

TOWNSHIP OF FRANCONIA
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



INTRODUCTORY SECTION

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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, 2015, 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, 2015, 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

For the year ended December 31, 2015, the Township of Franconia adopted new accounting guidance, implementing Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. 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 52 through 55 and pension plan information on pages 56 through 62 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 8, 2016

TOWNSHIP OF FRANCONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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, 2015. Please read it in conjunction with the Township's financial statements that begin on page 12.

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, 2015

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 52 through 55) 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, 2015

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Position

The Township's net position as of December 31, 2015 and 2014, is presented below:

	Governmental Activities	
	2015	2014
Statements of Net Position		
December 31, 2015 and 2014		
ASSETS		
Current and other assets	\$ 3,626,144	\$ 2,645,299
Capital assets	18,919,233	19,158,248
TOTAL ASSETS	<u>22,545,377</u>	<u>21,803,547</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>584,191</u>	<u>-</u>
LIABILITIES		
Current and other liabilities	834,696	1,066,674
Long-term debt	10,200,230	7,957,840
TOTAL LIABILITIES	<u>11,034,926</u>	<u>9,024,514</u>
DEFERRED INFLOWS OF RESOURCES	<u>104,840</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	10,856,525	10,707,323
Restricted	4,335,781	3,095,725
Unrestricted	<u>(3,202,504)</u>	<u>(1,024,015)</u>
TOTAL NET POSITION	<u>\$ 11,989,802</u>	<u>\$ 12,779,033</u>

TOWNSHIP OF FRANCONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Changes in Net Position

For the years ended December 31, 2015 and 2014, net position of the primary government changed as follows:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Statements of Changes in Net Position		
Years Ended December 31, 2015 and 2014		
REVENUES		
Program revenues		
Charges for services	\$ 802,557	\$ 392,154
Operating grants and contributions	1,311,401	712,096
General revenues		
Taxes	5,201,463	4,889,897
Assessments, permits and related fees	140,907	263,838
Sewer Authority and other reimbursements	411,416	575,744
Cable television franchise fees	255,473	245,748
Investment earnings	8,087	4,598
Grants, subsidies and contributions	53,650	45,649
Rentals	69,155	66,400
Sale of capital assets	825	3,671
	<u>8,254,934</u>	<u>7,199,795</u>
TOTAL REVENUES		
EXPENSES		
General government	1,794,272	1,710,598
Public safety	2,777,169	3,405,237
Highways and streets	1,538,277	1,168,795
Health and sanitation	329,171	-
Culture and recreation	247,726	486,608
Interest on long-term debt	300,645	292,914
	<u>6,987,260</u>	<u>7,064,152</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	\$ <u>1,267,674</u>	\$ <u>135,643</u>

TOWNSHIP OF FRANCONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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 revenues over expenditures in 2015 of \$136,088 and an excess of expenditures over revenues of \$(151,482) for 2014. In 2015, an operating surplus of \$18,474 was anticipated; however, actual revenues and transfers exceeded budgeted revenues by \$2,605,745, and actual expenses and transfers were more than budgeted expenses by \$2,488,131. In 2014, an operating deficit of \$727,100 was anticipated; however, budgeted revenues exceeded actual revenues by \$920,448, and actual expenses and transfers were more than budgeted expenses and transfers by \$348,501.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Land	\$ 8,660,301	\$ -	\$ -	\$ 8,660,301
Development rights	5,733,772	-	-	5,733,772
Land improvements	104,481	-	-	104,481
Infrastructure	2,932,537	-	-	2,932,537
Buildings and building improvements	2,291,580	-	-	2,291,580
Vehicles	1,440,780	-	(12,400)	1,428,380
Fixtures and equipment	1,283,599	-	-	1,283,599
	<u>22,447,050</u>	<u>-</u>	<u>(12,400)</u>	<u>22,434,650</u>
Accumulated depreciation	<u>(3,288,802)</u>	<u>(239,015)</u>	<u>12,400</u>	<u>(3,515,417)</u>
	<u>\$ 19,158,248</u>	<u>\$ (239,015)</u>	<u>\$ -</u>	<u>\$ 18,919,233</u>

TOWNSHIP OF FRANCONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Long-Term Debt

During 2015, the Township refunded \$2,125,000 with a new Note in the amount of \$2,163,001. In addition, the Township repaid a total of \$388,000 of its other long-term debt. At December 31, 2015, the Township had \$8,003,001 in long-term debt compared to \$8,353,000 at December 31, 2014, all related to governmental activities. This represents a decrease of 4%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township of Franconia is an integral part of the Indian Valley, situated in northern Montgomery County, PA. The Township has one of the lowest real estate tax rates in the county, and based on FBI crime statistics, is consistently ranked as one of the safest communities in Pennsylvania.

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.

For the first time in several years, Franconia Township is seeing a spurt of new residential development, including THP's Lincoln Wood's project, an 83 unit residential subdivision of single family homes which is currently under construction. WB Homes currently has its Highland Ridge project under construction, a 23 unit resident subdivision. Each of these projects will add increased permit fees, transfer taxes, earned income taxes and real estate taxes for the Township.

In addition, Bergey's is expected to construct a new Truck Center at the corner of Allentown Road and State Road 113 in the near future. This is the only major new commercial land development planned for the foreseeable future, although several existing businesses have approved expansion plans for 2016 and beyond.

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, 2015

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.

