<u>-</u>
	<u>\$ 1,638,769</u>	<u>\$ 1,638,769</u>

The balances exist because certain funds pay for the expenses of the other funds. These amounts have not been repaid at December 31, 2014.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE F - INTERFUND BALANCES AND TRANSFERS (Continued)**

Interfund transfers are executed as a result of certain funds funding the expenditures or expenses of other funds. The amounts transferred for the year ended December 31, 2014, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 620,423	\$ 1,143,092
Open Space Fund	985,144	195,416
Highway Aid Fund	616	-
Capital Reserve Fund	127,332	415,000
Other Governmental Funds	<u>30,000</u>	<u>10,007</u>
	<u>\$ 1,763,515</u>	<u>\$ 1,763,515</u>

**NOTE G - POLICE PENSION PLAN**

**Summary of Significant Accounting Policies**

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair value. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

**Plan Administration** - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Pension Board, which consists of five members appointed by resolution of the Township Board of Supervisors. The Pension Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan. The Township Board of Supervisors has delegated the authority to manage certain plan assets to Uninvest Bank and Trust Company.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE G - POLICE PENSION PLAN (Continued)**

**Plan Membership** - At December 31, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	11
	<hr/>
	15
	<hr/> <hr/>

**Benefits Provided** - The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 52 with at least 25 years of service. Officers may also receive a service increment equal to \$100 per month for each year of service in excess of 25 years up to a maximum of \$500 per month.

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. Covered employees are required to contribute 3% of their regular compensation and 5% of overtime compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Township's Police Pension Plan are established by Township ordinances.

**Contributions** - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 3% of the participant's regular pay and 5% of the participant's overtime pay.

In 2014, the MMO obligation for the plan was \$433,998 for the year 2014. Contributions of \$317,818 and \$116,180 were made by the Township and the Commonwealth, respectively.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE G - POLICE PENSION PLAN (Continued)**

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The Pension Board, with the assistance of Uninvest Bank and Trust Company, shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments, or industries.

The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Allocation</u>
Equity	55%
Fixed income	45%
Cash	<u>0%</u>
	<u><u>100%</u></u>

**Concentrations** - The plan did not hold investments in any one organization that represent 5% or more of the plan's fiduciary net position.

**Rate of Return** - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2014, were as follows:

Total pension liability	\$ 6,472,172
Plan fiduciary net position	<u>(4,801,501)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u><u>1,670,671</u></u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>74.19%</u></u>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - POLICE PENSION PLAN (Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.5% annual increase
Investment rate of return	6.5%

Mortality rates were based on the UP-1984 tables.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class that could possibly be included in the plan's target asset allocation as of December 31, 2014 (see Investment Policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	
Large Cap	8.25%
Medium Cap	8.75%
Small Cap	9.00%
International equity	8.75%
Fixed income	4.80%
Real estate	8.75%
Cash	2.30%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE G - POLICE PENSION PLAN (Continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 6.5%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	\$ <u>7,544,294</u>	\$ <u>6,472,172</u>	\$ <u>5,598,838</u>

**Deferred Retirement Option Program**

On September 15, 2014, the Township enacted Ordinance No. 380 which created a Deferred Retirement Option Plan (DROP) for all full-time police officers of the Township. As of December 31, 2014, no eligible plan members are participating in the DROP program. Upon a participant's termination of employment, the participant's accumulated balance will be paid in a manner as prescribed by the plan document.

**NOTE H - NON-UNIFORMED EMPLOYEES' PENSION PLAN**

**Summary of Significant Accounting Policies**

Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair value. Financial information of the Township's Non-Uniformed Employees' Pension Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

***Plan Administration*** - The Township administers the Non-Uniformed Employees' Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniformed employees. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Pension Board, which consists of five members appointed by resolution of the Township Board of Supervisors. The Pension Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan. The Township Board of Supervisors has delegated the authority to manage certain plan assets to Uninvest Bank and Trust Company.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE H - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)**

**Plan Membership** - At December 31, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	16
	<hr/>
	33
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**Benefits Provided** - The plan provides retirement benefits as well as death benefits. All benefits vest at 10% per year, graded up to 100% after ten years of credited service. Employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly, 1% of the average monthly compensation over the participant's last 5 highest consecutive years of service out of the last ten years of service. Married employees will receive joint and 50% survivor annuity. Early retirement benefits equal the vested accrued benefit and begin at age 55. The early retirement pension shall be the actuarial equivalent of a partial superannuation retirement benefit.

