
EXHIBIT I1

LIMERICK TOWNSHIP FINANCIAL STATEMENTS – 2015

LIMERICK TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION



Independent Auditors' Report

To the Board of Supervisors
Limerick Township
Limerick, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Limerick Township as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Limerick Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Limerick Township as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Limerick Township
Limerick, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2015, Limerick Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 21, budgetary comparison information on pages 62 and 63, pension plan information on pages 64 through 69 and postemployment benefits other than pension funding progress on page 70 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 evidence sufficient 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 Limerick Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Oaks, Pennsylvania
June 29, 2016

LIMERICK TOWNSHIP

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

As management of Limerick Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Limerick Township for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which begin with the statement of net position on page 22.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's 2015 financial statements. The Township's 2015 financial statements comprise five components: (1) independent auditors' report, (2) management's discussion and analysis, (3) government-wide financial statements, (4) fund financial statements and (5) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Independent Auditors' Report

The *independent auditors' report* briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

Management's Discussion and Analysis (MD&A)

Management's discussion and analysis, prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The *MD&A* also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business. The government-wide financial statements include the *statement of net position* found on page 22 and the *statement of activities* found on page 23 of this report.

The government-wide financial statements divide the Township into two types of activities:

Governmental Activities - Functions of the Township that are principally supported by taxes and intergovernmental revenues. The *governmental activities* of the Township include general government, public safety (police, fire and codes), public works, highways and streets, planning and land development and culture and recreation.

Business-Type Activities - Functions of the Township that attempt to recover all or a significant portion of its costs through user fees and charges. The Sewer Operating and Sewer Capital Funds are reported here.

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

LIMERICK TOWNSHIP

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

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 sick leave).

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the Township's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The Township maintains nine individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Reserve Fund, Road Improvement Fund, and the Recreation Fund, which are all considered to be major funds. The remaining five funds are aggregated into one column and are labeled "Other Governmental Funds." ("Other Governmental Funds" are detailed on pages 71 and 72 in the Supplementary Information Section of this report.)

The basic Governmental Funds financial statements can be found on pages 24 through 27 of this report.

Proprietary Fund - Services for which the Township charges a fee are generally reported in the Proprietary Fund. The Proprietary Fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Proprietary Fund is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

The Proprietary Fund financial statements can be found on pages 28 through 30 of this report.

LIMERICK TOWNSHIP

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

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township's Fiduciary Funds include two Pension Trust Funds (the Police Pension Fund and the Non-Uniform Employees' Pension Fund) and two Agency Funds.

The Fiduciary Funds financial statements can be found on pages 31 and 32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 33 through 61 of this report.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* for the Township. The Township's budget policy and budgetary comparison statement for the General Fund can be found under required supplementary information. The budgetary comparison statement for the General Fund demonstrates compliance of the budget.

Required supplementary information can be found on pages 62 through 70 of this report. Additional information that management has determined useful for the readers of this report can be found in the Supplementary Information Section found on pages 71 through 74.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the summary of net position (as shown on the next page) may serve over time as a useful indicator of the Township's financial position. The Township's total net position was \$73,749,678 at the close of December 31, 2015, which represents an increase of \$1,729,261 from the previous year. Current and other assets increased by \$446,390, primarily the result of a reduction of principal debt payments in 2015 as the final payment for the 2001 Del Val loan was made in December 2015.

Capital assets, net, increased by \$2,217,339. Roads in one development were dedicated at a cost of \$2,105,000. Also, the Graterford Pump station was dedicated at a cost of \$1,426,000 and sewer lines of \$130,000 were dedicated. This increase was offset by the annual depreciation expense.

The Township's investment in capital assets, \$54,630,515 or 74% of total net position, reflects the current book value (cost less accumulated depreciation) of land, buildings, machinery and equipment and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The other portion of the Township's net position, \$18,598,476 or 25% is unrestricted net position and may be used to meet the Township's ongoing obligations to citizens and creditors. A large portion of these assets has been earmarked for future capital improvements. The Board determines the amounts designated for capital improvements through the budget process. They may at any time, through a process outlined in the Second Class Township Code, reclassify these assets for other uses.

The final portion of the Township's net position, \$520,687 represents resources that are subject to external restrictions on how they may be used. This includes net position of the Highway Aid Fund and Community Development Block Grant Fund as well as debt service accounts and developer deposits.