The Township's real estate tax rate is expected to remain stable for 2016. The Township has done an outstanding job in the past year with managing its internal staffing, while continuing to offer quality services to its residents. By keeping personnel costs low, as compared to similar like-sized communities, Franconia Township should be able to continue to offer an extremely low tax rate for businesses and residents

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, 2015

	<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	\$ 2,870,036	\$ 960,918	\$ 3,830,954
Taxes receivable	671,510	-	671,510
Accounts and other receivable	64,598	593,606	658,204
Due from component unit	20,000	-	20,000
Notes receivable, current portion	-	23,838	23,838
	<u>3,626,144</u>	<u>1,578,362</u>	<u>5,204,506</u>
NONCURRENT ASSETS			
Restricted assets			
Cash and cash equivalents	-	104,961	104,961
Property, plant and equipment			
Land	8,660,301	652,012	9,312,313
Development rights	5,733,772	-	5,733,772
Participation rights	-	1,532,350	1,532,350
Construction in progress	-	327,280	327,280
Land improvements	104,481	-	104,481
Infrastructure	2,932,537	38,733,743	41,666,280
Buildings and building improvements	2,291,580	-	2,291,580
Vehicles	1,428,380	-	1,428,380
Fixtures and equipment	1,283,599	156,162	1,439,761
Accumulated depreciation	(3,515,417)	(9,063,702)	(12,579,119)
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>18,919,233</u>	<u>32,337,845</u>	<u>51,257,078</u>
Notes receivable, long-term portion	-	141,683	141,683
TOTAL NONCURRENT ASSETS	<u>18,919,233</u>	<u>32,584,489</u>	<u>51,503,722</u>
	<u>22,545,377</u>	<u>34,162,851</u>	<u>56,708,228</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	-	520,403	520,403
Deferred outflows of resources, pension activity	584,191	34,238	618,429
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>584,191</u>	<u>554,641</u>	<u>1,138,832</u>
	<u>23,129,568</u>	<u>34,717,492</u>	<u>57,847,060</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,129,568</u>	<u>\$ 34,717,492</u>	<u>\$ 57,847,060</u>

See accompanying notes to the basic financial statements.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 342,875	\$ 184,730	\$ 527,605
Accrued salaries, benefits and related taxes	18,749	-	18,749
Accrued interest	-	78,609	78,609
Due to primary government	-	20,000	20,000
Notes payable, current portion	452,000	339,089	791,089
Capital lease obligation, current portion	21,072	-	21,072
Revenue bonds payable, current portion	-	5,000	5,000
Other	-	1,025	1,025
	<u>834,696</u>	<u>628,453</u>	<u>1,463,149</u>
TOTAL CURRENT LIABILITIES			
NONCURRENT LIABILITIES			
Notes payable	7,551,001	-	7,551,001
Capital lease obligation	38,635	-	38,635
Revenue notes payable	-	8,703,287	8,703,287
Revenue bonds payable	-	5,710,552	5,710,552
Compensated absences	56,424	-	56,424
Net pension liability	2,554,170	113,596	2,667,766
	<u>10,200,230</u>	<u>14,527,435</u>	<u>24,727,665</u>
TOTAL NONCURRENT LIABILITIES			
	<u>11,034,926</u>	<u>15,155,888</u>	<u>26,190,814</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>104,840</u>	<u>820</u>	<u>105,660</u>
NET POSITION			
Net investment in capital assets	10,856,525	17,474,956	28,331,481
Restricted	4,335,781	-	4,335,781
Unrestricted	(3,202,504)	2,085,828	(1,116,676)
	<u>11,989,802</u>	<u>19,560,784</u>	<u>31,550,586</u>
TOTAL NET POSITION			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	<u>\$ 23,129,568</u>	<u>\$ 34,717,492</u>	<u>\$ 57,847,060</u>

TOWNSHIP OF FRANCONIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 1,794,272	\$ 345,381	\$ 78,991	\$ -
Public safety				
Police	2,388,984	40,250	117,625	-
Fire and ambulance	251,866	105,341	-	-
Health and welfare	136,319	174,789	-	-
Highways and streets	1,538,277	128,992	1,114,785	-
Health and sanitation	329,171	-	-	-
Culture and recreation	247,726	7,804	-	-
Interest on long-term debt	300,645	-	-	-
TOTAL PRIMARY GOVERNMENT	6,987,260	802,557	1,311,401	-
COMPONENT UNIT	3,267,331	2,855,734	-	109,036
TOTAL REPORTING ENTITY	\$ 10,254,591	\$ 3,658,291	\$ 1,311,401	\$ 109,036

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, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Primary Government</u>	<u>Component Unit</u>	<u>Totals</u>
\$ (1,369,900)	\$ -	\$ (1,369,900)
(2,231,109)	-	(2,231,109)
(146,525)	-	(146,525)
38,470	-	38,470
(294,500)	-	(294,500)
(329,171)	-	(329,171)
(239,922)	-	(239,922)
<u>(300,645)</u>	<u>-</u>	<u>(300,645)</u>
(4,873,302)	-	(4,873,302)
<u>-</u>	<u>(302,561)</u>	<u>(302,561)</u>
<u>(4,873,302)</u>	<u>(302,561)</u>	<u>(5,175,863)</u>
1,512,837	-	1,512,837
3,021,750	-	3,021,750
666,876	-	666,876
140,907	-	140,907
411,416	-	411,416
255,473	-	255,473
8,087	10,832	18,919
53,650	-	53,650
69,155	10,400	79,555
825	-	825
<u>6,140,976</u>	<u>21,232</u>	<u>6,162,208</u>
1,267,674	(281,329)	986,345
<u>10,722,128</u>	<u>19,842,113</u>	<u>30,564,241</u>
<u>\$ 11,989,802</u>	<u>\$ 19,560,784</u>	<u>\$ 31,550,586</u>

