

SOLEBURY TOWNSHIP, PENNSYLVANIA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2014

SOLEBURY TOWNSHIP, PENNSYLVANIA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION - MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS	14
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES	17
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS	18
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - POLICE PENSION TRUST	19
NOTES TO FINANCIAL STATEMENTS	20
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
SCHEDULE OF PENSION FUNDING PROGRESS - POLICE AND NON-UNIFORM PLANS	46
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES - POLICE AND NON-UNIFORM PLANS	46

SOLEBURY TOWNSHIP, PENNSYLVANIA
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (CONTINUED)

POLICE PENSION PLAN - SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS	47
POLICE PENSION PLAN - SCHEDULES OF EMPLOYER CONTRIBUTIONS, INVESTMENT RETURNS AND EMPLOYER'S NET PENSION LIABILITY	48
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	49
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISONS	50

OTHER SUPPLEMENTARY INFORMATION

MAJOR DEBT SERVICES FUND WITH LEGALLY ADOPTED BUDGET	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND	51
MAJOR CAPITAL PROJECTS FUND WITH LEGALLY ADOPTED BUDGET	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LAND PRESERVATION FUND	52
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ROADS AND BRIDGES FUND	53
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND	54
NONMAJOR GOVERNMENTAL FUNDS	55
COMBINING BALANCE SHEET	56
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	57
COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL	58
FIDUCIARY FUNDS	
COMBINING STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS	62

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Solebury Township, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Solebury Township as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

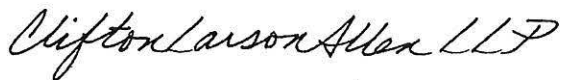
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension funding progress and contributions, and budgetary comparison information on pages 3-11, 46-48 and 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solebury Township's basic financial statements. The combining nonmajor fund financial statements and schedules and budgetary comparison information on pages 51-62 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 30, 2015

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)

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

FINANCIAL HIGHLIGHTS

- As a result of its annual fiscal review, Standard & Poor's has maintained the Township's rating of AA+ with a stable outlook, and Moody's maintained the Township's rating at Aa3. These ratings reflect the increased reserve balances across funds, increased revenues and a conservative budgeting approach by the Township Administration.
- Government-wide net position of the Township at the close of the year was \$24,929,974, which represents an increase of \$1,276,192, or 5.39%, over the prior year, the result of increased revenue and better than expected operating results for the third year in a row. The increase in Government-wide net assets is attributable to increased Program Revenue, Earned Income Tax and Real Estate Transfer Tax collections.
- In December 2014, the Township Enacted Ordinance 2014-012, for the purposes of providing funds to finance a capital project, refund the Township's General Obligation Bond, Series 2009A, and pay the costs of issuing the note. This new note was refinanced at a low fixed interest rate, continuing the Township's efforts to reduce interest costs. See note 5 for additional detail.
- As done in the previous year, the Township again funded the Police Pension Plan over and above the State Minimum Municipal Obligation in 2014.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the General Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's presentation of its financial statements.

Report Components

This annual report consists of five parts as follows:

Government-wide Financial Statements: Government-wide financial statements (starting on page 12) are designed to provide readers with a broad overview of Solebury Township's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

USING THIS ANNUAL REPORT (CONTINUED)

Report Components (Continued)

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave time.)

Fund Financial Statements: Fund financial statements (starting on page 14) focus on the individual parts of the Township government. Governmental fund financial statements are presented on the modified accrual basis and provide information about the Township's most significant ("major") funds. These statements tell how these services were financed in the short term as well as what remains for future spending. Fiduciary fund financial statements are presented on the accrual basis.

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 explanations and detail regarding the information reported in the statements.

Required Supplementary Information: The Management's Discussion and Analysis and the information concerning the Township's progress in funding its obligations to provide pension benefits to its employees and the General Fund and Major Special Revenue Fund Budgetary Comparison Schedules (found on pages 49 through 53) represent financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the entity-wide and fund financial statements and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 51) includes optional financial information such as fund budgetary comparison schedules and combining statements for nonmajor funds (which are shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

Basis of Accounting

Government-Wide Financial Statements

Government-wide financial statements are highly aggregated financial statements that present financial information for all assets (including infrastructure capital assets), deferred outflows of resources, liabilities, deferred inflows of resources, and net position of a primary government, except for fiduciary funds. Government-wide financial statements use the economic resource measurement focus and accrual basis accounting. These financial statements are designed to help users assess the finances of the government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current-year services. They also are designed to help users assess the cost of providing services to the citizenry, determine how the government finances its programs – through user fees and other program revenues versus general tax revenues, understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets, and make better comparisons between governments.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 – Solebury Township's Net Position

	2014	2013
Current and Other Assets	\$ 9,202,806	\$ 9,940,459
Capital Assets	43,830,481	44,001,009
Total Assets	<u>53,033,287</u>	<u>53,941,468</u>
Deferred Charge on Refunding	19,690	21,480
Total Deferred Outflows of Resources	<u>19,690</u>	<u>21,480</u>
Current Liabilities	302,304	378,155
Noncurrent Liabilities	27,828,699	29,939,011
Total Liabilities	<u>28,131,003</u>	<u>30,317,166</u>
Net Position		
Net Investment in Capital Assets	16,316,830	14,324,532
Restricted	4,758,588	397,105
Unrestricted	3,846,556	8,924,145
Total Net Position	<u>\$ 24,921,974</u>	<u>\$ 23,645,782</u>

The Township's Net Position improved for a third year as a result of increased revenues and the concerted efforts to build reserve balances across various funds and decrease debt.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table 2 – Solebury Township's Change in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 626,087	\$ 642,036
Operating Grants and Contributions	636,702	1,228,987
Capital Grants and Contributions	15,418	338,269
General Revenues		
Real Estate Taxes	4,779,743	4,794,146
Real Estate Transfer Taxes	571,556	682,449
Earned Income Taxes	2,871,206	3,146,421
Interest and Rents	46,786	39,364
Total Revenues	<u>9,547,498</u>	<u>10,871,672</u>
Expenses		
General Government	1,452,446	1,374,002
Public Safety	3,788,372	4,138,521
Public Works	1,624,105	1,066,908
Culture and Recreation	384,795	371,425
Preservation of Natural Resources	201,010	54,559
Interest on Long Term Debt	820,578	1,295,998
Total Expenses	<u>8,271,306</u>	<u>8,301,413</u>
Increase in Net Position	1,276,192	2,570,259
Net Position - Beginning of Year	<u>23,645,782</u>	<u>21,075,523</u>
Net Position - End of Year	<u>\$ 24,921,974</u>	<u>\$ 23,645,782</u>

In 2014, the Township's net position increased approximately 5.4% during the year as a result of increased Earned Income Tax and Real Estate Transfer Tax collections, and the refinancing of Debt Service.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Balance Sheet – Governmental Funds

The Township's total Governmental fund balances, resulting from modified accrual basis of accounting transactions, decreased from \$8,716,835 to \$8,063,248 between fiscal years 2013 and 2014.

	<u>2014</u>	<u>2013</u>
Cash and Investments	\$ 7,723,417	\$ 8,324,113
Taxes and Other Receivable	1,444,115	1,616,346
Prepaid Items	35,274	-
Total Assets	<u>\$ 9,202,806</u>	<u>\$ 9,940,459</u>
Accounts Payable	\$ 256,636	\$ 260,307
Unearned Revenues	-	38,158
Total Liabilities	<u>256,636</u>	<u>298,465</u>
Deferred Inflow of Resources	847,648	925,159
Fund Balances		
Nonspendable	35,274	-
Restricted	4,758,588	5,657,643
Committed	1,428,168	1,189,665
Unassigned	1,876,492	1,869,527
Total Fund Balances	<u>8,098,522</u>	<u>8,716,835</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,202,806</u>	<u>\$ 9,940,459</u>

The seven-percent decrease in Fund Balances is attributable to the Board's commitment to the Township's investment in infrastructure and the Land Preservation Program. During 2014, approximately \$518,000 was utilized to repair various roads and bridges, and approximately \$130,000 was expended for a land preservation easement.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

Change in Fund Balances

For the years ended December 31, 2014 and 2013, the Township's total Governmental fund balances changed as follows:

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Service	\$ 359,693	\$ 387,529
Operating Grants and Contributions	903,094	1,483,494
Capital Grants and Contributions	32,213	369,767
General Revenues		
Real Estate Taxes	4,786,467	4,848,258
Real Estate Transfer Taxes	571,556	682,449
Earned Income Taxes	2,941,995	2,924,732
Interest and Rents	46,786	39,364
Other Financing Sources		
Issuance of Refunding Note	4,762,189	856,000
Total Revenues and Other Financing Sources	<u>14,403,993</u>	<u>11,591,593</u>
Expenditures		
General Government	1,201,293	1,097,938
Public Safety	3,814,829	4,298,669
Public Works	1,599,196	892,998
Culture and Recreation	301,639	288,269
Preservation of Natural Resources	333,321	60,356
Debt Service	3,152,028	4,149,637
Other Financing Uses		
Redemption of Bond	4,620,000	-
Total Expenditures and Other Financing Uses	<u>15,022,306</u>	<u>10,787,867</u>
Change in Fund Balances	(618,313)	803,726
Fund Balances - Beginning	<u>8,716,835</u>	<u>7,913,109</u>
Fund Balances - Ending	<u><u>\$ 8,098,522</u></u>	<u><u>\$ 8,716,835</u></u>

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

Change in Fund Balances (Continued)

The \$618,313 change in ending Fund Balance is a result of the increase in expenditures in the Road and Bridges and Land Preservation funds.

General Fund Budgetary Highlights

Budget to Actual comparisons for the major funds are noted in these Financial Statements beginning on page 49.