At December 31, 2015, the Township is able to report positive balances in all three categories of net position for the Township as a whole and also in the activities of its primary component unit.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
ASSETS							
Current and other assets	\$ 15,402,730	\$ 15,527,184	\$ 7,443,055	\$ 6,872,211	\$ 22,845,785	\$ 22,399,395	1.99%
Capital assets	30,114,290	27,992,948	36,113,701	36,017,704	66,227,991	64,010,652	3.46%
TOTAL ASSETS	45,517,020	43,520,132	43,556,756	42,889,915	89,073,776	86,410,047	3.08%
DEFERRED OUTFLOWS OF RESOURCES							
	707,797	-	89,015	65,475	796,812	65,475	1116.97%
LIABILITIES							
Other liabilities	1,004,878	1,518,160	144,016	103,778	1,148,894	1,621,938	-29.17%
Long-term liabilities	7,408,456	5,036,917	7,345,152	7,796,250	14,753,608	12,833,167	14.96%
TOTAL LIABILITIES	8,413,334	6,555,077	7,489,168	7,900,028	15,902,502	14,455,105	10.01%
DEFERRED INFLOWS OF RESOURCES							
	218,408	-	-	-	218,408	-	100.00%
NET POSITION							
Net investment in capital assets	25,861,966	24,267,318	28,768,549	28,221,454	54,630,515	52,488,772	4.08%
Restricted	520,687	388,436	-	-	520,687	388,436	34.05%
Unrestricted	11,210,422	12,309,301	7,388,054	6,833,908	18,598,476	19,143,209	-2.85%
TOTAL NET POSITION	\$ 37,593,075	\$ 36,965,055	\$ 36,156,603	\$ 35,055,362	\$ 73,749,678	\$ 72,020,417	2.40%

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

The Township's statement of activities shows how the net position changed during the fiscal year 2015. The statement of activities can be found on page 23 of this report (*also see table below*). The table below helps to explain the changes in net position from January 1, 2015 to December 31, 2015 and from January 1, 2014 to December 31, 2014.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
REVENUES							
Program revenues							
Charges for services	\$ 1,452,105	\$ 1,330,325	\$ 3,899,063	\$ 4,951,845	\$ 5,351,168	\$ 6,282,170	-14.82%
Operating grants and contributions	1,356,455	1,175,022	-	-	1,356,455	1,175,022	15.44%
Capital grants and contributions	18,734	50,200	1,381,458	-	1,400,192	50,200	2689.23%
General revenues							
Taxes, levied for general purposes	8,075,346	8,035,232	-	-	8,075,346	8,035,232	0.50%
Other	2,512,492	3,193,376	49,775	56,092	2,562,267	3,249,468	-21.15%
TOTAL REVENUES	13,415,132	13,784,155	5,330,296	5,007,937	18,745,428	18,792,092	-0.25%
EXPENSES							
General government	1,894,531	1,626,583	-	-	1,894,531	1,626,583	16.47%
Public safety	6,066,239	5,484,902	-	-	6,066,239	5,484,902	10.60%
Public works	2,736,266	2,591,901	-	-	2,736,266	2,591,901	5.57%
Culture and recreation	1,128,111	1,036,211	-	-	1,128,111	1,036,211	8.87%
Conservation and development	157,612	162,262	-	-	157,612	162,262	-2.87%
Interest on long-term debt	118,617	76,922	215,370	197,049	333,987	273,971	21.91%
Miscellaneous	278,505	259,449	-	-	278,505	259,449	7.34%
Water, sewer and parking	-	-	3,388,685	3,237,810	3,388,685	3,237,810	4.66%
TOTAL EXPENSES	12,379,881	11,238,230	3,604,055	3,434,859	15,983,936	14,673,089	8.93%
CHANGE IN NET POSITION BEFORE TRANSFERS	1,035,251	2,545,925	1,726,241	1,573,078	2,761,492	4,119,003	-32.96%
TRANSFERS	625,000	600,000	(625,000)	(600,000)	-	-	0.00%
CHANGE IN NET POSITION	1,660,251	3,145,925	1,101,241	973,078	2,761,492	4,119,003	-32.96%
NET POSITION AT BEGINNING OF YEAR, restated	35,932,824	33,819,130	35,055,362	34,082,284	70,988,186	67,901,414	4.55%
Restatement	-	(1,032,231)	-	-	-	(1,032,231)	100.00%
NET POSITION AT END OF YEAR	\$ 37,593,075	\$ 35,932,824	\$ 36,156,603	\$ 35,055,362	\$ 73,749,678	\$ 70,988,186	3.89%

As shown above, the Township's net position increased by \$2,761,492 and \$4,119,003 from January 1, 2015 and 2014, respectively.

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

Governmental Activities

To understand how the net position changed in the governmental activities, you must look at the "Statement of Revenues, Expenditures and Changes in Fund Balances" (page 26) along with the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities" (page 27).

On page 26, the Governmental Funds are broken down individually to show the "Net Change in Fund Balances" for each fund. The total of these individual changes is \$492,024 and it increases the fund balances from January 1, 2015 to December 31, 2015. The total fund balances at December 31, 2015, are \$14,415,621.

The reconciliation on page 27 explains how the Township arrived at the increase in net position of \$1,660,251 of the governmental activities from the Governmental Funds, starting with an increase in fund balances of \$492,024.

Below is a table showing the percent of program revenues to expenditures for all the governmental activities.