TOWNSHIP OF FRANCONIA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>General Fund</u>	<u>Open Space Fund</u>
ASSETS		
Cash and cash equivalents	\$ 54,237	\$ 1,808,222
Taxes receivable	671,510	-
Other receivables	64,598	-
Due from other funds	<u>-</u>	<u>1,283,769</u>
TOTAL ASSETS	<u>\$ 790,345</u>	<u>\$ 3,091,991</u>
LIABILITIES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 337,096	\$ 964
Accrued payroll and related liabilities	18,749	-
Due to other funds	<u>1,638,769</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,994,614</u>	<u>964</u>
FUND BALANCES (DEFICIT)		
Restricted for		
Open space	-	3,091,027
Highway use	-	-
Capital projects	-	-
Fire protection	-	-
Library	-	-
Unassigned	<u>(1,204,269)</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(1,204,269)</u>	<u>3,091,027</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 790,345</u>	<u>\$ 3,091,991</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>
\$ 887,684	\$ 2,220	\$ 117,673	\$ 2,870,036
-	-	-	671,510
-	-	-	64,598
-	355,000	-	1,638,769
<u>\$ 887,684</u>	<u>\$ 357,220</u>	<u>\$ 117,673</u>	<u>\$ 5,244,913</u>
\$ 150	\$ -	\$ 4,665	\$ 342,875
-	-	-	18,749
-	-	-	1,638,769
<u>150</u>	<u>-</u>	<u>4,665</u>	<u>2,000,393</u>
-	-	-	3,091,027
887,534	-	-	887,534
-	357,220	-	357,220
-	-	622	622
-	-	334	334
-	-	112,052	(1,092,217)
<u>887,534</u>	<u>357,220</u>	<u>113,008</u>	<u>3,244,520</u>
<u>\$ 887,684</u>	<u>\$ 357,220</u>	<u>\$ 117,673</u>	<u>\$ 5,244,913</u>

TOWNSHIP OF FRANCONIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 3,244,520

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 \$54,151 depreciation	50,330
Buildings and building improvements, net of \$775,722 depreciation	1,515,858
Fixtures and equipment, net of \$1,139,636 depreciation	143,963
Vehicles, net of \$1,166,913 depreciation	261,467
Infrastructure, net of \$378,995 depreciation	2,553,542

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

Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds. 479,351

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, 2015, are:

Notes payable	(8,003,001)
Capital lease obligation	(59,707)
Compensated absences	(56,424)
Net pension liability	<u>(2,554,170)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,989,802

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, 2015

	<u>General Fund</u>	<u>Open Space Fund</u>
REVENUES		
Taxes	\$ 3,977,000	\$ 989,857
Licenses, permits and fees	290,414	-
Fines and forfeits	29,386	-
Interest	1,244	4,016
Rents	76,959	-
Intergovernmental	278,679	-
Charges for services	845,515	-
Assessments and other	204,734	-
	<u>5,703,931</u>	<u>993,873</u>
EXPENDITURES		
General government	1,586,448	24,424
Public safety	2,437,336	-
Public works, highways and streets	1,101,880	-
Health and sanitation	325,509	-
Culture and recreation	30,421	-
Capital outlay	-	-
Debt service	94,750	593,895
	<u>5,576,344</u>	<u>618,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>127,587</u>	<u>375,554</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	30,000	-
Transfers out	(59,500)	-
Refunding bonds issued	2,163,001	-
Payment to refunded bond escrow agent	(2,125,000)	-
Proceeds from sale of capital assets	-	-
	<u>8,501</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	136,088	375,554
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, restated	<u>(1,340,357)</u>	<u>2,715,473</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (1,204,269)</u>	<u>\$ 3,091,027</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>
\$ -	\$ -	\$ 321,424	\$ 5,288,281
-	-	-	290,414
-	-	-	29,386
2,080	27	720	8,087
-	-	-	76,959
1,032,722	-	144,159	1,455,560
-	-	2,271	847,786
-	-	52,902	257,636
<u>1,034,802</u>	<u>27</u>	<u>521,476</u>	<u>8,254,109</u>
-	35	17,575	1,628,482
-	42,720	251,866	2,731,922
374,602	-	75,648	1,552,130
-	-	-	325,509
-	-	201,149	231,570
-	-	-	-
-	-	-	688,645
<u>374,602</u>	<u>42,755</u>	<u>546,238</u>	<u>7,158,258</u>
<u>660,200</u>	<u>(42,728)</u>	<u>(24,762)</u>	<u>1,095,851</u>
-	35,000	24,500	89,500
-	-	(30,000)	(89,500)
-	-	-	2,163,001
-	-	-	(2,125,000)
825	-	-	825
<u>825</u>	<u>35,000</u>	<u>(5,500)</u>	<u>38,826</u>
661,025	(7,728)	(30,262)	1,134,677
<u>226,509</u>	<u>364,948</u>	<u>143,270</u>	<u>2,109,843</u>
<u>\$ 887,534</u>	<u>\$ 357,220</u>	<u>\$ 113,008</u>	<u>\$ 3,244,520</u>

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,134,677
<p>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 depreciation expense (\$239,015) exceed capital outlays (\$0) in the current period (see Note D).</p>	(239,015)
<p>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.</p>	388,217
<p>In the statement of activities, certain operating expenses 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.</p>	
Pension expense	(17,914)
Compensated absences	<u>1,709</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,267,674</u></u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF FRANCONIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Pension Funds</u>	<u>Escrow Funds</u>
ASSETS		
Cash and cash equivalents	\$ 432,803	\$ 767,296
Due from members	4,719	-
Accrued investment income	20,035	-
Investments at fair value	<u>6,035,033</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,492,590</u>	<u>\$ 767,296</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Escrow funds	\$ -	\$ 767,296
NET POSITION		
Held in trust for pension benefits	<u>6,492,590</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,492,590</u>	<u>\$ 767,296</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, 2015