For the year ended December 31, 2014, General Fund revenues exceeded budget by \$302,376 and expenditures were below budget by \$199,312. The increase in revenues over budget is primarily due to the receipt of higher than anticipated Earned Income Taxes, Real Estate Transfer Taxes and Program Revenue. The decrease in expenses is due to the Administration's determined efforts to minimize expense outlays.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3 – Capital Assets, Net of Depreciation

	2014	2013
Land and Land Easements	\$ 32,518,799	\$ 32,312,813
Land Improvements	26,079	26,079
Park Improvements	3,238,783	3,321,939
Buildings and Improvements	3,903,085	4,125,945
Vehicles and Equipment	508,102	402,607
Furniture and Equipment	217,135	192,598
Infrastructure	3,418,498	3,619,028
	<u>\$ 43,830,481</u>	<u>\$ 44,001,009</u>

The decrease in Capital Assets is primarily due to depreciation and disposals, the purchase of a land easement, vehicles, software, and construction projects. The table above shows capital assets net of accumulated depreciation.

Additional information about the Township's Capital assets can be found in Note 3 to the financial statements.

SOLEBURY TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Debt

At December 31, 2014 and 2013, the Township had \$27,430,189 and \$29,585,428, respectively, in long-term debt outstanding. Principal and interest payments in 2014 were \$2,297,428 and \$788,038, respectively, and in 2013 were \$2,834,381 and \$1,198,846, respectively. All debt, except for the General Obligation Bonds, Series of 2012A and Series 2014A, in the outstanding amount of \$5,452,189, is voter approved for the acquisition of Open Space and Land Conservation Easements.

Table 4 – Outstanding Debt

	<u>2014</u>	<u>2013</u>
General Obligation Notes	\$ 9,745,189	\$ 6,135,428
General Obligation Bonds	17,685,000	23,450,000
Total General Obligation Notes and Bonds	<u>\$ 27,430,189</u>	<u>\$ 29,585,428</u>

The Township continued its debt repayment plan during 2014, reducing outstanding debt. Ordinance 2014-012 was enacted to refinance current debt at a lower interest rate.

Additional information about the Township's long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2015 Solebury Township Budget calls for the continuation of the Land Preservation Program, and an expansion of the Capital Reserve and Roads & Bridges Programs. The expansion of the Capital Reserve and Roads & Bridges Programs will fund future capital projects, and accelerate the maintenance and enhancements to the Township's infrastructure, respectively. The Township enacted a 14% increase (2.75 mills) in real estate taxes for 2015, to provide for increased funding for roads and bridges, parks and recreation, and the library and fire funds. The Township continues to employ a conservative budget approach by holding tax revenues consistent with prior years' receipts and modestly increasing overall Township expenses.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

The 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 any questions about this report or need additional financial information, contact Dennis Carney, Township Manager, 3092 Sугan Road, P.O. Box 139, Solebury, PA 18963 or 215-297-5656.

SOLEBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,698,334
Investments	2,025,083
Accounts Receivable	61,981
Real Estate Taxes Receivable	125,441
Real Estate Transfer Taxes Receivable	17,633
Earned Income Taxes Receivable	1,239,060
Prepaid Expenses	35,274
Capital Assets Not Being Depreciated:	
Land	3,344,871
Conservation Easements	29,094,456
Construction in Progress	79,472
Other Capital Assets, Net of Depreciation	11,311,682
Total Assets	<u>53,033,287</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	19,690
Total Deferred Outflows of Resources	<u>19,690</u>
LIABILITIES	
Accounts Payable	256,636
Accrued Interest Payable	45,668
Noncurrent Liabilities:	
Due Within One Year	2,799,828
Due in More than One Year	25,028,871
Total Liabilities	<u>28,131,003</u>
NET POSITION	
Net Investment in Capital Assets	16,316,830
Restricted:	
Land Preservation	3,806,862
Debt Service	475,566
Roads and Bridges	287,383
Fire Protection Tax	10,902
Highway Aid	175,586
Library	2,289
Unrestricted	3,846,556
Total Net Position	<u>\$ 24,921,974</u>

See accompanying Notes to Financial Statements.

SOLEBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	\$ 1,452,446	\$ -	\$ 52,012	\$ 15,418	\$ (1,385,016)
Public Safety	3,788,372	542,570	310,017	-	(2,935,785)
Public Works	1,624,105	-	274,673	-	(1,349,432)
Culture and Recreation	384,795	73,817	-	-	(310,978)
Preservation of Natural Resources	201,010	9,700	-	-	(191,310)
Interest on Long Term Debt	820,578	-	-	-	(820,578)
Total Governmental Activities	<u>\$ 8,271,306</u>	<u>\$ 626,087</u>	<u>\$ 636,702</u>	<u>\$ 15,418</u>	<u>(6,993,099)</u>
General Revenues					
Taxes:					
Real Estate Taxes					4,779,743
Real Estate Transfer Taxes					571,556
Earned Income Taxes					2,871,206
Interest and Rents					46,786
Total General Revenues					<u>8,269,291</u>
Change in Net Position					1,276,192
Net Position - Beginning of Year					<u>23,645,782</u>
Net Position - End of Year					<u>\$ 24,921,974</u>

See accompanying Notes to Financial Statements.

SOLEBURY TOWNSHIP, PENNSYLVANIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds					Nonmajor	Total
	General	Land Preservation	Debt Service	Roads and Bridges	Capital Reserve	Governmental Funds	Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 1,521,847	\$ 1,800,310	\$ 439,004	\$ 287,383	\$ 932,223	\$ 717,567	\$ 5,698,334
Investments	-	2,025,083	-	-	-	-	2,025,083
Real Estate Taxes Receivable	33,428	-	80,901	-	-	11,112	125,441
Real Estate Transfer Taxes Receivable	17,633	-	-	-	-	-	17,633
Earned Income Taxes Receivable	1,239,060	-	-	-	-	-	1,239,060
Accounts Receivable	61,981	-	-	-	-	-	61,981
Prepaid Expenses	35,274	-	-	-	-	-	35,274
Total Assets	\$ 2,909,223	\$ 3,825,393	\$ 519,905	\$ 287,383	\$ 932,223	\$ 728,679	\$ 9,202,806
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 199,262	\$ 18,531	\$ 850	\$ -	\$ 16,335	\$ 21,658	\$ 256,636
Total Liabilities	199,262	18,531	850	-	16,335	21,658	256,636
Deferred Inflow of Resources							
Unavailable Revenue - Income Taxes	781,264	-	-	-	-	-	781,264
Unavailable Revenue - Real Estate Taxes	16,931	-	43,489	-	-	5,964	66,384
Total Deferred Inflow of Resources	798,195	-	43,489	-	-	5,964	847,648
Fund Balances							
Nonspendable	35,274	-	-	-	-	-	35,274
Restricted	-	3,806,862	475,566	287,383	-	188,777	4,758,588
Committed	-	-	-	-	915,888	512,280	1,428,168
Unassigned, Reported in							
General Fund	1,876,492	-	-	-	-	-	1,876,492
Total Fund Balances	1,911,766	3,806,862	475,566	287,383	915,888	701,057	8,098,522
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 2,909,223	\$ 3,825,393	\$ 519,905	\$ 287,383	\$ 932,223	\$ 728,679	\$ 9,202,806

See accompanying Notes to Financial Statements.

SOLEBURY TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total Governmental Fund Balances	\$	8,098,522
----------------------------------	----	-----------

Amounts Reported for Governmental Activities in the Statement of Net Position
are Different because:

Capital Assets Used in Governmental Activities are not Financial Resources and,
therefore, are not Reported in the Funds:

Capital Assets	\$ 48,744,345	
Accumulated Depreciation	<u>(4,913,864)</u>	43,830,481

Deferred Charge on Refunding is Recorded as an Expenditure in the Fund Statements but
Recorded as a Deferred Outflow of Resources and Amortized over the Life of the Bonds
in the Statement of Net Position

19,690

Other Long-Term Assets are not Available to Pay for Current-Period Expenditures and,
therefore, are Unavailable in the Funds

847,648

Certain Liabilities, Including Bonds Payable, are not Due and Payable in the Current
Period, and, therefore, are not Reported in the Funds

Compensated Absences	(315,048)	
Accrued Interest Payable	(45,668)	
General Obligation Bonds and Notes Payable	<u>(27,513,651)</u>	<u>(27,874,367)</u>

Net Position of Governmental Activities

\$ 24,921,974

SOLEBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	Major Funds					Nonmajor	Total
	General	Land Preservation	Debt Service	Roads and Bridges	Capital Reserve	Governmental Funds	Governmental Funds
REVENUES							
Real Estate Taxes	\$ 1,275,103	\$ -	\$ 3,088,300	\$ -	\$ -	\$ 423,064	\$ 4,786,467
Real Estate Transfer Taxes	571,556	-	-	-	-	-	571,556
Earned Income Taxes	2,941,995	-	-	-	-	-	2,941,995
Licenses and permits	226,114	-	-	-	-	-	226,114
Fines, Forfeits and Costs	38,907	-	-	-	-	-	38,907
Interest and Rents	28,758	16,738	-	561	-	729	46,786
Intergovernmental	323,122	-	-	-	-	274,671	597,793
Charges for Services	314,476	-	-	-	-	45,217	359,693
Refunds and Miscellaneous	1,980	-	-	-	-	70,513	72,493
Total Revenues	5,722,011	16,738	3,088,300	561	-	814,194	9,641,804
EXPENDITURES							
Current							
General Government	861,816	-	-	-	79,472	24,872	966,160
Public Safety	2,279,549	-	-	-	-	576,409	2,855,958
Public Works	518,632	-	-	528,890	-	391,995	1,439,517
Culture and Recreation	2,125	-	-	-	-	269,439	271,564
Preservation of Natural Resources	-	303,967	-	-	-	29,354	333,321
Miscellaneous							
Employee Benefits	811,667	-	-	-	-	-	811,667
Pension	481,452	-	-	-	-	-	481,452
Insurance	90,639	-	-	-	-	-	90,639
Debt Service							
Principal	-	-	2,297,428	-	-	-	2,297,428
Interest	-	-	788,038	-	-	-	788,038
Bond and Note Issuance Costs	-	-	66,562	-	-	-	66,562
Total Expenditures	5,045,880	303,967	3,152,028	528,890	79,472	1,292,069	10,402,306
Excess (Deficiency) of Revenues Over (Under) Expenditures	676,131	(287,229)	(63,728)	(528,329)	(79,472)	(477,875)	(760,502)
Other Financing Sources (Uses)							
Proceeds from Note Issuance	-	-	4,762,189	-	-	-	4,762,189
Payment to Redeem Bonds	-	-	(4,620,000)	-	-	-	(4,620,000)
Transfers In	75,000	-	-	-	140,000	545,000	760,000
Transfers Out	(685,000)	(75,000)	-	-	-	-	(760,000)
Total Other Financing Sources (Uses)	(610,000)	(75,000)	142,189	-	140,000	545,000	142,189
Net Changes in Fund Balances	66,131	(362,229)	78,461	(528,329)	60,528	67,125	(618,313)
Fund Balances - Beginning of Year	1,845,635	4,169,091	397,105	815,712	855,360	633,932	8,716,835
Fund Balances - End of Year	\$ 1,911,766	\$ 3,806,862	\$ 475,566	\$ 287,383	\$ 915,888	\$ 701,057	\$ 8,098,522

See accompanying Notes to Financial Statements.