Expenses and Program Revenues

	2015			2014		
	Expenses	Program Revenues	% of Program Revenues to Expenses	Expenses	Program Revenues	% of Program Revenues to Expenses
General government	1,894,531	\$ -	0%	\$ 1,626,583	\$ -	0%
Public safety	6,066,239	383,835	6%	5,484,902	395,392	7%
Public works	2,736,266	1,948,839	71%	2,591,901	1,749,897	68%
Culture and recreation	1,128,111	298,048	26%	1,036,211	281,532	27%
Conservation and development	157,612	196,572	125%	162,262	128,726	79%
Miscellaneous	278,505	-	0%	259,449	-	0%
Interest	118,617	-	0%	76,922	-	0%
	<u>\$ 12,379,881</u>	<u>\$ 2,827,294</u>	23%	<u>\$ 11,238,230</u>	<u>\$ 2,555,547</u>	23%

The Township's governmental activities' program revenues (charges for services, operating grants and contributions) for each governmental department cover 23% or \$2,827,294 of the expenses in 2015. The same percentage as in 2014.

LIMERICK TOWNSHIP

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2015 budget adopted in December 2014 was amended three times during the year—in (Resolution 2015-12), September (Resolution 2015-27) and again in December (Resolution 2015-41)—resulting in anticipated General Fund revenues slightly exceeding expenditures by \$8,385, as compared to \$359,341 use of cash reserves originally budgeted. As of year-end, revenues exceeded the amended budget by \$376,664 and expenditures were under the amended budget estimates by \$222,305. A comparison of budget to actual numbers for the General Fund can be found on page 62 in the Required Supplementary Information Section of this report.

In general, the Township has taken a conservative budgeting approach, which entails estimating revenues on the low side and expenses on the high side of acceptable ranges. It would not be cost-effective to hire experts that can predict more accurately the amount of revenues the Township will collect. By budgeting conservatively, the Township can better manage unexpected events that may arise, such as a sudden drop in the housing market or a catastrophic weather event. Surpluses remaining at the end of the year are either held in cash reserve to be considered part of subsequent budgets or transferred to a capital reserve account for future capital purchases.

Significant budgetary variances between budget and actual results are as follows:

Revenues

- **Taxes:** The tax line item consists of Real Estate Taxes, Real Estate Transfer Taxes, Earned Income Taxes and Local Services Taxes. Overall, taxes collected exceeded the amount budgeted by \$304,301. The largest portion of the Township's real estate tax is accounted for in the General Fund. 2015 millage was 1.429 and taxes received were \$2,105,029, which approximated the budgeted amount. The Township collected \$600,727 in Real Estate Transfer Taxes, \$15,727 more than the budgeted amount of \$585,000. Real Estate Transfer Taxes are based on the dollar volume of real estate sales transacted during the year, which varies greatly from year to year. The current economy has had a great impact on real estate sales. Revenues earned from this tax in 2004-2006 exceeded \$950,000 each year, while years 2007-2015 averaged \$546,000 with about \$110,000 annually for commercial sales. The commercial real estate market is hard to predict on a small scale (Township vs. county wide). Sales of large commercial tracts of land, developed or undeveloped, dramatically impact transfer taxes and many times are not known in advance. For these reasons, the Township has taken the approach to budget this line item conservatively. Five commercial properties were sold in 2015 resulting in approximately \$128,000 in transfer taxes. The actual collection in 2014 was \$561,495 and the 2015 original budget was \$550,000.

Earned Income Tax is levied at 1% for residents and is shared with the Spring-Ford Area School District. 2015 collections were \$4,056,404 about \$256,000 more than budgeted; and comparable with that collected in 2014. In keeping with the policy of conservative budgeting, the Township utilizes annual budget estimates from Berkheimer Associates and receives periodic updates used for future budget amendments.

LIMERICK TOWNSHIP

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

The Local Services Tax is a flat rate of \$52 charged to all persons working in Limerick who earn in excess of \$12,000 annually. Collections in 2015 exceeded the budgeted amount by about \$26,000 and were approximately \$35,000 less than the 2014 collections. Again, Berkheimer Associates collects the tax on behalf of the township and stated that collections in 2014 were inflated by prior year money.

- **Fees, Licenses and Permits:** This category includes Cable Franchise fees and licenses, fees and permits related to construction. The 2015 original budget was \$827,240, the amended budget was \$1,034,458 and actual revenues were \$1,081,404, an increase of \$254,164 from the original budget. The completion of the Cherry Ridge Apartment project as well as several smaller commercial projects and the commencement of four residential projects that were approved ten years ago provided the extra permit revenues.

Expenses

- **General Government:** The General Government category includes Township Administration, Tax Collection, Legal, Engineering, Technology and Facilities Management. The budget was increased during the year by about \$200,000 primarily for legal expenses related to challenges to two zoning requests for billboards along Rt. 422 and the end of a legal dispute with a developer. Actual expenses for the General Government category exceeded budgeted amounts by about \$15,000.
- **Public Safety:** The Public Safety category includes Police, Code Enforcement & Fire Safety and Planning & Zoning account groups. This category accounts for 52% of the General Fund budget. Combined expenses in these groups were \$133,309 below the amount budgeted, mostly attributed to the Police Department which saw a savings of \$109,000 or 3% of budget. The majority of the savings were personnel costs related.
- **Public Works:** The work accounted for in the Public Works Department includes snow removal, recycling, traffic signal maintenance, electricity for streetlights, repairs and maintenance to trucks and equipment, highway reconstruction and maintenance and repair of roads. Overall, public works expenditures were about \$70,000 less than the 2015 budget primarily due to deferring some road maintenance repairs until 2016.
- **Miscellaneous:** Miscellaneous expenditures include Property and Liability Insurances and Contributions. 2015 expenses of \$262,875 were about \$34,000 less than budgeted amounts. The annual budget includes a contribution to the post retirement reserve of \$50,000 however this is not expenditure for GAAP purposes, so not reflected in the actual amounts.