The benefit provisions of the Township's plan are established by Township ordinances.

**Contributions** - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state contributions, must be funded by the employer.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Participants are not required to make contributions to the plan.

In 2014, the MMO obligation for the plan was \$113,577 for the year 2014. Contributions of \$47,741 and \$65,836 were made by the Township and the Commonwealth, respectively.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE H - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)**

**Investments**

**Investment Policy** - The Pension Board, with the assistance of Univest Bank and Trust Company, shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments, or industries.

The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	55%
Fixed income	45%
Cash	<u>0%</u>
	<u><u>100%</u></u>

**Concentrations** - The plan did not hold investments in any one organization that represent 5% or more of the plan's fiduciary net position.

**Rate of Return** - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2014, were as follows:

Total pension liability	\$ 2,010,788
Plan fiduciary net position	<u>(1,549,117)</u>
NET PENSION LIABILITY	<u><u>\$ 461,671</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>77.04%</u></u>

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE H - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.5% annual increase
Investment rate of return	6.5%

Mortality rates were based on the UP-1984 Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class that could be included in the plan's target asset allocation as of December 31, 2014 (see Investment Policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	
Large Cap	8.25%
Medium Cap	8.75%
Small Cap	9.00%
International equity	8.75%
Fixed income	4.80%
Real estate	8.75%
Cash	2.30%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE H - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Township, calculated using the discount rate of 6.5%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	\$ <u>2,396,113</u>	\$ <u>2,010,788</u>	\$ <u>1,700,904</u>

**NOTE I - ESCROW FUNDS AND LETTERS OF CREDIT**

The Township holds escrow funds and letters of credit which will be released as the public improvements for which they are pledged are completed. The escrowed funds are reported as Fiduciary Funds; the letters of credit are not included in the accompanying financial statements.

**NOTE J - RELATED-PARTY TRANSACTIONS**

As described at Note A, the Franconia Sewer Authority is considered a component unit of the Township. In its relationship with the Authority, the Township provides to it managerial, secretarial and public works services along with office space, computer services and supplies, for which it charges. The Township billed \$524,720 for these services in 2014. The Authority repaid \$850,720 during 2014, which included certain amounts billed in the prior year. The statement of net position includes \$20,000 due from the Franconia Sewer Authority.

**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages these various risks by purchasing commercial insurance policies. The Township has no unfunded liability.

**TOWNSHIP OF FRANCONIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE L - LEASE**

The Township is lessor of a cell tower under an operating lease agreement. The lease can be renewed by the lessee for renewal terms extending into 2029.

Future minimum rental payments under the lease for the next four years are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 22,770
2016	23,805
2017	23,805
2018	<u>23,805</u>
	<u>\$ 94,185</u>

**NOTE M - NOTES RECEIVABLE**

**Component Unit - Franconia Sewer Authority**

The Authority offers property owners in its sewer project areas the opportunity to finance certain of the costs of the hook-up requirements. The notes range from \$5,125 to \$17,920, bear interest at 6.00% and are payable over 5 to 20 years. Total notes outstanding were \$190,529 as of December 31, 2014.

**NOTE N - PRIOR-PERIOD ADJUSTMENT**

A prior-period adjustment was made to correct the interfund balances between the General Fund, Open Space Fund and Capital Reserve Fund. As a result of the adjustment, the beginning fund balance of the General Fund decreased from \$266,125 to \$(1,188,875) and the balance due to other funds increased \$1,455,000. Also, as a result of the adjustment, the beginning fund balance of the Open Space Fund increased from \$1,509,117 to \$2,609,117 and the balance due from other funds increased \$1,100,000. Finally, as a result of the adjustment, the beginning fund balance of the Capital Reserve Fund increased from \$220,757 to \$575,757 and the balance due from other funds increased \$355,000.