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

Net Change in Fund Balances - Governmental Funds \$ (618,313)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount by Which Depreciation Exceeds Capital Outlay in the Current Period

Capital Outlay	\$ 459,551	
Depreciation Expense	<u>(613,284)</u>	(153,733)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position		(16,795)
---	--	----------

The net effect of revenues in the Statement of Activities that do not Provide Current Financial Resources are not Reported in the Fund Financial Statements		(77,511)
---	--	----------

The Issuance of Long-Term Debt Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumed the Current Financial Resources of Governmental Funds. Neither Transaction, however, has any Effect on Net Position. Also, Governmental Funds Report the Effect of Issuance Costs, Premiums, Discounts, and Similar Items when Debt is First Issued, whereas these Amounts are Deferred and Amortized in the Statement of Activities.

Amortization of Premium and Loss on Refunding	5,797	
Debt Service Principal	2,297,428	
Payment to Redeem Bonds	4,620,000	
Proceeds from Note	<u>(4,762,189)</u>	2,161,036

The net effect of Expenses Reported in the Statement of Activities do not Require the use of Current Financial Resources and, therefore, are not Reported as Expenditures in Governmental Funds

Change in Accrued Interest	34,022	
Change in Compensated Absences Balances		
General Government	(3,798)	
Public Safety	(15,715)	
Public Works	<u>(33,001)</u>	<u>(18,492)</u>

Change in Net Position of Governmental Activities	\$	<u><u>1,276,192</u></u>
---	----	-------------------------

SOLEBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2014

	Police Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$ 570,646	\$ 863,013
Investments	3,671,124	-
Total Assets	<u>4,241,770</u>	<u>863,013</u>
LIABILITIES		
Accounts Payable	-	\$ 13,485
Escrow Deposits Payable	-	806,301
Amounts Held for Other Organizations	-	43,227
Total Liabilities	<u>-</u>	<u>\$ 863,013</u>
NET POSITION		
Net Position Held in Trust for Pension Benefits	<u>\$ 4,241,770</u>	

(A Schedule of Funding Progress is Presented on Page 46)

SOLEBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2014

	Police Pension Trust
Additions	
Contributions	
Commonwealth of Pennsylvania	\$ 108,435
Employer	247,429
Members	63,060
Total Contributions	<u>418,924</u>
Investment Earnings	
Investment Gains	224,169
Net Investment Earnings	<u>224,169</u>
Total Additions	643,093
Deductions	
Benefits	203,145
Administrative	31,304
Total Deductions	<u>234,449</u>
Change in Plan Net Position	408,644
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>3,833,126</u>
End of Year	<u><u>\$ 4,241,770</u></u>

See accompanying Notes to Financial Statements.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Solebury Township (the "Township"), located in Bucks County, Pennsylvania, is classified as a "Township of the Second Class" under the laws of the Commonwealth of Pennsylvania. The major services provided by the Township include public safety, roads, fire protection, parks and recreation, and general administration.

The Township is governed by an elected five member Board of Supervisors. The daily operations of the Township are administered by the Township Manager.

The financial statements of the Township have been prepared in accordance with U.S. generally accepted auditing standards as applied to governmental audits. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Township is financially accountable. The Township has also considered all other potential organizations for which the nature and significance of their relationships with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the Township to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Township. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

Government-wide and Fund Financial Statements

Government-wide financial statements are highly aggregated financial statements that present financial information for all assets (including infrastructure capital assets), deferred outflows of resources, all liabilities, and deferred inflows of resources and net position as a primary government, except for fiduciary funds. Government-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These financial statements are designed to help users assess the finances of the government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current-year services. They also are designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs – through user fees and other program revenues versus general tax revenues; understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets; and make better comparisons between governments.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for the Township's Governmental funds and fiduciary funds, as applicable. The focus of fund financial statements is on major funds. Major individual Governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net positions, revenues and expenditures, as appropriate. The Township has the following funds:

Governmental Funds – Governmental funds are those funds through which most governmental functions typically are financed.

The Township reports the following major Governmental funds:

- **General Fund** – Accounts for all activities except those legally or administratively required to be accounted for in other funds. For external financial reporting purposes, the Township includes the Operating Reserve Fund in the General Fund.
- **Land Preservation Fund** – A capital projects fund accounts for preservation activities that have been funded through general obligation electoral debt approved by the voters.
- **Debt Service Fund** – Accounts for revenues from a share of the Township's real estate taxes which are used to retire debt principal and interest.
- **Roads and Bridges Capital Fund** - Accounts for capital construction and maintenance of the Township's roads and bridges, which is funded primarily by interfund transfers from the General Fund, proceeds from general obligation notes, and fees in lieu of improvements from developers.
- **Capital Reserve Fund** – Accounts for major capital improvements and/or construction of Township facilities, which is funded primarily by interfund transactions from the General Fund.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The funds included in this category are:

- **Police Pension Trust Fund** – Accounts for police pension plan contributions for the payment of retirement benefits.
- **Escrow Agency Fund** – Accounts for escrow funds deposited with the Township by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. As the escrow agency funds are custodial in nature, none of the monies received from or expended on behalf of the developers are recorded in the revenues or expenditures of the Township.
- **Sports Organizations Agency Fund** – Accounts for funds held by the Township on behalf of sports organizations. These funds are custodial in nature.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Earned income taxes are recognized when the underlying exchange transaction occurs or when resources are received, whichever is first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable 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 current fiscal period. Those revenues susceptible to accrual are real estate taxes, earned income taxes, interest, intergovernmental, charges for services, and certain miscellaneous revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due or matured. Assets exclude capital and certain other assets, and liabilities exclude unmatured debt, compensated absences and accrued interest payable.

The Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit whose original maturity exceeds three months and investments in iShares which are a type of exchange traded funds. Certificates of deposit are stated at fair value. The iShares are valued based on published market prices from national security exchanges. The iShares are traded on the American Stock Exchange, the Chicago Board Options Exchange, and the New York Stock Exchange.

Receivables

Receivables are reduced, when necessary, by an estimated allowance that is expected to be uncollectible.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

Capital Assets

Capital assets include land, conservation easements, construction-in-progress, buildings and improvements, machinery and equipment, vehicles, furniture and infrastructure and are reported in the governmental activities column in the government-wide financial statements. Purchases of capital assets are recognized as expenditures in Governmental funds statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an initial useful life of one year or greater. Such assets are recorded at cost. Capital assets, except for intangible assets, acquired through contributions from developers are recorded at estimated fair value at the date of donation.

In order to preserve open space, the Township purchases conservation easements. A conservation easement restricts the use of land from development in perpetuity. A conservation easement is thus considered an intangible asset of the Township. The Township records conservation easements at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

Buildings and Improvements	20 – 30 years
Park and Land Improvements	20 – 30 years
Machinery/Vehicles/Furniture/Equipment	5 – 15 years
Infrastructure	20 years

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The accumulated vested compensated absences are reported as liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is allowed to be paid upon retirement. In the Governmental funds financial statements, compensated absences are not recognized as liabilities but are recognized as expenditures when due to be paid.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Legal and Contractual Restrictions

Under Pennsylvania law, the Township is permitted to invest Township funds in U.S. Treasury bills, short-term obligations of the U.S. Government and its agencies and shares of an investment company as defined, provided that the only investments of that company are in authorized investments for Township funds. The Township may also place deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

The law provides that the Township's Pension Trust Funds may be invested in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

The deposits and investments of the Police Pension Trust Fund are maintained separately from other Township funds and are managed by a Trustee in the name of the Township.

Cash, cash equivalents and investments include \$3,825,393 held in the Land Preservation Fund that is restricted for use in the Township's Land Preservation Program.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

At December 31, 2014, the carrying value of the Township's deposits with banks was \$8,586,107, including certificates of deposit of \$2,025,083, in the various funds. The bank balances were \$8,756,906. Of the bank balances, 100% was covered by federal depository related insurance or collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971. Under Act 72, a depository holding public funds in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge assets to secure 100% of the Township's deposits. The pledged assets must be at least equal to the total amounts of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. All such pledged assets are held by the pledging financial institution's trust department or agent and not in the Township's name. The Township Finance Department is responsible for monitoring compliance with the collateralization and reporting requirements of Act 72.

As of December 31, 2014, the Township's bank balances and certificates of deposit were exposed to custodial credit risk as follows:

	Bank Deposits
Insured Amount	\$ 531,476
Uninsured, with Collateral Held by Pledging Bank's Trust Department but not in the Township's name In Accordance with Act 72	6,200,347
Uninsured and Uncollateralized	-
Total Bank Deposits	<u>\$ 6,731,823</u>

Investments

Investments held as of December 31, 2014 are as follows:

Land Preservation Fund	
Negotiable Certificates of Deposit	\$ 2,025,083
Police Pension Trust Fund	
Money Funds (1)	470,646
ETF'S - Equity Funds	512,215
iShares - Short-Term Bond Fund	301,775
iShares - Treasury Index Funds	244,423
iShares - Equity Mutual Funds	1,385,736
Certificates of Deposit	771,016
Government Bonds	455,959
Total Police Pension Trust Fund	<u>4,141,770</u>
Combined Total	<u>\$ 6,166,853</u>

(1) Money Funds are Included with Cash and Cash Equivalents

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has purchased from brokers negotiable certificates of deposit, in which the Township receives pass-through depository insurance up to \$250,000 at each financial institution. The remaining negotiable certificates of deposit are exposed to custodial credit risk. The total balance of certificates of deposit that were exposed to credit risk was \$2,796,099. Investments in iShares – Short-Term Bond Fund and Treasury Index Fund are not exposed to custodial credit risk because their existence is evidenced by security funds that exist in physical book entry form.