SEWER FUND BUDGETARY HIGHLIGHTS

The Sewer Operating Fund provides for the day-to-day operations of the sewer facilities. The sewer system includes two plants, 17 operating pump stations and 103 miles of sewer lines servicing approximately 5,400 customers. Staffing includes seven operators and two administrative personnel.

The Sewer Capital Fund collects the sewer connection fees paid by developers to be used for future capital projects. The connection fees can vary widely from year to year depending on the amount of development activity in the service area.

Together, these funds are reported as the Proprietary Fund.

LIMERICK TOWNSHIP

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

Operating Revenues

Charges for services total \$3,899,063 as compared to the budget of \$3,834,056. Of this total, sewer rental charges were \$3,767,950 as compared to \$3,722,811 budgeted and the balance is Tapping Fees. \$111,245 was budgeted and \$131,113 was realized. There were 253 new sewer connections in 2015, primarily from the Cherry Ridge Apartment project and four new residential projects.

Operating Expenses

Total operating expenses were \$3,388,685; 46% or \$1,586,579 of the expenses is depreciation expense. The operations of the two plants were approximately \$91,000 under budget due to the reduction in I&I work, odor control, sludge removal and overall reductions in general maintenance costs.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) include interest and investment revenue and debt interest expense. Interest rates remain at all-time lows; actual interest income approximated the budgeted. These same low interest rates help to reduce the debt interest expense via the 2010 bond issued to refinance older debt with higher rates.

Capital Contributions

Capital contributions in 2015 were \$1,381,458. The township took dedication of the Graterford Road Pump Station valued at \$1,251,877. This pump station was a joint effort, built by three developers to manage the sewer for their new residential projects. Additionally, about \$129,000 of sewer lines were dedicated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's capital assets as of December 31, 2015, were \$66,227,991 (net of accumulated depreciation), an increase of \$2,217,339 from 2014. This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, sewer systems and traffic signals.

Current Year Major Additions

Sewer System and Utility Plant - The Graterford Road Pump Station dedicated to the township in 2015 was capitalized at a cost of \$1,426,000. Engineering continued for major upgrades to pump stations # 6 and # 3 at a cost of amount \$125,000. The upgrades for these pump stations are anticipated for 2016.

LIMERICK TOWNSHIP

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

Building and Improvements - The new 22,250 square foot public works facility which began construction in 2014 was completed in 2015 at a cost of \$2,438,089. This facility will serve the needs of the department for the next 30 years.

Machinery and Equipment

- Replacement vehicles - (2 police; 1 admin.; 2 code).....\$159,199
- Replacement truck - 1 (public works - loader with buckets)\$143,570
- Various equipment for new public works facility.....\$113,000
- Replacement excavator (public works)\$54,642
- In-Car Cameras (5 - police).....\$25,625
- Replacement tractor (parks maintenance)\$13,833
- Replacement UTV cart (public works).....\$13,320
- GIS software (phase 2)\$12,000

Infrastructure - The Township accepted road dedications for one residential development at a cost of \$2,105,509 and other road dedications of \$154,526. Approximately \$129,000 of sewer lines were dedicated in 2015.

The Finance Department maintains a detailed listing of all capital assets and depreciation schedules.

Long-Term Debt

At December 31, 2015, the Township's long-term debt was \$11,190,875. Of that total, \$7,031,000 or 62% represents sewer debt assumed by the Township in September 2008.

In April 2014, the Township entered in a bank loan in the amount of \$4,000,000. As of December 31, 2015, \$2,489,875 was drawn for the construction of a public works facility completed in 2015. The remainder of loan will be used for capital projects in the near future.

In January 2015, the Township issued General Obligation Bonds in the amount of \$5,585,000 to advance refund the Township's General Obligation Bond, Series 2010 and pay the issuance costs. Savings from this refinance were approximately \$303,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

The Township services an area of 22.39 square miles and a community of 18,000 residents. The Township is located in the southwestern part of Montgomery County, approximately 30 miles from Philadelphia. Two main road arteries, Route 422 and Ridge Pike, run through Limerick Township, making the Township a desirable and convenient place to reside.

As of December 31, 2015, there were 8,268 connections to the sewer system as compared to 8,015 in 2014

The Township was notified in November 2014 that Standard and Poor's had raised its rating from an AA+ to AAA. Limerick is one of eight townships in the state with this rating.