**NOTE O - SUBSEQUENT EVENT**

Management has evaluated subsequent events through June 25, 2015. In May 2015, the Board of Supervisors approved the issuance of a \$2,650,000 tax exempt note that will refinance the General Obligation Note, Series of 2011.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF FRANCONIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,137,600	\$ 4,137,600	\$ 4,634,977	\$ 497,377
Licenses, permits and fees	348,800	348,800	267,605	(81,195)
Fines and forfeits	50,000	50,000	46,226	(3,774)
Interest	500	500	717	217
Rents	70,000	70,000	69,787	(213)
Intergovernmental	366,400	366,400	388,091	21,691
Charges for services	586,900	586,900	639,637	52,737
Refunds of prior year expenditures	117,500	117,500	31,369	(86,131)
Assessments and other	237,900	237,900	180,516	(57,384)
<b>TOTAL REVENUES</b>	<b>5,915,600</b>	<b>5,915,600</b>	<b>6,258,925</b>	<b>343,325</b>
<b>EXPENDITURES</b>				
General government	1,242,300	1,242,300	1,345,192	102,892
Public safety	3,260,900	3,260,900	3,166,594	(94,306)
Public works	946,400	946,400	1,012,438	66,038
Culture and recreation	188,300	188,300	168,006	(20,294)
Debt service	198,300	198,300	199,179	879
<b>TOTAL EXPENDITURES</b>	<b>5,836,200</b>	<b>5,836,200</b>	<b>5,891,409</b>	<b>55,209</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>79,400</b>	<b>79,400</b>	<b>367,516</b>	<b>288,116</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	43,300	43,300	620,423	577,123
Transfers out	(849,800)	(849,800)	(1,143,092)	(293,292)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(806,500)</b>	<b>(806,500)</b>	<b>(522,669)</b>	<b>283,831</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale of capital assets	-	-	3,671	3,671
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (727,100)</b>	<b>\$ (727,100)</b>	<b>(151,482)</b>	<b>\$ 575,618</b>
<b>FUND DEFICIT AT BEGINNING OF YEAR, restated</b>			<b>(1,188,875)</b>	
<b>FUND DEFICIT AT END OF YEAR</b>			<b>\$ (1,340,357)</b>	

**TOWNSHIP OF FRANCONIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**OPEN SPACE FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Interest	\$ 4,000	\$ 4,000	\$ 2,309	\$ (1,691)
EXPENDITURES				
Capital outlay	310,000	310,000	89,946	(220,054)
Principal	348,000	348,000	377,000	(29,000)
Interest and other charges	225,054	225,054	218,735	(6,319)
TOTAL EXPENDITURES	<u>883,054</u>	<u>883,054</u>	<u>685,681</u>	<u>(255,373)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(879,054)</u>	<u>(879,054)</u>	<u>(683,372)</u>	<u>253,682</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	817,000	817,000	985,144	168,144
Transfers out	-	-	(195,416)	(195,416)
TOTAL OTHER FINANCING SOURCES (USES)	<u>817,000</u>	<u>817,000</u>	<u>789,728</u>	<u>(27,272)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (62,054)</u>	<u>\$ (62,054)</u>	106,356	<u>\$ 226,410</u>
FUND BALANCE AT BEGINNING OF YEAR, restated			<u>2,609,117</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 2,715,473</u>	