Interest Rate Risk – Investments

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. The Township limits its interest rate risk by maintaining certain balances in liquid investments, which include money funds. The average maturities of the Township's iShares – Short-Term Bond Fund and Treasury Index Fund are as follows:

	Average Maturities (in Years)					Total
	Less Than 1	1-5	6-10	11-20	More Than 20	
iShares - Short-Term Bond Fund	\$ -	\$ 301,775	\$ -	\$ -	\$ -	\$ 301,775
iShares - Treasury Index Funds	-	244,423	-	-	-	244,423
Government Bonds	-	93,790	337,417	24,752	-	455,959
	<u>\$ -</u>	<u>\$ 639,988</u>	<u>\$ 337,417</u>	<u>\$ 24,752</u>	<u>\$ -</u>	<u>\$ 1,002,157</u>

The maturities of the Township's negotiable certificates of deposits are as follows:

	Maturity Year					Total
	2015	2016	2017	2018	2019 - 2024	
Negotiable Certificates of Deposits	<u>\$ 2,100,048</u>	<u>\$ 74,378</u>	<u>\$ 74,256</u>	<u>\$ 74,224</u>	<u>\$ 473,193</u>	<u>\$ 2,796,099</u>

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Township does not have a formal investment policy for credit risk. The Township's investments were given the following credit ratings:

The Township's investments in negotiable certificates of deposit and money funds were not rated.

The Township's investments in iShares – Short-Term Bond Fund and Treasury Index Funds were not rated.

The Township's investments in Government Bonds were rated AAA by Moody's and AA+ by S & P.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township does not have a formal investment policy for concentration of credit risk. At December 31, 2014, the Township had the following investments which exceeded 5% of the Township's total investments of the Governmental funds:

Issuer	Type of Investment	Amount	Percentage of Investments of Governmental Funds
First Federal of Bucks County	Negotiable Certificates of Deposit	\$ 2,025,083	100.00%

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

	2013 Balance	Additions	Deletions	2014 Balance
Governmental Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 3,344,871	\$ -	\$ -	\$ 3,344,871
Land Easements	28,967,942	126,514	-	29,094,456
Construction in Progress	-	79,472	-	79,472
Total Capital Assets Not Being Depreciated	32,312,813	205,986	-	32,518,799
 Capital Assets, Being Depreciated				
Land Improvements	38,601	-	-	38,601
Park Improvements	3,699,491	-	-	3,699,491
Buildings and Improvements	5,946,306	-	-	5,946,306
Vehicles and Equipment	1,161,241	212,565	169,826	1,203,980
Furniture and Equipment	238,275	41,000	-	279,275
Infrastructure	5,057,893	-	-	5,057,893
Total Capital Assets Being Depreciated	16,141,807	253,565	169,826	16,225,546
 Less Accumulated Depreciation for				
Land Improvements	12,522	-	-	12,522
Park Improvements	377,552	83,156	-	460,708
Buildings and Improvements	1,820,361	222,860	-	2,043,221
Vehicles and Equipment	758,634	90,275	153,031	695,878
Furniture and Equipment	45,677	16,463	-	62,140
Infrastructure	1,438,865	200,530	-	1,639,395
Total Accumulated Depreciation	4,453,611	613,284	153,031	4,913,864
Total Capital Assets Being Depreciated, Net	11,688,196	(359,719)	16,795	11,311,682
Governmental Type Activities, Capital Assets, Net	\$ 44,001,009	\$ (153,733)	\$ 16,795	\$ 43,830,481

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government	\$	263,355
Public Safety		58,858
Highway		6,737
Public Works		201,178
Parks and Recreation		<u>83,156</u>
Total Depreciation Expense, Governmental Activities	\$	<u><u>613,284</u></u>

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a schedule of transfers as included in the basic financial statements of the Township:

	Transfers In	Transfers Out
General Fund	\$ 75,000	\$ 685,000
Land Preservation Fund	-	75,000
Nonmajor Governmental Funds		
Park and Recreation Fund	130,000	-
Ambulance Fund	100,000	-
Park Capital Fund	40,000	-
Capital Reserve Fund	140,000	-
Capital Equipment Reserve Fund	275,000	-
Total	<u>\$ 760,000</u>	<u>\$ 760,000</u>

Transfers are used to (1) move revenues from the fund required to be collected by statute or budget to the fund required by statute or budget to expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	Year of Final Maturity	Original Issue Amount	Balance January 1, 2014	2014 Additions	2014 Reductions	Balance December 31, 2014	Due Within One Year
Governmental Activities							
General Obligation							
1999 Issue - Adjustable (Note)	2014	\$ 3,860,714	\$ 151,428	\$ -	\$ (151,428)	\$ -	\$ -
2005 Issue - 2.2% - 5.0% (Bond)	2025	10,305,000	7,090,000	-	(260,000)	6,830,000	770,000
2009A Issue - 0.8% - 4.0% (Bond)	2025	6,405,000	5,055,000	-	(5,055,000)	-	-
2009B Issue - 0.8% - 3.5% (Bond)	2020	3,325,000	1,995,000	-	-	1,995,000	310,000
2010 Issue - 0.6% - 3.9% (Bond)	2030	5,105,000	4,515,000	-	(210,000)	4,305,000	215,000
2011 Issue - 2.95% (Note)	2026	5,345,000	5,128,000	-	(329,000)	4,799,000	338,000
2012A Issue - 0.5% - 2.00% (Bond)	2025	845,000	775,000	-	(85,000)	690,000	85,000
2012B Issue - 0.5% - 2.00% (Bond)	2025	4,380,000	4,020,000	-	(155,000)	3,865,000	160,000
2013A Issue - 2.5% - 2.7% (Note)	2015	482,000	482,000	-	(298,000)	184,000	184,000
2013B Issue - 2.5% - 2.7% (Note)	2014	374,000	374,000	-	(374,000)	-	-
2014 Issue - 2.44% (Note)	2025	4,762,189	-	4,762,189	-	4,762,189	490,000
Premium for Issuance - Unamortized			91,049	-	(7,587)	83,462	-
Total General Obligation							
Bonds and Notes			29,676,477	4,762,189	(6,925,015)	27,513,651	2,552,000
Compensated Absences			262,534	52,514	-	315,048	247,828
Total			<u>\$ 29,939,011</u>	<u>\$ 4,814,703</u>	<u>\$ (6,925,015)</u>	<u>\$ 27,828,699</u>	<u>\$ 2,799,828</u>

During 2014, the Township issued \$4,762,189 of non-electoral General Obligation Note, Series 2014 A, for the purpose of refunding the Township's General Obligation Bond, Series 2009 A, and to pay the costs of issuing the note. The 2014 A Note was issued at a lower fixed interest rate, continuing the Township's efforts to reduce interest payments. The Township also issued a \$2,649,811 non-electoral General Obligation Note, Series 2014 B for the purpose of providing funds to finance a capital project. There were no funds drawn down on the Series 2014 B Note at December 31, 2014. The Series 2014 A and B Notes have a fixed interest rate of 2.44% through 2025.

During 2013, the Township issued \$482,000 General Obligation Note, Series A of 2013 and \$374,000 General Obligation Note, Series B of 2013. These Notes were issued to provide funds to advance refund a portion of the Township's General Obligation Bonds, Series 2005 and Series B of 2009 and to pay the costs of issuing the 2013 Notes.

The Township enacted Ordinance 2013-003 which authorized the issuance of two electoral General Obligation Notes, Series A and B of 2013. The issuance of these notes was the first step in a refinancing plan that continues through 2015. The Township also entered into a Note Purchase Agreement with First National Bank & Trust Company of Newtown for General Obligation Notes Series C & D of 2015, in the amount of \$9,012,000 for a fixed interest rate of 2.5% through 2019. The interest rate can be reset but will not exceed 2.7%. This plan enables the Township to take advantage of a lower fixed interest rate, thereby reducing the Township's overall interest payments through 2030 by approximately 25% or \$1.8 million dollars. The 2013 Series B was paid in full during 2014.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 LONG-TERM DEBT (CONTINUED)

During 2012, the Township incurred \$845,000 of non-electoral debt and \$4,380,000 of electoral debt through the issuance of General Obligation Bond Series 2012 A and B, respectively. The Bond was issued to refund the principal maturities of the 2012 Note (issued January 2012), and the 2003 A and 2003 B General Obligation Notes in the amounts of \$850,000, \$1,437,000 and \$3,239,000, respectively. The Bond proceeds also funded the issuance costs of \$100,366. The Bonds have varying maturities from December 1, 2013 to December, 2025 with interest being paid semiannually, June 1 and December 1. The interest rates of the Bonds range between .50% and 2.00%. In connection with the refunding of the 2003 A and B Notes, a termination payment was made and is included as a deferred outflow on the Statement of Net Position and is amortized over the life of the debt. The refunding of the 2003 Series A and B Notes and the 2012 Note resulted in an aggregate increase in debt service, however the Township's exposure to variable interest rates was eliminated.

During 2011, the Township incurred \$5,345,000 of electoral debt through the issuance of General Obligation Note, Series 2011. The Note is included in the Interest Rate Management Plan with the Delaware Valley Regional Finance Authority. The Note was issued to refund the principal maturities of the 2006 General Obligation Bonds in the amount of \$5,291,167 and to fund issuance costs of \$50,633. The Township utilized the option to fix an annual interest rate. The interest rate has been fixed at 2.95% through April 25, 2026. The note has varying maturities from April 25, 2012 through April 25, 2026 with interest payable monthly.

During 2010, the Township issued \$5,105,000 of General Obligation Bonds, Series 2010, for the purpose of purchasing land and/or easements in connection with the Township's ongoing Open Space Program and paying the costs of issuing and insuring the bonds. The Bonds have varying maturities from December 1, 2011 to December 1, 2030 with interest being paid semiannually, June 1 and December 1.