LIMERICK TOWNSHIP

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

Next Year's Budget

The 2016 approved Limerick Township Budget is balanced across all funds with revenues and expenditures totaling \$21,850,641, which is a 22% increase from the 2015 projections. The increase is attributed to anticipated road and sewer capital projects in addition to normal operational costs which rise from year to year such as fuel, salaries, insurance, and utilities. The Budget includes the use of reserve funds in the amount of \$278,465 to balance the General Fund. While the use of reserves is not a recommended practice, during the course of the year the administration will analyze revenue streams to determine if the growth of the Township has resulted in additional real estate taxes, transfer taxes, and EIT sufficient to cover the projected operational deficit. In past years, as a result of increased revenues and strong budget management practices, budgeted beginning year deficits have not only been reduced but often have resulted in a yearend operational surplus.

The Budget includes a 29% real estate tax increase specific to the hiring of five additional police officers, debt service on the 2014 bank loan for the construction of the Public Works facility, transferring the Fire Hydrant Assessment to a Fire protection real estate tax and a human resources position. These initiatives are the second phase of a long range program to address the growth of the township and answer the increasing calls for service. The construction of the new public works building completed in 2015, was the first phase of this effort. Discussion has been ongoing for many years on a long term capital plan to assist the volunteer fire companies as well as the police and administrative facility needs, and the 2016 Budget sets forth the foundation for these programs.

The following are the highlights reviewed by the Board and incorporated into the Budget.

- A change in leadership within the police department will occur as Chief William Albany has announced his retirement effective December 31, 2016. In order to promote a seamless transition the Board decided to promote Chief Albany to the title of Chief Emeritus and will promote Lieutenant Brian Skelton to Police Chief. These promotions are expected to occur in the first quarter of 2016.
- Health care benefits continue to be a major expense not only for Limerick but all organizations with employees. As of the end of 2015, the township has 66 full time employees who are eligible for health care benefits. Since 2008, Limerick has participated in the Delaware Valley Health Insurance Trust which has saved this community thousands of dollars each year by not having to secure health insurance from commercial brokers. Annual benefits costs were increasing over 10% annually because of new regulations and plan usage by the participants. In 2014 the Township shifted all non-uniform employees to a high deductible plan and in 2015 the uniform police officers joined the program as well. The new benefit plan along with lower costs from DVIT helped reduced the annual premium increase to below past years and was set at 5% for 2016.
- In an effort to reduce ongoing issues with the meter reads for sewer customers with private water, a suggestion by the new Assistant Superintendent to shift to a flat rate bill was approved by the Board. Meter reads from public water customers is provided by the water company and is a very efficient system. However, private well customers have meters installed on their plumbing systems which are purchased and maintained by the township. A shift to a uniform flat rate billing will eliminate costs of our crew performing manual reads and also eliminate the need to purchase the meters and the related maintenance costs. This is an excellent example of positive programs that look to improve efficiencies and reduce costs.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

- Another change in leadership is also expected within the sewer department with the retirement of the long time superintendent. The assistant superintendent who was hired in May of 2015 will assume the leadership role and a seamless transition is expected. The Superintendent is expected to retire in late summer, and at that time, the position of assistant may be filled.
- An opening occurred within the sewer department when a technician left our employ for another opportunity. A long time employee within public works, looking for a change, interviewed for the position and was transferred to the sewer department once it was determined he had the required technical skills. The open position within public works will be filled and will work in the park crew. All changes are budget neutral.
- The township is anticipating dedication of 24 acres adjoining the community park from the adjacent Sankey property. The parcel has been approved for 94 new housing units and the transfer of the land to the township is a part of the plan approval. To fully utilize the land it was recommended that the township complete a park master plan that will analyze not only the new lands but the existing park as well. The cost of the masterplan was estimated at \$50,000 and the Board authorized the study only if grants or alternate funding can be obtained to cover the costs. Staff is current researching grant opportunities and will advance the project if funding comes available.
- Another anticipated retirement in 2016 is the long time receptionist and options to staff the position were reviewed with the Board. It was noted that a significant amount of activity at the front desk is generated by the park and recreation department. Also discussed was the ongoing need for additional administrative help for various departments. With both these factors to consider the administration recommended that the front desk be staffed by the park and recreation department and the open position be filled by a person with administrative skills. With a part-time position added to the recreation staff last year they have the time and personnel to handle the front desk duties. The new administrative position will fall under the direction of the existing administrative assistant who will for the time being; assume the quasi role of office manager. The front desk procedures will also fall under her direction. We feel that the existing skill set of the current staff will be able to handle this move and most importantly will be budget neutral.
- Construction permit revenues are proposed to be lower than 2015 due to the Cherry Ridge housing development of 190 which received all permits in 2015. Code staff will continue to perform field inspections but no additional revenue will be forthcoming from this project. However, permit revenues are expected to remain strong primarily due to the strength of the residential housing market within the Township. Four new housing developments broke ground in 2015 with 320 available lots. 81 new dwelling unit permits were issued in 2015 which is up from the 27 approved in 2014. Non-residential permits also remain above previous year levels and planning projections show that Limerick will continue to be a hotbed of development as the business sector builds to meet the job and service demands of the growing population. The availability of undeveloped land in close proximity to significant roadway infrastructure, a very good school system and the strength of the local economy, will continue to be key factors of growth for many years to come. Also during 2015, 200 additional housing units were approved in two new developments and planning approvals continue for approximately 600 more units. The current staff of three within the department includes a Director and two code inspectors. The administration is confident that the current staff can handle the anticipated work load.