	<u>Pension Funds</u>
ADDITIONS	
Contributions	
General municipal pension state aid	\$ 184,279
Township	233,481
Employees	49,944
TOTAL CONTRIBUTIONS	<u>467,704</u>
Investment income	
Net decrease in fair value of assets	(337,988)
Interest, dividend and capital gain income	314,142
TOTAL INVESTMENT LOSS	<u>(23,846)</u>
Investment expenses	(75,040)
INVESTMENT LOSS, net	<u>(98,886)</u>
TOTAL ADDITIONS	<u>368,818</u>
DEDUCTIONS	
Benefits	218,796
Administrative expenses	8,050
TOTAL DEDUCTIONS	<u>226,846</u>
CHANGE IN NET POSITION	141,972
NET POSITION AT BEGINNING OF YEAR	<u>6,350,618</u>
NET POSITION AT END OF YEAR	<u>\$ 6,492,590</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 Township has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

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. The Township has one item that qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, 2015

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, 2015

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, 2015, \$2,746,353 of the Township's bank balance of \$2,996,353 was exposed to custodial credit risk as follows:

Checking and money market accounts	\$ <u>2,746,353</u>
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TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, the Township had the following investments in pension plans:

Police Pension Plan

	<u>Market Value</u>	<u>Cost</u>
U.S. Government and agencies	\$ 936,447	\$ 942,180
Mutual funds	2,465,549	2,279,600
Certificates of deposit	435,000	435,000
Common stock	94,538	71,469
Corporate bonds	<u>655,455</u>	<u>638,678</u>
	<u>\$ 4,586,989</u>	<u>\$ 4,366,927</u>

Non-Uniformed Employees' Pension Plan

	<u>Market Value</u>	<u>Cost</u>
U.S. Government and agencies	\$ 295,770	\$ 301,939
Mutual funds	800,367	737,877
Certificates of deposit	115,000	115,000
Common stock	31,665	23,884
Corporate bonds	<u>205,243</u>	<u>204,947</u>
	<u>\$ 1,448,045</u>	<u>\$ 1,383,647</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.

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, 2015, totaled \$1,010,840, 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.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - CASH AND INVESTMENTS (Continued)

The Authority was not holding any investments at December 31, 2015. 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 - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2015, expenditures over appropriations were as follows:

	General Fund	Open Space Fund	Highway Aid Fund
	<u> </u>	<u> </u>	<u> </u>
General government	\$ 460,602	\$ -	\$ -
Public works	106,295	-	-
Health and sanitation	115,383	-	-
Principal	-	40,000	-
Public works	-	-	226,602

The excess expenditures were covered through revenues exceeding budget and expenditures under budget in other areas.

NOTE D - 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	\$ 5,389
Earned income taxes	557,300
Other taxes	<u>108,821</u>
	<u>\$ 671,510</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, \$671,510 has been recognized as revenue during the year ended December 31, 2015, in the fund financial statements.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS

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

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,660,301	\$ -	\$ -	\$ 8,660,301
Development rights	5,733,772	-	-	5,733,772
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	14,394,073	-	-	14,394,073
Capital assets being depreciated				
Land improvements	104,481	-	-	104,481
Infrastructure	2,932,537	-	-	2,932,537
Buildings and building improvements	2,291,580	-	-	2,291,580
Vehicles	1,440,780	-	(12,400)	1,428,380
Fixtures and equipment	1,283,599	-	-	1,283,599
TOTAL CAPITAL ASSETS BEING DEPRECIATED	8,052,977	-	(12,400)	8,040,577
Accumulated depreciation				
Land improvements	47,186	6,965	-	54,151
Infrastructure	308,020	70,975	-	378,995
Buildings and building improvements	729,890	45,832	-	775,722
Vehicles	1,103,150	76,163	(12,400)	1,166,913
Fixtures and equipment	1,100,556	39,080	-	1,139,636
TOTAL ACCUMULATED DEPRECIATION	3,288,802	239,015	(12,400)	3,515,417
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	4,764,175	(239,015)	-	4,525,160
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 19,158,248	\$ (239,015)	\$ -	\$ 18,919,233
COMPONENT UNIT				
Capital assets not being depreciated				
Land	\$ 649,865	\$ 2,147	\$ -	\$ 652,012
Construction in progress	261,789	97,096	(31,605)	327,280
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	911,654	99,243	(31,605)	979,292
Capital assets being depreciated				
Sewer system infrastructure	38,699,743	34,000	-	38,733,743
Participation rights in other facilities	1,532,350	-	-	1,532,350
Fixtures and equipment	119,136	37,026	-	156,162
TOTAL CAPITAL ASSETS BEING DEPRECIATED	40,351,229	71,026	-	40,422,255
Accumulated depreciation	(8,267,220)	(796,482)	-	(9,063,702)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	32,084,009	(725,456)	-	31,358,553
COMPONENT UNIT CAPITAL ASSETS, net	\$ 32,995,663	\$ (626,213)	\$ (31,605)	\$ 32,337,845

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 24,877
Public safety	
Police	91,201
Other	335
Highways and streets	108,162
Culture and recreation	14,440
	<u>239,015</u>
	<u>\$ 239,015</u>

NOTE F - 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, 2015

NOTE F - 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>
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	141,000	43,599	184,599
2021 to 2025	781,000	142,543	923,543
2026 to 2027	<u>351,000</u>	<u>18,223</u>	<u>369,223</u>
	<u>\$ 1,792,000</u>	<u>\$ 423,503</u>	<u>\$ 2,215,503</u>

Series B

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	318,000	98,524	416,524
2021 to 2025	1,763,000	322,167	2,085,167
2026 to 2027	<u>793,000</u>	<u>41,249</u>	<u>834,249</u>
	<u>\$ 4,048,000</u>	<u>\$ 956,975</u>	<u>\$ 5,004,975</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM DEBT (Continued)

General Obligation Note, Tax-Exempt Series of 2015

During 2015, the Township borrowed \$2,163,001 from Univest Bank. The General Obligation Note, Tax-Exempt Series of 2015, was issued for the purpose of:

1. The current refunding of the Township's General Obligation Note, Series of 2011.
2. Financing certain capital projects of the Township including without limitation, improvements to the police and administration buildings and the acquisition of police and public works equipment.
3. Financing the costs and expenses of issuing the Note.