**TOWNSHIP OF FRANCONIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**HIGHWAY AID FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Interest	\$ 500	\$ 500	\$ 529	\$ 29
Intergovernmental	<u>279,024</u>	<u>279,024</u>	<u>308,505</u>	<u>29,481</u>
TOTAL REVENUES	<u>279,524</u>	<u>279,524</u>	<u>309,034</u>	<u>29,510</u>
EXPENDITURES				
Public works	65,000	65,000	74,144	9,144
Capital outlay	<u>310,000</u>	<u>310,000</u>	<u>258,727</u>	<u>(51,273)</u>
TOTAL EXPENDITURES	<u>375,000</u>	<u>375,000</u>	<u>332,871</u>	<u>(42,129)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(95,476)	(95,476)	(23,837)	71,639
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>616</u>	<u>616</u>
NET CHANGE IN FUND BALANCE	<u>\$ (95,476)</u>	<u>\$ (95,476)</u>	(23,221)	<u>\$ 72,255</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>249,730</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 226,509</u>	

**TOWNSHIP OF FRANCONIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Interest	\$ 500	\$ 500	\$ 483	\$ (17)
Intergovernmental	-	-	15,500	15,500
Refund of prior year expenditures	-	-	40,375	40,375
Assessments and other	-	-	107,333	107,333
TOTAL REVENUES	500	500	163,691	163,191
EXPENDITURES				
Capital outlay	204,000	204,000	86,832	(117,168)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(203,500)	(203,500)	76,859	280,359
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	127,332	117,332
Transfers out	(5,000)	(5,000)	(415,000)	(410,000)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	5,000	(287,668)	(292,668)
NET CHANGE IN FUND BALANCE	\$ (198,500)	\$ (198,500)	(210,809)	\$ (12,309)
FUND BALANCE AT BEGINNING OF YEAR, restated			575,757	
FUND BALANCE AT END OF YEAR			\$ 364,948	

**TOWNSHIP OF FRANCONIA**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2014**

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TOTAL PENSION LIABILITY	
Service cost	\$ 148,888
Interest	401,584
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(215,243)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>335,229</u>
Total pension liability, beginning	<u>6,136,943</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,472,172</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 433,998
Member	40,035
Net investment income	209,555
Benefit payments, including refunds of member contributions	(215,243)
Administrative expense	(3,700)
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>464,645</u>
Plan fiduciary net position, beginning	<u>4,336,856</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 4,801,501</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 1,670,671</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>74.19%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,393,628</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>119.88%</u>

**TOWNSHIP OF FRANCONIA**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2014**

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ACTUARIALLY DETERMINED CONTRIBUTION	\$ 433,998
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>433,998</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,393,628</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>31.14%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Smoothing
Inflation	3%
Salary increases	3.5% annual increase
Investment rate of return	6.5%
Retirement age	52
Mortality	UP-1984

**TOWNSHIP OF FRANCONIA**  
SCHEDULE OF POLICE PENSION PLAN  
INVESTMENT RETURNS  
YEAR ENDED DECEMBER 31, 2014

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ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF  
INVESTMENT EXPENSE

5.57%

**TOWNSHIP OF FRANCONIA**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED**  
**EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2014**

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TOTAL PENSION LIABILITY	
Service cost	\$ 56,862
Interest	124,341
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(52,973)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>128,230</u>
Total pension liability, beginning	<u>1,882,558</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,010,788</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 113,577
Member	-
Net investment income	65,805
Benefit payments, including refunds of member contributions	(52,973)
Administrative expense	(4,300)
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>122,109</u>
Plan fiduciary net position, beginning	<u>1,427,008</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 1,549,117</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 461,671</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>77.04%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,186,612</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>38.91%</u>

**TOWNSHIP OF FRANCONIA**  
**SCHEDULE OF NON-UNIFORMED EMPLOYEES'**  
**PENSION PLAN CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2014**

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ACTUARIALLY DETERMINED CONTRIBUTION	\$ 113,577
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>113,577</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,186,612</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>9.57%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Smoothing
Inflation	3%
Salary increases	3.5% annual increase
Investment rate of return	6.5%
Retirement age	Normal retirement age
Mortality	UP-1984

**TOWNSHIP OF FRANCONIA**  
SCHEDULE OF NON-UNIFORMED EMPLOYEES'  
PENSION PLAN INVESTMENT RETURNS  
YEAR ENDED DECEMBER 31, 2014

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ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF  
INVESTMENT EXPENSE

5.35%