LIMERICK TOWNSHIP

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

- For the past year the township has been aware of yet another retirement and that has to do with the long time consultant who manages our CBDG program. In reviewing the needs of the program it was determined that the construction portion could be handled by our current code staff. They are well versed in construction techniques and based on the efficiently within the department they have achieved, they have adequate time to handle this additional duty. To oversee the compliance side of the CBDG program the Board authorized a bid in late 2015 seeking third party consultants to handle this task. The new consultant was approved for a three year contract and is expected to meet with the township in early 2016 and begin to transition which will require a new grant application for the 2016 cycle. The submission is required sometime over the summer months. A third element of the program involves intake and qualifying individuals for the program. Our current intake coordinator will be with us for another two years by way of a new agreement approved by the Board at the end of 2015. She will begin to work with Marcy who will take over her duties fully upon her retirement. The Township continues to receive approximately \$190,000 annually which is used to repair homes of low income residents. The Board placed a priority on the continuation of this program and the administration is confident in the transition plan. Costs of township staff can be reimbursed from the program so this will over some level of savings to the 2016 Budget.
- The Board approved the advertisement of the bid to rebuild Pump Station #6 located within the Limerick Crossing Shopping Center near Rt. 422. This project was discussed in the 2015 review section of this report and noted the design has been finalized. The expected costs for this project of \$1.5 million dollars will be paid for with sewer capital reserve funds which were collected by way of EDU fees. No general fund tax monies will be required for this project. Construction is expected to be finalized by the winter season.
- Annual Public Works roadway projects for the existing road network will total approximately \$750,000. The oil and chip program, a low cost maintenance coating which continuously provides long term benefits in extending the life cycle of paved roads, will continue in 2016. In addition, the budget calls for the installation of a traffic signal at intersection of N. Limerick Road and Ridge Pike. Due to the configuration of the intersection, safety concerns have become magnified because of increasing traffic volume on Ridge Pike. As of the writing of this report the Township is awaiting a report from PennDot on if a signal is warranted. If PennDot does agree that a signal is warranted then the Township will begin engineering design and look to bid and construct the project in 2016. Funding for the anticipated \$ 350,000 project will come from available traffic impact fees and liquid fuel funds.
- The Board approved the continuation of the Limerick Center/ West Cherry Lane intersection improvement project discussed in the 2015 review. The administration is finalizing the final right-of-way and construction easements needed for the project. A bid is expected to be placed in March with award of the contracts and start of construction immediately after school is closed for the summer. The Township has been collecting traffic and development related fees for this estimated \$600,000 project. A grant to the Pottstown Health and Wellness Foundation will be submitted to offset costs of the sidewalks included in the project, so a connection to Limerick Elementary School can be achieved. At this time there are no expectations that general fund tax monies will be required for the project.

LIMERICK TOWNSHIP

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

- Also reviewed was the ongoing cost to defend the township's billboard zoning ordinance regulations. With two active applications working their way through the zoning hearing board, the Board of Supervisors has mandated that a defense be undertaken to guard against an influx of large scale off-premise advertising. The township is confident in the strength of our current ordinances but there was a discussion regarding the legal costs involved. In addition to the costs incurred in 2015, the township is expecting an additional \$100,000 expense in 2016 to continue this defense. While the Board stands committed to this approach, they have also agreed to begin discussion with the applicants on a commonsense settlement that will protect the future interests of this community in terms of billboards.
- There was a discussion on fire hydrant funding and the focus was on a change from the current system that assesses properties within 780 feet of a hydrant a flat fee, to a charge to all parcels within the Township through the Fire Protection Real Estate Tax. The Board agreed that regardless of their location to a hydrant, all properties realize benefits from the public hydrants. Currently properties are assessed \$18 but only 5,300 of the 7,100 parcels within the township pay this fee. The new proposal would collect funds through the fire real estate taxes. All parcels will see an increase of .084mils which equates to \$12.93 of additional tax to the average assessed parcel. An increase would only pertain to the approximately 1,800 property owners who currently do not have an assessment imposed.

These issues were discussed in detail during the advertised budget meetings. What is important to note is that the status quo budget up to this point, including all issues noted above, does not require any additional tax revenues in order to move forward. The administration is able to offer the community a budget that stands on the merits of the anticipated revenues and speaks to the efficiency of the entire township operation. Often, communities required tax increases to balance the cost of basic ongoing operations but Limerick does not.

In addition to these initiatives, the Board has approved the following items which require funding in the 2016 Budget. The following issues all pertain to public safety and related needs of the community based on the growth of the township and increased calls for service. These issues are specific to the increased tax rates of 29% which was integrated into the 2016 Budget.