During 2009, the Township issued \$6,405,000 and \$3,325,000 in the form of a General Obligation Bond, Series of 2009 A and Series of 2009 B, respectively, for the purpose of purchasing land and/or easements in connection with the Township's ongoing Open Space Program and paying the costs of issuing and insuring the bonds. The Bonds were also used to refinance the General Obligation Note, Series 2008, the General Obligation Bond, Series 2004, and the General Obligation Note, Series, 2000. The Bonds have varying maturities from September 1, 2010 to September 1, 2025 with interest being paid semiannually, March 1 and September 1. The Series 2009 A Bond was repaid in full during 2014 with the proceeds from the 2014 A Note

During 2005, the General Obligation Bonds, Series of 2005, were issued for the purpose of purchasing land and/or easements in connection with the Township's ongoing Open Space Program, advance refunding (defeased bonds retired on June 15, 2006) the Township's outstanding General Obligation bonds, Series of 2001, in the amount of \$4,880,000, and paying the costs of issuing and insuring the bonds. The Bonds have varying maturities from December 15, 2005 to December 15, 2025 with interest being paid semiannually, June 15 and December 15.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 LONG-TERM DEBT (CONTINUED)

Per the terms of the Series of 1999 Note, the interest was adjusted on the fifth and tenth anniversary dates of the note in November 2004 and November 2009. In accordance with the terms of the note, the interest rate was adjusted to 1.79% per year as of November 2009. The Series 1999 Note was paid in full during 2014.

Interest Rate Management Plan

The Series 2011 Note was issued to the Delaware Valley Regional Finance Authority (the "DVRFA"). In order to provide funds for loans, (the "Loan Program") the DVRFA has issued Local Government Revenue Bonds (the "DVRFA Bonds"). The DVRFA has entered into an interest rate swap agreement (the "DVRFA Swap Agreement"), with Merrill Lynch Capital Services, Inc. ("MLCS"), secured by a guaranty of Merrill Lynch & Co. ("Merrill Lynch"), in order to reduce the costs of participants in the Loan Program and to enhance the ability of participants to manage their interest rate risks. The DVRFA Swap Agreement is a "Qualified Interest Rate Management Agreement" as such term is defined in the Pennsylvania *Local Government Unit Debt Act*. All of the transactions under the MLCS Swap Agreement were novated during 2009 to Bank of America, N.A. ("BANA"), which acquired Merrill Lynch. The payment of debt service of the DVRFA Bonds is secured by municipal bond insurance policies issued by Ambac Assurance Corporation ("Ambac").

Under the terms of the loan agreements, the interest payments due from the Township are calculated to fund:

- (1) the debt service payments on the DVRFA Bonds,
- (2) the net payments due under the DVRFA Swap Agreement, and
- (3) all other costs and expenses necessary for the operation of the Loan Program, amounts required to maintain the liquidity of the Loan Program, and any termination payment (the "Termination Payment") due under the DVRFA Swap Agreement.

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

Since the Township is not considered to be a signatory on the current interest rate swap agreements between DVRFA and Bank of America, management has concluded that the Township would not be required to report the transaction in accordance with Governmental Accounting Standards Board (GASB) No. 53 *Accounting and Financial Reporting for Derivative Instruments*. Therefore, the fair value of the interest rate swap agreements is not recorded on the statement of net assets. In addition, no evaluation has been made to whether the interest rate swaps are effective cash flow hedges.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 LONG-TERM DEBT (CONTINUED)

Interest Rate Management Plan (Continued)

Basis Risk: The Series 2011 Note does not entail a basis risk.

Credit Risk: Rating downgrades by Moody's and Standard & Poor's ("S&P") can precipitate collateralization requirements under the DVRFA Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DVRFA Swap Agreement and may result in termination.

- If the long term, unsecured, senior debt ratings of BANA are reduced below "A2" by Moody's or "A" by S&P and if DVRFA would receive a payment from BANA upon termination, BANA is required to post collateral equal to the market value of each of the swap agreements executed with DVRFA. BANA's current ratings are "Aa3/A+", with stable outlooks by Moody's and S&P, respectively.

Ratings downgrades of BANA below investment grade may result in termination. If the long term, unsecured, senior debt ratings of BANA are downgraded below "Baa3" by Moody's and "BBB-" by S&P, DVRFA may terminate the swap agreements executed by BANA. If (i) the claims paying ability ratings of Ambac are reduced below "Baa3" by Moody's or "BBB-" by S&P and (ii) DVRFA has defaulted or DVRFA does not have published ratings of at least "Baa3" by Moody's and "BBB-" by S&P, BANA may terminate the DVRFA Swap Agreements.

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

The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment. DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market.

The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township's 2011 Note as of December 31, 2014, is shown in the table below. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes (as shown in the table) would be retained by DVRFA.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 LONG-TERM DEBT (CONTINUED)

Interest Rate Management Plan (Continued)

Description	Date of Issue	Maturity Date	Principal Outstanding (Notional Amount)	Type of Note	Gain (Loss) (1)	
2011 Note	15-Nov-11	25-Apr-26	\$ 4,799,000	Fixed	\$ 729,661	\$ -

(1) Based on Fair Value Estimates as of December 31, 2014

Debt Service Requirements

At December 31, 2014, the Township's legal debt limit under the Pennsylvania Local Government Unit Debt Act (the "Act") was approximately \$25,000,000 for non-electoral debt. After deducting the non-electoral debt outstanding of \$ 690,000, the Township's remaining borrowing capacity as of December 31, 2014, was approximately \$24,310,000 for non-electoral debt. Electoral debt (i.e., debt approved by the Township voters) is not subject to any statutory borrowing limit under the Act.

The Series 1999, 2011, 2013 and 2014 A notes and 2005, 2009B, 2010 and 2012 A bonds were approved by voters and issued by the Township for the purpose of providing funds to acquire open space, agricultural and conservation easements, land for recreation and other capital projects. Electoral debt outstanding as of December 31, 2014 totaled \$26,740,189.

The following is a schedule of aggregate principal and interest payments on all long-term debt (excluding compensated absences), for each of the next five years and each five-year period thereafter:

	General Obligation		Total
	Principal	Interest	
2015	\$ 2,552,000	\$ 931,107	\$ 3,483,107
2016	2,394,000	765,758	3,159,758
2017	2,467,000	691,742	3,158,742
2018	2,542,000	616,259	3,158,259
2019	2,623,000	535,543	3,158,543
2020-2024	10,611,000	1,556,278	12,167,278
2025-2029	3,901,189	299,644	4,200,833
2030	340,000	13,090	353,090
Total	<u>\$ 27,430,189</u>	<u>\$ 5,409,421</u>	<u>\$ 32,839,610</u>

NOTE 6 COMPENSATED ABSENCES

The Township has established policies for paying employees, at the time of termination or retirement, for certain accumulated but unused absences. Upon leaving, an employee will be compensated for unused vacation and personal days, and for one-half of unused sick days, up to 120 days for full time employees. At December 31, 2014, the Township's liability for compensated absences was \$315,048. The liability was determined by multiplying the accumulated available sick days, personal days or vacation days, if applicable, for each employee by the applicable daily rate.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7 DEFINED BENEFIT PENSION PLANS

Plan Description

The Township sponsors two defined benefit pension plans, the Police Pension Plan and the Non-Uniform Pension Plan. The Plans provide retirement, disability and death benefits to plan members and their beneficiaries. Plan provisions are established by Township Ordinance with the authority for Township contributions required by Pennsylvania Act 205 ("the Act").

The Township provides pension benefits for members of the police force through a self-administered trust fund – the Police Pension Plan, a single-employer plan accounted for as a pension trust fund of the Township.

The Township provides pension benefits for non-uniform municipal employees hired before January 1, 2011 through the Pennsylvania Municipal Retirement System ("PMRS"), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the eleven-member Pennsylvania Municipal Retirement Board. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, PA 17108-1165.

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's Plans:

	Police	Non-Uniform
Covered Employees	All Regular Full-Time Sworn Police Officers	All Regular Employees hired before 1/1/11, Excluding Sworn Police Officers
Number of Covered Active Employees	13	12
Number of Persons Receiving Benefits		
Retired Employees and Beneficiaries	5	3
Terminated Employees Vested but not Receiving Benefits	1	4
Current Annual Covered Payroll	\$1,123,410	\$748,448
Normal Retirement Date	After 55th Birthday and 25 Years of Service or if Hired Prior to December 21, 1965, after 60th Birthday and 20 Years of Service	After 60th Birthday and 5 Years of Service
Retirement Benefit	A monthly Benefit Equal to 50% of the Final Monthly Average Salary Plus an Additional \$100 per Month up to a maximum of \$500 per month, if Retiring with 26 or more Years of Service	Equal 2.5% Times Credited Service Times Final Average Salary (FAS) but in no Event is the Basic Benefit Greater than 50% of FAS
Early Retirement Date	None	Voluntary After 20 Years of Service

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

Members of the Police Pension Plan may opt to enter the Deferred Retirement Option Plan (the "DROP") upon attaining age 55 and completion of 25 years of service. Under the DROP, members may accumulate their monthly retirement benefit in an interest bearing account held by the Plan for up to four years and continue to be employed by the Township. At the end of the DROP period, a lump sum of the accumulated monthly retirement benefit, plus interest, is distributed and the normal monthly retirement benefit distributions commence.

The benefit provisions of the Township's Plan established by Township ordinances are in compliance with collective bargaining agreements.

Summary of Significant Accounting Policies

Financial information on 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 the Plan are recognized when paid as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Plan investments are reported at fair value as reported by the investment managers. The Police Pension Plan issues a separate stand-alone report, which may be obtained at the Township's administrative office.

Contributions and Funding Policy

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation ("MMO"), which is based on the Plans' biennial 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. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute a percentage of covered payroll (5% for Police, 3% for Non-Uniform). This contribution is governed by the Plans' governing ordinances and collective bargaining. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earnings.