The note will carry interest at an annual rate of 2.75% for the first seven years of the 17-year term, following which it will adjust every five years to a rate equal to 67% of the Purchaser's then current Prime Rate plus eighty-five basis points, subject to a maximum rate of 7.00% per annum.

Following is a summary of the note proceeds

Issue costs	\$ 23,613
Principal and interest of General Obligation Note, Series of 2011	<u>2,139,388</u>
FACE AMOUNT OF BORROWING	\$ <u>2,163,001</u>

Scheduled repayments are currently estimated as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 50,000	\$ 59,936	\$ 109,936
2017	50,000	58,212	108,212
2018	141,667	55,529	197,196
2019	141,667	51,579	193,246
2020	141,667	47,765	189,432
2021 to 2025	708,333	359,342	1,067,675
2026 to 2030	708,333	204,142	912,475
2031 to 2032	<u>221,334</u>	<u>13,460</u>	<u>234,794</u>
	\$ <u>2,163,001</u>	\$ <u>849,965</u>	\$ <u>3,012,966</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM DEBT (Continued)

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2015:

<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>
GOB Series A of 2007	\$ 1,911,000	\$ -	\$ (119,000)	\$ 1,792,000	\$ 123,000
GOB Series B of 2007	4,317,000	-	(269,000)	4,048,000	279,000
GOB Series of 2011	2,125,000	-	(2,125,000)	-	-
GON Series of 2015	-	2,163,001	-	2,163,001	50,000
Capital leases	97,925	-	(38,218)	59,707	21,072
Compensated absences	58,133	-	(1,709)	56,424	-
Net pension liability	2,056,905	497,265	-	2,554,170	-
	<u>\$ 10,565,963</u>	<u>\$ 2,660,266</u>	<u>\$ (2,552,927)</u>	<u>\$ 10,673,302</u>	<u>\$ 473,072</u>

Summary of Borrowing Obligations

The annual requirements to amortize all outstanding debt as of December 31, 2015, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 452,000	\$ 259,310	\$ 711,310
2017	466,000	244,029	710,029
2018	571,667	227,300	798,967
2019	586,667	208,792	795,459
2020	600,667	189,888	790,555
2021 to 2025	3,252,333	824,051	4,076,384
2026 to 2030	1,852,333	263,614	2,115,947
2031 to 2035	221,334	13,459	234,793
	<u>\$ 8,003,001</u>	<u>\$ 2,230,443</u>	<u>\$ 10,233,444</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM DEBT (Continued)

Capital Leases

The Township leases four vehicles under capital leases, two of which expired 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, 2015, is as follows:

<u>Year Ending December 31,</u>	
2016	\$ 23,489
2017	20,956
2018	13,358
2019	<u>6,679</u>
TOTAL MINIMUM LEASE PAYMENTS	64,482
Amount representing interest	<u>(4,775)</u>
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 59,707</u>

The gross value of this equipment on the statement of net position is \$142,458 with accumulated depreciation of \$52,226.

Compensated Absences

Compensated absences totaled \$56,424 as of December 31, 2015, 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, 2015, long-term debt consists of the following:

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%	\$ 5,715,552
Guaranteed Sewer Revenue Note, Series of 2015, due in varying annual installments through 2036, plus interest at rates ranging from 2.84% to 7.50%	<u>9,042,376</u>
	<u>\$ 14,757,928</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM DEBT (Continued)

The following is a summary of long-term debt transactions of the Authority for the year ended December 31, 2015:

<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	\$ 1,859,508	\$ -	\$ (1,859,508)	\$ -	\$ -
Sewer Revenue Bonds					
Series of 2006	6,820,000	-	(6,820,000)	-	-
Series of 2013	5,840,000	-	(5,000)	5,835,000	5,000
Sewer Revenue Note					
Series of 2015	-	9,042,376	-	9,042,376	339,089
Capital lease	1,145,013	-	(1,145,013)	-	-
Net pension liability	75,437	38,159	-	113,596	-
Issuance premiums, discounts and loss on refunding	(110,605)	(441,393)	(87,853)	(639,851)	-
	<u>\$ 15,629,353</u>	<u>\$ 8,639,142</u>	<u>\$ (9,917,374)</u>	<u>\$ 14,351,121</u>	<u>\$ 344,089</u>

The annual requirements to amortize all outstanding debt as of December 31, 2015, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 344,089	\$ 378,807	\$ 722,896
2017	457,119	430,871	887,990
2018	457,119	417,931	875,050
2019	457,119	404,990	862,109
2020	457,119	392,050	849,169
2021 to 2025	2,980,594	1,737,774	4,718,368
2026 to 2030	3,875,594	1,282,582	5,158,176
2031 to 2035	4,160,594	633,859	4,794,453
2036 to 2038	<u>1,688,029</u>	<u>97,056</u>	<u>1,785,085</u>
	14,877,376	<u>\$ 5,775,920</u>	<u>\$ 20,653,296</u>

Net unamortized bond premiums, discounts and loss on refunding

(639,851)

\$ 14,237,525

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2015, 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, 2015.

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, 2015, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 30,000	\$ 59,500
Capital Reserve Fund	35,000	-
Other Governmental Funds	<u>24,500</u>	<u>30,000</u>
	<u>\$ 89,500</u>	<u>\$ 89,500</u>

NOTE H - 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.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - POLICE PENSION PLAN (Continued)

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 Univest Bank and Trust Company.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>10</u>
	<u><u>15</u></u>

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 5% of the participant's pay.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - POLICE PENSION PLAN (Continued)

In 2015, the MMO obligation for the plan was \$308,256 for the year 2015. Contributions of \$190,631 and \$117,625 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.