Volunteer Fire Companies

Discussions on the needs of the fire companies' \$13 million dollar capital funding was centered on the following topics:

- Limerick fire station renovation of \$3.4 million
- Linfield fire station renovation of 2.3 million
- 15 year apparatus replacement plan of \$7.7 million
- Construction of a Training facility for \$1.5 million

Based on the realization that the proposed 50/50 funding formula mentioned earlier in this report would not be feasible, the Board prioritized the items under discussion and elected to defer discussion of the training facility. The apparatus replacement plan was scaled back to a 5 year look which will have a main focus of only \$1.2 million for the aerial truck for Limerick FC and the debt service for the existing Quint Truck (Linfield FC) within this time frame. This reduced the overall program cost to \$7 million. The Limerick fire station renovation was given top priority because they are further along in the process; the design is almost complete, the building will accommodate ambulance service space and it will be ready to bid in the first quarter of 2016. Linfield FC has not started design yet and the township does not feel both fire stations should be under construction at the same time. The design of Limerick aerial truck scheduled for 2016 will commence but the Board has deferred financing until 2017.

LIMERICK TOWNSHIP

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

Based on the \$159,000 available from the existing real estate fire tax monies, it is expected that a \$3 million dollar loan can be obtained. Both fire companies agreed to cover soft costs using their reserve funds which should bring the cost of borrowing for the Limerick FC project down to the level which can be supported by the current excess fire taxes. This permitted the Board to allocate the current excess fire tax monies toward the Limerick FC renovation project but noted that the fire companies should secure all loans and the township will agree to a reimbursement. Based on this scenario, the program was able to move forward without the need for a tax increase.

It was also noted that further support for the remaining fire service capital program will require additional tax revenues but before any tax increase is approved for future years, the Board desires a discussion on alternate funding options. Staff was instructed to analyze all available alternatives ahead of budget talks for 2017. The Board also insisted that this objective of alternate funding options will be consistent with the other issues noted below.

Police Staffing

The total annual cost of hiring a new officer is approximately \$130,000 per year. This includes salary, equipment, uniforms, training and benefits. While the costs are significant, the Board felt the impact on the community by not increasing the force was even greater. To bring the force up to 30 officers as recommended by industry wide statistics, five additional officers were approved for hire in 2016. In order to lessen the impact on the residents, the tax increase is equal to the annual cost of three. The proposed plan for the new hires will be three officers by mid-year and then the final two by the end of the year. The budget includes full year salaries for the three but with the delay in hiring, the additional tax revenue received will cover all costs for the five officers hired in 2016. The real estate tax increase approved was an additional .273 mils, \$42 annually for the average assessed property within the township. The Board is aware that in the 2017 budget, new tax revenue for two officers will be necessary.

Police and Administration Facility

As noted earlier in this report, the proposed police and administration facility is estimated to cost \$9 million dollars. This estimate includes all design and construction costs as well as funding needed to relocate current staff into temporary facilities. With \$1.4 million remaining from the public works loan and \$2 million of cash reserves, the cost of new borrowing for this project would stand at \$5.6 million. Annual debt and interest payments for this loan would require a tax increase of .213 mils which equates to \$32.79 for the average assessed home.

The Board was supportive of the project but was reluctant to move forward until a firm construction cost is known. It was decided that in order to obtain actual numbers, the Board authorized use of the remaining public works loan toward the costs of the architectural design. Once the design is completed then a bid will be offered so construction costs can be determined. This process is anticipated to be finalized by late summer when the Board will be in a position to decide whether to accept the bids. If they do accept then funding of the project and additional tax revenues will be a required element of the 2017 Budget. As it stands with this plan, no new taxes are required for the 2016 Budget.

LIMERICK TOWNSHIP

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

Public Works Loan

When the construction of the new public works facility began in the fall of 2014, a \$4 million dollar bank loan was obtained. The loan acted as a line of credit and funds were drawn as the construction project progressed and was concluded in the summer of 2015. The final project totals came in at \$2.6 million and, as noted above, additional monies will be drawn in 2016 to pay for the design of the police and administration building. These costs are anticipated to be in the range of \$600,000. With several capital projects under discussion it is anticipated the balance of \$800,000 will be drawn to support these programs. Discussion with the Board in 2014 specified that general fund monies could support the interest only payments during 2015 but additional tax revenue would be required for 2016 when interest and principal payments are required for the full amount. The Board approved an increase in real estate tax revenues of .176 mils which equates to \$27.10 for an average assessed home.

Administrative Staffing

Several new positions were under discussion including an additional fire inspector for the Fire Safety department, another member for the road crew and the need for a full time human resource position. The Board reviewed and agreed that all are needed due to the growth of the community but the budget could not handle all new hires in 2016.

It was decided to defer the fire inspector until a new inspection program is established for commercial rental units and apartments. The Board instructed staff to formulate the parameters of the program and bring it back for review. It is anticipated that the inspection program will generate fees to offset the cost of this position and once the program is established then additional discussion on the fire inspector position will be handled.