The Basic Benefits under the Non-Uniform Plan are determined as follows: For Members hired prior to January 1, 2011, the annual basic benefit will be calculated by multiplying the Member's final salary by all years of credited service and multiplied by the benefit accrual rate of 2.5%. However, the maximum annual basic benefit cannot exceed 50% of the Member's final salary.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions and Funding Policy (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the actuarial cost method and other assumptions is summarized below:

	Police	Non-Uniform
Valuation Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Closed
Remaining Amortization Period	2 Years	N/A
Asset Valuation Method	Adjusted Market Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	7.5%	5.5%
Projected Salary Increases*	5.0%	4.1%

*Includes Inflation at 3.0%

The Township's annual pension cost ("APC") and percentage of APC contributed for each of the Township's plans for the current year and each of the two preceding years were as follows:

Year Ended	Police	Non-Uniform	Police %	Non-Uniform %
December 31	APC	APC	Contributed	Contributed
2012	\$ 247,123	\$ 180,097	100.00%	100.00%
2013	\$ 249,317	\$ 74,932	100.00%	100.00%
2014	\$ 281,351	\$ 76,807	100.00%	100.00%

Funded Status and Funding Progress:

The following is funded status information as of January 1, 2013, the most recent actuarial valuation date:

	Actuarial	Actuarial	Under			FAAL
	Value of	Accrued	Funded		Covered	as a % of
	Assets	Liability	AAL	Funded	Payroll	Covered
		(AAL)	(FAAL)	Ratio		Payroll
Police	\$ 4,068,032	\$ 4,158,905	\$ 90,873	97.81%	\$ 1,123,410	8.09%
Non-Uniform	\$ 3,296,319	\$ 3,097,154	\$ (199,165)	106.43%	\$ 748,448	-26.61%

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

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 GASB 67- FINANCIAL REPORTING FOR PENSION PLANS

The Township has adopted GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. The Statement enhances the Township's footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statement No. 67 that is not discussed as part of the information disclosed in Note 7 previously.

Plan Administration

Management of the Police Pension Plan is overseen by a Pension Committee under Section 19 of the Plan Document. Per the Plan Document, the Police Pension Fund Board is comprised of 3 members appointed by the Board of Supervisors. The Police Pension Fund Board has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the members of the Police Pension Fund Board shall govern and be binding upon the Employer, Participants, and beneficiaries. The Police Pension Fund Board need not call or hold any meeting for the purpose of rendering decisions but such decisions may be evidenced by a written document signed by the members.

Investment Policy

The Police Pension Fund Board is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of December 31, 2014:

Asset Class	Minimum	Maximum	Target
Equities	25%	65%	60%
Fixed Income	30%	45%	35%
Cash Equivalents	0%	30%	5%

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 GASB 67- FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Concentrations

At December 31, 2014, the Police Pension Plan had the following investments which exceeded 5% or more of the Plan Net Assets:

Issuer	Type of Investment	Amount	Percentage of Investments of Plan Net Assets
Wells Fargo Bank	Negotiable Certificates of Deposit	\$ 771,016	18.18%
iShares Russell 1000 Values	Equity Mutual Funds	\$ 289,501	6.83%
iShares Russell 1000 Growth	Equity Mutual Funds	\$ 286,352	6.75%

Net Pension Liability

The net pension liability of the plan was for measurement date December 31, 2014, was as follows:

Total Pension Liability	\$ 5,507,708
Plan Fiduciary Net Position	<u>4,141,770</u>
Net Pension Liability	<u>\$ 1,365,938</u>

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation Date	January 1, 2013, projected to December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization	Period 2 Years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.00% per year compounded annually, net of investment expenses
Projected Salary Increases	4.00% per year, includes inflation
Cost-of-Living Adjustments	None
General Inflation	2.50% per year
Mortality Rate	Unisex Pension 1984 Mortality Tables, set forward one year for males and set back 4 years for females

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 arithmetic real rate of return for each major asset class are included in the pension plan's target asset allocation of December 31, 2014.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 GASB 67- FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

Asset Class	Percent of Fund at December 31, 2014	Estimated Long-Term Rates of Return
Large Cap Equity - S&P 500	26%	7.99%
Mid Cap Equity - Russell Midcap	10%	9.92%
Small Cap Equity - S&P Smallcap 600	7%	9.22%
International Equity - MCI EAFA	5%	4.84%
REIT - DJ US Select Reit	2%	9.09%
Fixed Income - Barclays US Agg. Bond	42%	4.82%
Cash Equivalents - Citi 3 Month T-Bill	8%	1.43%

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 6.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%), or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability	\$ 2,047,171	\$ 1,365,938	\$ 793,594

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for plan year 2014 was 4.80%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9 CASH BALANCE PLAN

The Township is a member municipality in the Pennsylvania Municipal Retirement System (PMRS), and has elected to amend its Plan to add a Cash Balance Plan effective January 1, 2011. All non-uniform full-time employees hired after January 1, 2011, have mandatory membership in the Cash Balance Plan (and do not participate in the Non-Uniform Defined Benefit Plan described in Note 7). Cash Balance Plan members will contribute 2.5% of their compensation to the Cash Balance Plan. Cash Balance Plan members may voluntarily contribute up to 17.5% of their compensation. Optional member contributions will be treated as taxed at the time of contribution, will be tracked separately by PMRS, and will not be treated as taxable when paid out to the member. The Township's contribution will be equal to the Member's contribution up to a maximum of 5% of the Member's compensation.

The annual Basic Benefit will be equal to a single life annuity starting on the effective date of retirement with a present value equal to all monies credited to the Member's account.

All assets of the Plan are held in a trust and are the assets of the PMRS and therefore will be excluded from the Township's financial statements. The assets of the Plan will be managed by the Board of PMRS and are placed in the custody of the Treasurer of the Commonwealth.

NOTE 10 DEFERRED COMPENSATION PLANS

The Township offers certain employees the option to participate in deferred compensation plans created in accordance with the internal Revenue Code Section 457. The Plans permit the employees to voluntarily defer a percentage of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefit and participants and their beneficiaries. The compensation deferred is managed by outside Trustees under various investment options. As a result, the deferred compensation plans are excluded from the accompanying financial statements.

NOTE 11 RISK MANAGEMENT

The Township is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions by elected officials, employees and volunteers; personal injury and illness; and natural disasters. The Township carries various types of commercial insurance to manage certain risks of loss, and as a method of financing certain other risks, the Township joined the Delaware Valley Workers' Compensation Trust ("DVWCT") and the Delaware Valley Insurance Trust ("DVIT").

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 RISK MANAGEMENT (CONTINUED)

DVWCT is a regional municipal risk retention pool formed under the authority granted by the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation. The Trust provides a method of financing an employer's medical and indemnity obligations due to municipal employees under the Pennsylvania Workers' Compensation Act. The purpose and intent of the Trust is to reduce both the frequency and severity of work-related injury and occupational disease claims. The Trust is funded by its member municipalities by annual contributions, which are assessed at the beginning of each year.

DVIT is a regional municipal risk sharing pool providing general liability, automobile, public officials' liability, police professional liability, property, and equipment and crime coverages to local governments in the Commonwealth of Pennsylvania. DVIT was formed under the authority granted by the Pennsylvania Intergovernmental Cooperation Law and the Pennsylvania Political Subdivision Tort Claims Act. The Trust is funded by annual member contributions determined by the trust's actuary in amounts necessary to pay expected losses, administrative expenses and a recommended risk margin, or surplus. DVIT is a member of an excess risk-sharing pool and has three layers of excess coverage which allows the pool to provide a \$10,000,000 per claim liability coverage limit.

There were no significant reductions in coverage during the year ended December 31, 2014 and settlements have not exceeded coverage in the past three years.

NOTE 12 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations:

For the year ended December 31, 2014, the majority of Township Fund expenditures were below budget. There were two fund exceptions where expenditures exceeded budgets. The Roads and Bridges Fund expenditures exceeded budget by approximately \$14,000 due to the Township's commitment to maintaining the roadway and bridge infrastructure. The over expenditures in the Capital Reserve Fund were due to the work-in-progress construction costs related to a capital project that began in 2014, as described in Note 5.

NOTE 13 CONTINGENCIES

In the normal course of business there are various claims and suits pending against the Township. In the opinion of management and counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the financial condition of the Township.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Township believes the Township is in compliance with substantially all of the significant requirements of such grants.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following statements that were implemented by the Township during the year ended December 31, 2014.

GASB Issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* – The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement was implemented for Police Pension Plan's reporting period ending December 31, 2014 and is disclosed in Note 8.

In November 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. The Township has determined that Statements No. 69 and 70 have no effect on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Township:

GASB Statement No. 68, *Accounting for Pension by State and Local Governmental Employers*, will be effective for the Township for the year ending December 31, 2015. This Statement revised and replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as Statement No. 50, *Pension Disclosures* as they relate to governmental pension plans that are administered as trusts or equivalent arrangements that meet certain criteria. The objective of this Statement is to establish standards for governmental employer recognition, measurement and presentation of information about their liability for governmental defined benefit pension plans. This Statement will have a significant impact by requiring acceleration of the recognition of the pension liability and added disclosures. Liabilities would be recorded based on actuarial liabilities, net of actuarial assets, instead of the current requirement to only record a liability based on the deficiency of annual required contributions.