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, 2015:

<u>Asset Class</u>	<u>Allocation</u>
Equity	55%
Fixed income	45%
Cash	0%
	<u>100%</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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.87%. 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, 2015, were as follows:

Total pension liability	\$ 6,891,471
Plan fiduciary net position	<u>(4,918,908)</u>
NET PENSION LIABILITY	<u>\$ 1,972,563</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.38%</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - POLICE PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.0% including inflation
Investment rate of return	7.0%

Mortality rates were based on the RP-2000 tables.

An experience study was performed in 2015, which resulted in changes to actuarial 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, 2015 (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	5.00%
Real estate	8.75%
Cash	2.10%

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
DECEMBER 31, 2015

NOTE H - POLICE PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
BALANCES AT DECEMBER 31, 2014	\$ 6,472,172	\$ 4,801,501	\$ 1,670,671
Changes for the year			
Service cost	150,203	-	150,203
Interest	456,208	-	456,208
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(118,020)	-	(118,020)
Changes of assumptions	94,898	-	94,898
Contributions			
Employer	-	308,256	(308,256)
Member	-	49,944	(49,944)
Net investment income	-	(72,603)	72,603
Benefit payments	(163,990)	(163,990)	-
Administrative expense	-	(4,200)	4,200
NET CHANGES	<u>419,299</u>	<u>117,407</u>	<u>301,892</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 6,891,471</u>	<u>\$ 4,918,908</u>	<u>\$ 1,972,563</u>

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 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ <u>2,923,879</u>	\$ <u>1,972,563</u>	\$ <u>1,181,992</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - POLICE PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$301,894 for the Police Pension Plan. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 100,639
Changes in assumptions	80,922	-
Net difference between projected and actual earnings on pension plan investments	<u>327,971</u>	<u>-</u>
	<u>\$ 408,893</u>	<u>\$ 100,639</u>

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

<u>Year Ended December 31,</u>	
2016	\$ 78,588
2017	78,588
2018	78,588
2019	78,587
2020	(3,405)
Thereafter	(2,692)

Deferred Retirement Option Program

In 2014, the Township enacted Ordinance No. 380 which created a Deferred Retirement Option Plan (DROP) for all full-time police officers of the Township. The DROP provides an optional form of benefit to members who have met the age and eligibility requirements to retire. Any eligible member may elect to participate in the DROP by retiring for pension purposes, and specifying a future termination date not more than 36 months from the effective date of the DROP election. The monthly pension benefit is calculated at the date of election and credited to a separate ledger account for the period of DROP participation along with interest at a rate earned by the Plan that shall not be less than 0% nor more than 4.5% per annum. As of December 31, 2015, one eligible plan member is participating in the DROP program. The member is considered retired for pension purposes and the monthly benefit is being credited to a separate ledger account, which had a balance of \$30,599 at December 31, 2015. Upon a participant's termination of employment, the participant's accumulated balance will be paid in a manner as prescribed by the plan document.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - 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 including those employees of the component unit (Franconia Sewer Authority). 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.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Primary Government

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>13</u>
	<u><u>32</u></u>

Component Unit

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>3</u>
	<u><u>3</u></u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)

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 2015, the MMO obligation for the plan was \$91,611 for the Primary Government and \$17,893 for the Component Unit for the year 2015. Contributions of \$42,850 and \$66,654 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.

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.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)

The following was the Board's adopted asset allocation policy as of December 31, 2015:

<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, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -1.72%. 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, 2015, were as follows:

Primary Government

Total pension liability	\$ 1,898,149
Plan fiduciary net position	<u>(1,316,542)</u>
NET PENSION LIABILITY	<u><u>\$ 581,607</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>69.36%</u></u>

Component Unit

Total pension liability	\$ 370,736
Plan fiduciary net position	<u>(257,140)</u>
NET PENSION LIABILITY	<u><u>\$ 113,596</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>69.36%</u></u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.0% including inflation
Investment rate of return	7.0%

Mortality rates were based on the RP-2000 Table.

An experience study was performed in 2015, which resulted in changes to actuarial 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, 2015 (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	5.00%
Real estate	8.75%
Cash	2.10%

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, 2015

NOTE I - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)

Changes in the Net Pension Liability

Primary Government

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
BALANCES AT DECEMBER 31, 2014	\$ 1,682,225	\$ 1,295,991	\$ 386,234
Changes for the year			
Service cost	42,355	-	42,355
Interest	125,677	-	125,677
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,860)	-	(4,860)
Changes of assumptions	98,602	-	98,602
Contributions			
Employer	-	91,611	(91,611)
Member	-	-	-
Net investment income	-	(21,988)	21,988
Benefit payments	(45,851)	(45,851)	-
Administrative expense	-	(3,221)	3,221
NET CHANGES	<u>215,924</u>	<u>20,551</u>	<u>195,373</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 1,898,149</u>	<u>\$ 1,316,542</u>	<u>\$ 581,607</u>

Component Unit

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
BALANCES AT DECEMBER 31, 2014	\$ 328,563	\$ 253,126	\$ 75,437
Changes for the year			
Service cost	8,272	-	8,272
Interest	24,547	-	24,547
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(949)	-	(949)
Changes of assumptions	19,258	-	19,258
Contributions			
Employer	-	17,893	(17,893)
Member	-	-	-
Net investment income	-	(4,295)	4,295
Benefit payments	(8,955)	(8,955)	-
Administrative expense	-	(629)	629
NET CHANGES	<u>42,173</u>	<u>4,014</u>	<u>38,159</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 370,736</u>	<u>\$ 257,140</u>	<u>\$ 113,596</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - 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:

Primary Government

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net pension liability	\$ <u>825,491</u>	\$ <u>581,607</u>	\$ <u>373,877</u>

Component Unit

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net pension liability	\$ <u>161,230</u>	\$ <u>113,596</u>	\$ <u>73,024</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$138,521 for the Non-Uniformed Employees' Pension Plan. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

Primary Government

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,201
Changes in assumptions	85,223	-
Net difference between projected and actual earnings on pension plan investments	<u>90,075</u>	<u>-</u>
	\$ <u>175,298</u>	\$ <u>4,201</u>

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - NON-UNIFORMED EMPLOYEES' PENSION PLAN (Continued)

Component Unit

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 820
Changes in assumptions	16,645	-
Net difference between projected and actual earnings on pension plan investments	<u>17,593</u>	<u>-</u>
	<u>\$ 34,238</u>	<u>\$ 820</u>

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

Primary Government

Year Ended
December 31,

2016	\$ 35,238
2017	35,238
2018	35,238
2019	35,238
2020	12,720
Thereafter	17,424

Component Unit

Year Ended
December 31,

2016	\$ 6,883
2017	6,883
2018	6,883
2019	6,883
2020	2,484
Thereafter	3,402

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - 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 K - 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 \$444,120 for these services in 2015. The Authority repaid \$464,120 during 2015, which included certain amounts billed in the prior year.

NOTE L - 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 relating to claims or litigation.

NOTE M - 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 three years are as follows:

<u>Year Ending</u> <u>December 31,</u>		
2016	\$	23,805
2017		23,805
2018		<u>23,805</u>
	\$	<u><u>71,415</u></u>

NOTE N - 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 \$18,311, bear interest at 6.00% and are payable over 5 to 20 years. Total notes outstanding were \$165,521 as of December 31, 2015.

TOWNSHIP OF FRANCONIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE O - EMERGENCY RADIO PROJECT

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Valley Regional Finance Authority("DelVal"), that wish to participate in the Project. For the year ended December 31, 2015, the Township elected to participate in the Project and entered into a Promissory Note with the County in the amount of \$64,641 to be repaid in five annual installments of \$12,928 each. As of December 31, 2015, the purchased equipment has not yet been received by the Township and, therefore, neither the asset nor the related liability are reflected in these financial statements.

NOTE P - PRIOR-PERIOD ADJUSTMENT

The Township implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension--An Amendment of GASB Statement No. 27*, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting be state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated the beginning of year net pension liability of \$2,056,905 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$12,779,033 to \$10,722,128.

Component Unit

The Authority has treated the beginning of year net pension liability of \$75,437 as having been recognized in the period incurred. The Authority has adjusted beginning net position from \$19,917,550 to \$19,842,113.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANCONIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,908,706	\$ 3,908,706	\$ 3,977,000	\$ 68,294
Licenses, permits and fees	337,600	337,600	290,414	(47,186)
Fines and forfeits	42,000	42,000	29,386	(12,614)
Interest	500	500	1,244	744
Rents	69,100	69,100	76,959	7,859
Intergovernmental	257,700	257,700	278,679	20,979
Charges for services	598,673	598,673	845,515	246,842
Assessments and other	76,908	76,908	204,734	127,826
TOTAL REVENUES	<u>5,291,187</u>	<u>5,291,187</u>	<u>5,703,931</u>	<u>412,744</u>
EXPENDITURES				
General government	1,125,846	1,125,846	1,586,448	460,602
Public safety	2,597,949	2,597,949	2,437,336	(160,613)
Public works	995,585	995,585	1,101,880	106,295
Health and sanitation	210,126	210,126	325,509	115,383
Culture and recreation	126,078	126,078	30,421	(95,657)
Debt service	194,329	194,329	94,750	(99,579)
TOTAL EXPENDITURES	<u>5,249,913</u>	<u>5,249,913</u>	<u>5,576,344</u>	<u>326,431</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>41,274</u>	<u>41,274</u>	<u>127,587</u>	<u>86,313</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	30,000	30,000
Transfers out	(22,800)	(22,800)	(59,500)	(36,700)
Refunding bonds issued	-	-	2,163,001	2,163,001
Payment to refunded bond escrow agent	-	-	(2,125,000)	(2,125,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,800)</u>	<u>(22,800)</u>	<u>8,501</u>	<u>31,301</u>
NET CHANGE IN FUND BALANCE	<u>\$ 18,474</u>	<u>\$ 18,474</u>	136,088	<u>\$ 117,614</u>
FUND DEFICIT AT BEGINNING OF YEAR, restated			<u>(1,340,357)</u>	
FUND DEFICIT AT END OF YEAR			<u>\$ (1,204,269)</u>	

TOWNSHIP OF FRANCONIA
BUDGETARY COMPARISON SCHEDULE
OPEN SPACE FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes	\$ 905,000	\$ 905,000	\$ 989,857	\$ 84,857
Interest	3,000	3,000	4,016	1,016
TOTAL REVENUES	<u>908,000</u>	<u>908,000</u>	<u>993,873</u>	<u>85,873</u>
EXPENDITURES				
General government	-	-	24,424	24,424
Capital outlay	15,000	15,000	-	(15,000)
Principal	348,000	348,000	388,000	40,000
Interest and other charges	225,054	225,054	205,895	(19,159)
TOTAL EXPENDITURES	<u>588,054</u>	<u>588,054</u>	<u>618,319</u>	<u>5,841</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>319,946</u>	<u>319,946</u>	<u>375,554</u>	<u>80,032</u>
NET CHANGE IN FUND BALANCE	<u>\$ 319,946</u>	<u>\$ 319,946</u>	375,554	<u>\$ 80,032</u>
FUND BALANCE AT BEGINNING OF YEAR, restated			<u>2,715,473</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 3,091,027</u>	

TOWNSHIP OF FRANCONIA
BUDGETARY COMPARISON SCHEDULE
HIGHWAY AID FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Interest	\$ 450	\$ 450	\$ 2,080	\$ 1,630
Intergovernmental	328,200	328,200	1,032,722	704,522
TOTAL REVENUES	<u>328,650</u>	<u>328,650</u>	<u>1,034,802</u>	<u>706,152</u>
EXPENDITURES				
Public works	148,000	148,000	374,602	226,602
Capital outlay	400,650	400,650	-	(400,650)
TOTAL EXPENDITURES	<u>548,650</u>	<u>548,650</u>	<u>374,602</u>	<u>(174,048)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(220,000)</u>	<u>(220,000)</u>	<u>660,200</u>	<u>880,200</u>
SPECIAL ITEM				
Proceeds from sale of capital assets	-	-	825	825
NET CHANGE IN FUND BALANCE	<u>\$ (220,000)</u>	<u>\$ (220,000)</u>	661,025	<u>\$ 881,025</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>226,509</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 887,534</u>	

TOWNSHIP OF FRANCONIA
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 27	\$ 27
Assessments and other	600,000	600,000	-	(600,000)
TOTAL REVENUES	600,000	600,000	27	(599,973)
EXPENDITURES				
General government	-	-	35	35
Public safety	-	-	42,720	42,720
Capital outlay	559,000	559,000	-	(559,000)
TOTAL EXPENDITURES	559,000	559,000	42,755	(516,245)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,000	41,000	(42,728)	(83,728)
OTHER FINANCING SOURCES				
Transfers in	-	-	35,000	35,000
NET CHANGE IN FUND BALANCE	\$ 41,000	\$ 41,000	(7,728)	\$ (48,728)
FUND BALANCE AT BEGINNING OF YEAR, restated			364,948	
FUND BALANCE AT END OF YEAR			\$ 357,220	

TOWNSHIP OF FRANCONIA
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 150,203	\$ 148,888
Interest	456,208	401,584
Changes of benefit terms	-	-
Differences between expected and actual experience	(118,020)	-
Changes of assumptions	94,898	-
Benefit payments	<u>(163,990)</u>	<u>(215,243)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	419,299	335,229
Total pension liability, beginning	<u>6,472,172</u>	<u>6,136,943</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,891,471</u>	<u>\$ 6,472,172</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 308,256	\$ 433,998
Member	49,944	40,035
Net investment income (loss)	(72,603)	209,555
Benefit payments, including refunds of member contributions	(163,990)	(215,243)
Administrative expense	(4,200)	(3,700)
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>117,407</u>	<u>464,645</u>
Plan fiduciary net position, beginning	<u>4,801,501</u>	<u>4,336,856</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 4,918,908</u>	<u>\$ 4,801,501</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 1,972,563</u>	<u>\$ 1,670,671</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>71.38%</u>	<u>74.19%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,427,390</u>	<u>\$ 1,393,628</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>138.19%</u>	<u>119.88%</u>

TOWNSHIP OF FRANCONIA
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 308,256	\$ 433,998
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>308,256</u>	<u>433,998</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,427,390</u>	<u>\$ 1,393,628</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>21.60%</u>	<u>31.14%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015 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	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	8 years	10 years
Asset valuation method	Smoothing	Smoothing
Inflation	3%	3%
Salary increases	4.0% annual increase	3.5% annual increase
Investment rate of return	7.0%	6.5%
Retirement age	52	52
Mortality	RP-2000	UP-1984
Cost of living adjustments	3.00%	3.00%

TOWNSHIP OF FRANCONIA
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.87%</u>	<u>5.57%</u>

TOWNSHIP OF FRANCONIA
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED
EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 42,355	\$ 56,862
Interest	125,677	124,341
Changes of benefit terms	-	-
Differences between expected and actual experience	(4,860)	-
Changes of assumptions	98,602	-
Benefit payments	<u>(45,851)</u>	<u>(52,973)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	215,924	128,230
Total pension liability, beginning	<u>1,682,225</u>	<u>1,882,558</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 1,898,149</u>	<u>\$ 2,010,788</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 91,611	\$ 113,577
Member	-	-
Net investment income (loss)	(21,988)	65,805
Benefit payments, including refunds of member contributions	(45,851)	(52,973)
Administrative expense	(3,221)	(4,300)
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	20,551	122,109
Plan fiduciary net position, beginning	<u>1,295,991</u>	<u>1,427,008</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 1,316,542</u>	<u>\$ 1,549,117</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 581,607</u>	<u>\$ 461,671</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>69.40%</u>	<u>77.04%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,098,707</u>	<u>\$ 1,186,612</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>52.90%</u>	<u>38.91%</u>

TOWNSHIP OF FRANCONIA
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 91,611	\$ 113,577
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>91,611</u>	<u>113,577</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,098,707</u>	<u>\$ 1,186,612</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>8.34%</u>	<u>9.57%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015 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	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	11 years	11 years
Asset valuation method	Smoothing	Smoothing
Inflation	3%	3%
Salary increases	4.0% annual increase	3.5% annual increase
Investment rate of return	7.0%	6.5%
Retirement age	Normal retirement age	Normal retirement age
Mortality	RP-2000	UP-1984

TOWNSHIP OF FRANCONIA
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-1.72%</u>	<u>5.35%</u>

TOWNSHIP OF FRANCONIA
SCHEDULE OF THE COMPONENT UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2015

AUTHORITY'S PROPORTION OF THE NET PENSION LIABILITY	<u>16.34%</u>
AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	\$ <u>113,596</u>
AUTHORITY'S COVERED-EMPLOYEE PAYROLL	\$ <u>214,559</u>
AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>52.94%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>69.36%</u>