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, "which resolves transition issues in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*." This statement eliminates a potential source of understatement of restated net position and expense in a government's first year of implementing Statement No. 68. To correct this potential understatement, Statement No. 71 requires that when a government is transitioning to the new pension standards, it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Statement No. 71 is effective concurrent with Statement No. 68 for the year ending December 31, 2015.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. The Township has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
POLICE AND NON-UNIFORM PLANS
SCHEDULE OF PENSION FUNDING PROGRESS
DECEMBER 31, 2014

Year	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
Police Pension Plan:						
2009	\$ 2,618,707	\$ 3,292,760	79.53%	\$ 674,053	\$ 1,072,870	62.83%
2011	\$ 3,288,971	\$ 3,686,182	89.22%	\$ 397,211	\$ 1,128,102	35.21%
2013	\$ 4,068,032	\$ 4,158,905	97.81%	\$ 90,873	\$ 1,123,410	8.09%
Non-Uniform Pension Plan:						
2009	\$ 2,211,147	\$ 2,596,635	85.15%	\$ 385,488	\$ 950,028	40.58%
2011	\$ 2,654,899	\$ 2,627,633	101.04%	\$ (27,266)	\$ 792,966	-3.44%
2013	\$ 3,296,319	\$ 3,097,154	106.43%	\$ (199,165)	\$ 748,448	-26.61%

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER
CONTRIBUTING ENTITIES – POLICE AND NON-UNIFORM PLANS
DECEMBER 31, 2014

Year Ended December 31,	Police Annual Required Contribution	Non-Uniform Annual Required Contribution	Police Percentage Contributed	Non-Uniform Percentage Contributed
2009	\$ 234,120	\$ 166,253	100.00%	100.00%
2010	\$ 254,409	\$ 163,675	100.00%	100.00%
2011	\$ 262,740	\$ 181,464	100.00%	100.00%
2012	\$ 247,123	\$ 180,097	100.00%	100.00%
2013	\$ 249,317	\$ 74,932	100.00%	100.00%
2014	\$ 281,351	\$ 76,807	100.00%	100.00%

SOLEBURY TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION –
POLICE PENSION PLAN – SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS CALCULATED IN ACCORDANCE
WITH GASB 67
DECEMBER 31, 2014

Total Pension Liability	
Service Cost	\$ 282,939
Interest	301,611
Benefit Payments	(207,361)
Difference Between Actual and Expected, if any	-
Assumption Changes	-
Net Change in Total Pension Liability	377,189
Total Pension Liability - Beginning	5,130,519
Total Pension Liability - Ending (a)	<u>\$ 5,507,708</u>
Plan Fiduciary Net Position	
Contribution - Employer and State Aid	281,351
Contribution - Member	63,060
Net Investment Income	198,682
Benefit Payments	(207,361)
Administrative Expense	(27,088)
Other	-
Net Change in Plan Fiduciary Net Position	308,644
Plan Fiduciary Net Position - Beginning	3,833,126
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,141,770</u>
Net Pension Liability (a-b)	<u>\$ 1,365,938</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.20%
Covered Employee Payroll	\$ 1,247,495
Net Pension Liability as a Percentage of Covered Employee Payroll	109.49%

**SOLEBURY TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION –
POLICE PENSION PLAN – SCHEDULES OF EMPLOYER CONTRIBUTIONS,
INVESTMENT RETURNS AND EMPLOYER'S NET PENSION LIABILITY
CALCULATED IN ACCORDANCE WITH GASB 67
DECEMBER 31, 2014**

Schedule of Employer Contributions*

Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 255,864	\$ 281,351	\$ (25,487)	\$ 1,247,495	22.55%

Schedule of Investment Returns*

Actual Money Weighted Rate of Return, Net of Investment Expense	4.80%
---	-------

Schedule of the Employer's Net Pension Liability*

Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 5,507,708	\$ 4,141,770	\$ 1,365,938	75.20%	\$ 1,247,495	109.49%

*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

SOLEBURY TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Real Estate Taxes	\$ 1,286,385	\$ 1,304,385	\$ 1,275,103	\$ (29,282)
Real Estate Transfer Taxes	450,000	450,000	571,556	121,556
Earned Income Taxes	2,475,000	2,800,000	2,941,995	141,995
Licenses and Permits	200,300	220,300	226,114	5,814
Fines, Forfeits and Costs	41,700	41,700	38,907	(2,793)
Interest and Rents	16,200	35,200	28,758	(6,442)
Intergovernmental	382,600	302,600	323,122	20,522
Charges for Services	262,950	262,950	314,476	51,526
Refunds and Miscellaneous	2,500	2,500	1,980	(520)
Total Revenues	5,117,635	5,419,635	5,722,011	302,376
EXPENDITURES				
General Government				
Legislative	4,200	4,200	6,322	(2,122)
Tax Collection	22,408	22,408	22,028	380
Legal	100,000	100,000	60,483	39,517
General Government Administration	594,340	631,340	633,633	(2,293)
General Government Buildings	173,704	173,704	139,350	34,354
Total General Government	894,652	931,652	861,816	69,836
Public Safety				
Police	1,660,101	1,660,101	1,622,545	37,556
Fire	140,000	140,000	136,952	3,048
Zoning and Planning	478,330	513,330	520,052	(6,722)
Total Public Safety	2,278,431	2,313,431	2,279,549	33,882
Public Works	417,041	532,541	518,632	13,909
Culture and Recreation	2,625	2,125	2,125	-
Miscellaneous				
Employee Benefits	869,444	869,444	811,667	57,777
Pension	498,500	498,500	481,452	17,048
Insurance	97,500	97,499	90,639	6,860
Total Miscellaneous	1,465,444	1,465,443	1,383,758	81,685
Total Expenditures	5,058,193	5,245,192	5,045,880	199,312
Excess of Revenues Over Expenditures	59,442	174,443	676,131	501,688
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	75,000	-
Transfers Out	(585,000)	(585,000)	(685,000)	(100,000)
Total Other Financing Uses	(510,000)	(510,000)	(610,000)	(100,000)
Net Changes in Fund Balances	\$ (450,558)	\$ (335,557)	66,131	\$ 401,688
Fund Balance - Beginning of Year			1,845,635	
Fund Balance - End of Year			\$ 1,911,766	

SOLEBURY TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISONS
DECEMBER 31, 2014

NOTE 1 BUDGETARY DATA

The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Thirty days prior to the final supervisor's meeting in December, a proposed operating budget for the fiscal year commencing the following January 1st is submitted. The operating budget includes proposed expenses and the means of financing them.
- B. The proposed operating budget is advertised in the newspaper at least thirty days prior to the final budget hearing.
- C. At the last Board of Supervisors' meeting in December, the budget is adopted by resolution.
- D. Within 30 days of adoption, the approved budget is advertised in the newspaper as being approved and available for inspection.
- E. Budgetary data are included in the Township management information system and are employed as a management control device during the year.
- F. Legal budgetary control is maintained by the Township Manager with the assistance of the Treasurer at the Fund level. Budget transfers must be approved by the Board of Supervisors.

NOTE 2 BASIS OF ACCOUNTING

The budget is prepared on the same modified accrual basis of accounting as applied to the Governmental funds in the basic financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

SUPPLEMENTARY INFORMATION

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MAJOR DEBT SERVICE FUND WITH LEGALLY ADOPTED BUDGET –
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Real Estate Taxes	\$ 3,121,975	\$ 3,121,975	\$ 3,088,300	\$ (33,675)
Interest and Rents, Net	1,400	1,400	-	(1,400)
Total Revenues	<u>3,123,375</u>	<u>3,123,375</u>	<u>3,088,300</u>	<u>(35,075)</u>
EXPENDITURES				
Debt Service				
Principal	2,165,428	2,165,428	2,297,428	(132,000)
Interest	939,530	939,530	788,038	151,492
Note Issuance Costs	-	-	66,562	(66,562)
Total Expenditures	<u>3,104,958</u>	<u>3,104,958</u>	<u>3,152,028</u>	<u>(47,070)</u>
Excess of Revenues Over (Under)				
Expenditures	18,417	18,417	(63,728)	(82,145)
Other Financing Sources				
Proceeds from Note Issuance	-	-	4,762,189	4,762,189
Payment to Redeem Bonds	-	-	(4,620,000)	(4,620,000)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>142,189</u>	<u>142,189</u>
Net Changes in Fund Balances	<u>\$ 18,417</u>	<u>\$ 18,417</u>	78,461	<u>\$ 60,044</u>
Fund Balance - Beginning of Year			<u>397,105</u>	
Fund Balance - End of Year			<u>\$ 475,566</u>	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND WITH LEGALLY ADOPTED BUDGET –
LAND PRESERVATION FUND
YEAR ENDED DECEMBER 31, 2014

	Original	Budget Final	Actual	Variance With Final Budget
REVENUES				
Interest	\$ 8,200	\$ 8,200	\$ 16,738	\$ 8,538
Total Revenues	8,200	8,200	16,738	8,538
EXPENDITURES				
Preservation of Natural Resources				
Land Preservation	817,500	892,500	207,224	685,276
Ingham Spring	790,000	790,000	96,743	693,257
Total Expenditures	1,607,500	1,682,500	303,967	1,378,533
Excess of Revenues Over (Under)				
Expenditures	(1,599,300)	(1,674,300)	(287,229)	1,387,071
Other Financing Uses				
Transfers Out	(75,000)	(75,000)	(75,000)	-
Total Other Financing Uses	(75,000)	(75,000)	(75,000)	-
Net Changes in Fund Balances	<u>\$ (1,674,300)</u>	<u>\$ (1,749,300)</u>	(362,229)	<u>\$ 1,387,071</u>
Fund Balance - Beginning of Year			4,169,091	
Fund Balance - End of Year			<u>\$ 3,806,862</u>	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND WITH LEGALLY ADOPTED BUDGET –
ROADS AND BRIDGES CAPITAL FUND
YEAR ENDED DECEMBER 31, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for Services	\$ 500	\$ 500	\$ -	\$ (500)
Interest and Rents, Net	-	-	561	561
Total Revenues	500	500	561	61
EXPENDITURES				
Public Works	399,000	515,000	528,890	(13,890)
Total Expenditures	399,000	515,000	528,890	(13,890)
Net Changes in Fund Balances	<u>\$ (398,500)</u>	<u>\$ (514,500)</u>	(528,329)	<u>\$ (13,829)</u>
Fund Balance - Beginning of Year			<u>815,712</u>	
Fund Balance - End of Year			<u>\$ 287,383</u>	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND WITH LEGALLY ADOPTED BUDGET –
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2014

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest and Rents, Net	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
General Government	50,000	50,000	79,472	(29,472)
Total Expenditures	50,000	50,000	79,472	(29,472)
Excess of Revenues Over (Under) Expenditures	(50,000)	(50,000)	(79,472)	(29,472)
Other Financing Sources				
Transfers In	40,000	(40,000)	140,000	180,000
Total Other Financing Sources	40,000	(40,000)	140,000	180,000
Net Changes in Fund Balances	<u>\$ (10,000)</u>	<u>\$ (90,000)</u>	60,528	<u>\$ 150,528</u>
Fund Balance - Beginning of Year			855,360	
Fund Balance - End of Year			<u>\$ 915,888</u>	

SOLEBURY TOWNSHIP, PENNSYLVANIA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

The Township's nonmajor funds are as follows:

Special Revenue Funds

Account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township.

- Fire Protection Tax Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund local fire protection needs.
- Park and Recreation Fund – Accounts for operations of the Township's recreational programs and events, which are funded in large part by user fees.
- Natural Resource Fund – Accounts for developer fees in lieu of tree replacement, which are used to fund conservation of natural resources.
- Highway Aid Fund – Accounts for revenues from the distribution of a portion of the state gasoline tax, which are used to fund allowable highway-related expenditures.
- Ambulance Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund local ambulance needs.
- Library Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund library needs.

Capital Project Funds

Account for financial resources intended to be used for the acquisition, construction or reconstruction of Township assets and facilities.

- Capital Equipment Reserve Fund – Accounts for the continued updating and replacement of Township equipment, which is funded primarily by interfund transfers from the General Fund.
- Park and Recreational Capital Fund – Accounts for capital improvements to the Township's park and recreation facilities, which are funded by fees in lieu of land dedication from developers.

SOLEBURY TOWNSHIP, PENNSYLVANIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue						Capital Projects		Total
	Fire Protection Tax	Park and Recreation	Natural Resource	Highway Aid	Ambulance	Library	Capital Equipment Reserve	Park and Recreation Capital	Nonmajor Governmental Funds
ASSETS									
Cash	\$ 11,318	\$ 113,681	\$ 172,929	\$ 185,846	\$ -	\$ 2,532	\$ 177,156	\$ 54,105	\$ 717,567
Taxes Receivable	9,582	-	-	-	-	1,530	-	-	11,112
Total Assets	<u>\$ 20,900</u>	<u>\$ 113,681</u>	<u>\$ 172,929</u>	<u>\$ 185,846</u>	<u>\$ -</u>	<u>\$ 4,062</u>	<u>\$ 177,156</u>	<u>\$ 54,105</u>	<u>\$ 728,679</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 4,861	\$ 3,059	\$ 5,577	\$ 10,260	\$ -	\$ 946	\$ -	\$ (3,045)	\$ 21,658
Total Liabilities	<u>4,861</u>	<u>3,059</u>	<u>5,577</u>	<u>10,260</u>	<u>-</u>	<u>946</u>	<u>-</u>	<u>(3,045)</u>	<u>21,658</u>
Deferred Inflow of Resources									
Unavailable Revenue - Property Taxes	5,137	-	-	-	-	827	-	-	5,964
Total Deferred Inflow of Resources	<u>5,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827</u>	<u>-</u>	<u>-</u>	<u>5,964</u>
Fund Balances									
Restricted	10,902	-	-	175,586	-	2,289	-	-	188,777
Committed	-	110,622	167,352	-	-	-	177,156	57,150	512,280
Total Fund Balances	<u>10,902</u>	<u>110,622</u>	<u>167,352</u>	<u>175,586</u>	<u>-</u>	<u>2,289</u>	<u>177,156</u>	<u>57,150</u>	<u>701,057</u>
Total Liabilities and Fund Balances	<u>\$ 20,900</u>	<u>\$ 113,681</u>	<u>\$ 172,929</u>	<u>\$ 185,846</u>	<u>\$ -</u>	<u>\$ 4,062</u>	<u>\$ 177,156</u>	<u>\$ 54,105</u>	<u>\$ 728,679</u>

SOLEBURY TOWNSHIP, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	Special Revenue						Capital Projects		Total
	Fire Protection Tax	Park and Recreation	Natural Resource	Highway Aid	Ambulance	Library	Capital Equipment Reserve	Park and Recreation Capital	Nonmajor Governmental Funds
REVENUES									
Real Estate Taxes	\$ 361,977	\$ -	\$ -	\$ -	\$ -	\$ 61,087	\$ -	\$ -	\$ 423,064
Interest and Rents	-	-	-	729	-	-	-	-	729
Intergovernmental	-	-	-	274,671	-	-	-	-	274,671
Charges for Services	-	35,517	9,700	-	-	-	-	-	45,217
Miscellaneous	-	15,300	-	-	-	-	32,213	23,000	70,513
Total Revenues	361,977	50,817	9,700	275,400	-	61,087	32,213	23,000	814,194
EXPENDITURES									
General Government	-	-	-	-	-	-	24,872	-	24,872
Public Safety	357,160	-	-	-	100,000	-	119,249	-	576,409
Public Works	-	-	-	367,616	-	-	24,379	-	391,995
Culture and Recreation	-	166,892	-	-	-	60,646	-	41,901	269,439
Preservation of Natural Resources	-	-	29,354	-	-	-	-	-	29,354
Total Expenditures	357,160	166,892	29,354	367,616	100,000	60,646	168,500	41,901	1,292,069
Excess of Revenues Over (Under) Expenditures	4,817	(116,075)	(19,654)	(92,216)	(100,000)	441	(136,287)	(18,901)	(477,875)
Other Financing Sources									
Transfers In	-	130,000	-	-	100,000	-	275,000	40,000	545,000
Total Other Financing Sources	-	130,000	-	-	100,000	-	275,000	40,000	545,000
Net Changes in Fund Balances	4,817	13,925	(19,654)	(92,216)	-	441	138,713	21,099	67,125
Fund Balances - Beginning of Year	6,085	96,697	187,006	267,802	-	1,848	38,443	36,051	633,932
Fund Balances - End of Year	\$ 10,902	\$ 110,622	\$ 167,352	\$ 175,586	\$ -	\$ 2,289	\$ 177,156	\$ 57,150	\$ 701,057

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
MODIFIED ACCRUAL BASIS -- BUDGET AND ACTUAL –
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	Fire Protection Tax			Park and Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Real Estate Taxes	\$ 367,034	\$ 361,977	\$ (5,057)	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	27,700	35,517	7,817
Miscellaneous	-	-	-	15,500	15,300	(200)
Total Revenues	367,034	361,977	(5,057)	43,200	50,817	7,617
EXPENDITURES						
General Government	-	-	-	-	-	-
Public Safety	365,000	357,160	7,840	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	182,104	166,892	15,212
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	365,000	357,160	7,840	182,104	166,892	15,212
Excess of Revenues Over (Under)						
Expenditures	2,034	4,817	2,783	(138,904)	(116,075)	22,829
Other Financing Sources						
Transfers In	-	-	-	130,000	130,000	-
Total Other Financing Sources	-	-	-	130,000	130,000	-
Net Changes in Fund Balances	\$ 2,034	4,817	\$ 2,783	\$ (8,904)	13,925	\$ 22,829
Fund Balances - Beginning of Year		6,085			96,697	
Fund Balances - End of Year		\$ 10,902			\$ 110,622	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
MODIFIED ACCRUAL BASIS -- BUDGET AND ACTUAL --
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014

	Natural Resource			Highway Aid		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	150	729	579
Intergovernmental	-	-	-	250,000	274,671	24,671
Charges for Services	10,000	9,700	(300)	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	10,000	9,700	(300)	250,150	275,400	25,250
EXPENDITURES						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	404,675	367,616	37,059
Culture and Recreation	-	-	-	-	-	-
Preservation of Natural Resources	58,850	29,354	29,496	-	-	-
Total Expenditures	58,850	29,354	29,496	404,675	367,616	37,059
Excess of Revenues Over (Under)						
Expenditures	(48,850)	(19,654)	29,196	(154,525)	(92,216)	62,309
Other Financing Sources						
Transfers In	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (48,850)	(19,654)	\$ 29,196	\$ (154,525)	(92,216)	\$ 62,309
Fund Balances - Beginning of Year		187,006			267,802	
Fund Balances - End of Year		\$ 167,352			\$ 175,586	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014

	Capital Equipment Fund			Park and Recreation Capital		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	6,000	32,213	26,213	8,000	23,000	15,000
Total Revenues	6,000	32,213	26,213	8,000	23,000	15,000
EXPENDITURES						
General Government	34,500	24,872	9,628	-	-	-
Public Safety	265,000	119,249	145,751	-	-	-
Public Works	65,000	24,379	40,621	-	-	-
Culture and Recreation	-	-	-	50,000	41,901	8,099
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	364,500	168,500	196,000	50,000	41,901	8,099
Excess of Revenues Over (Under)						
Expenditures	(358,500)	(136,287)	222,213	(42,000)	(18,901)	23,099
Other Financing Sources						
Transfers In	275,000	275,000	-	40,000	40,000	-
Total Other Financing Sources	275,000	275,000	-	40,000	40,000	-
Net Changes in Fund Balances	\$ (83,500)	138,713	\$ 222,213	\$ (2,000)	21,099	\$ 23,099
Fund Balances (Deficit) - Beginning of Year		38,443			36,051	
Fund Balances - End of Year		\$ 177,156			\$ 57,150	

SOLEBURY TOWNSHIP, PENNSYLVANIA
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014

	Library Fund		
	Budget	Actual	Variance
REVENUES			
Real Estate Taxes	\$ 60,487	\$ 61,087	\$ 600
Interest and Rents	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Miscellaneous	-	-	-
Total Revenues	60,487	61,087	600
EXPENDITURES			
General Government	-	-	-
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	60,000	60,646	(646)
Preservation of Natural Resources	-	-	-
Total Expenditures	60,000	60,646	(646)
Excess of Revenues Over (Under)			
Expenditures	487	441	(46)
Other Financing Uses			
Transfers In	-	-	-
Total Other Financing Uses	-	-	-
Net Changes in Fund Balances	\$ 487	441	\$ (46)
Fund Balances - Beginning of Year		1,848	
Fund Balances - End of Year		\$ 2,289	

SOLEBURY TOWNSHIP, PENNSYLVANIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES – AGENCY FUNDS
DECEMBER 31, 2014

	Sports Organizations Agency Fund	Escrow Agency Fund	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 44,070	\$ 818,943	\$ 863,013
Bank Certificates of Deposit	-	-	-
Amount Due from Other Funds	-	-	-
Total Assets	<u>\$ 44,070</u>	<u>\$ 818,943</u>	<u>\$ 863,013</u>
LIABILITIES			
Accounts Payable	\$ 843	\$ 12,642	\$ 13,485
Deposits Payable	-	806,301	806,301
Amounts Held for Other Organizations	43,227	-	43,227
Total Liabilities	<u>\$ 44,070</u>	<u>\$ 818,943</u>	<u>\$ 863,013</u>