The Board also decided to defer the public works position until an internal restructuring of the department is finalized. The changes are proposed to shift personnel to alternate job duties that better fits their skill set and hopefully improve the overall productivity of the crew. Until the results of this change are known the Board voted to not move ahead with the new hire for 2016.

The Board did agree to the need for the new human resource position. While the township's strategy to maintain staffing levels to a minimum, the duties of the finance department have increased dramatically as more personnel have been hired. Maintaining payroll, health benefits, workers compensation, STD, LTD and FMLA and the requirements of the Affordable Care Act for a 70 full-time and 40 seasonal employees has become a full time job. This position will also handle other duties of the finance department which currently is completed by staff after hours. The Board approved a tax increase of .057 mils to cover the annual costs of this position which equates to \$8.78 annually for an average assessed home.

In total the Board approved a tax increase of .506 mils and when added to the .084 mils required for the fire hydrants, it is overall a 29% increase in the real estate tax rates. This equals \$90.84 annually to the average assessed homeowner. While this is a significant increase by any standard, it must be again stated that the increased fire hydrant funding is offset by a reduction of the current fire hydrant assessment for many within the community of \$18 so the overall increase is reduced to \$72.84.

LIMERICK TOWNSHIP

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

The increase should also be analyzed against other municipal organizations within Montgomery County to determine where Limerick stands. As mentioned earlier Limerick has enjoyed a low real estate tax rate that remained in the bottom 1/3 of all 62 municipal organizations within the County. Limerick is very confident that even with the increases approved for 2016, the township will still be in the lower half of real estate taxes. The Board did not take these decisions lightly and spent many hours analyzing every option to limit the impact on the existing tax payers of this community. The 2016 Budget is a commonsense approach to difficult challenges facing not only Limerick, but all local governmental agencies that provide local services that are essential to the daily lives of the residents.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information, please contact the Finance Director at the Limerick Township Municipal Building, 646 West Ridge Pike or by phone at 610-495-6432, extension 113.

LIMERICK TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 8,780,017	\$ 6,454,108	\$ 15,234,125
Investments	5,685,212	-	5,685,212
Receivables, taxes and other	922,134	984,864	1,906,998
Prepaid expenses and other assets	15,367	4,083	19,450
Capital assets, at cost			
Land and improvements	5,372,818	1,048,383	6,421,201
Buildings and building improvements	7,378,967	59,159,076	66,538,043
Machinery and equipment	3,810,888	469,063	4,279,951
Infrastructure	22,275,154	-	22,275,154
Construction in progress	-	170,728	170,728
Accumulated depreciation	(8,723,537)	(24,733,549)	(33,457,086)
TOTAL ASSETS	45,517,020	43,556,756	89,073,776
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding, net	22,496	89,015	111,511
Deferred outflows of resources - pension activities	685,301	-	685,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	707,797	89,015	796,812
LIABILITIES			
Accounts payable	316,938	115,084	432,022
Other payables	-	-	-
Accrued expenses	-	9,615	9,615
Accrued interest	12,783	11,066	23,849
Developer escrows and deposits	-	8,251	8,251
Unearned revenue	675,157	-	675,157
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	304,500	495,000	799,500
Portion due or payable after one year			
Bonds and notes payable, net of unamortized premium	3,947,824	6,850,152	10,797,976
Net OPEB obligation	1,478,679	-	1,478,679
Net pension liability	1,567,471	-	1,567,471
Compensated absences	109,982	-	109,982
TOTAL LIABILITIES	8,413,334	7,489,168	15,902,502
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activities	218,408	-	218,408
NET POSITION			
Net investment in capital assets	25,861,966	28,768,549	54,630,515
Restricted	520,687	-	520,687
Unrestricted	11,210,422	7,388,054	18,598,476
TOTAL NET POSITION	\$ 37,593,075	\$ 36,156,603	\$ 73,749,678

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,894,531	\$ -	\$ -	\$ -
Public safety	6,066,239	24,788	359,047	-
Public works	2,736,266	1,129,269	800,836	18,734
Culture and recreation	1,128,111	298,048	-	-
Conservation and development	157,612	-	196,572	-
Miscellaneous	278,505	-	-	-
Debt service	118,617	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,379,881	1,452,105	1,356,455	18,734
BUSINESS-TYPE ACTIVITIES				
Sewer Fund	3,604,055	3,899,063	-	1,381,458
TOTAL TOWNSHIP ACTIVITIES	\$ 15,983,936	\$ 5,351,168	\$ 1,356,455	\$ 1,400,192

GENERAL REVENUES

Real estate taxes
 Earned income taxes
 Fire protection taxes
 Per capita and emergency and municipal services taxes
 Real estate transfer taxes
 Interest and rents
 Fines, forfeits and costs
 Capital contributions
 Other

TOTAL GENERAL REVENUES

INTERFUND TRANSFERS, net

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (1,894,531)	\$ -	\$ (1,894,531)
(5,682,404)	-	(5,682,404)
(787,427)	-	(787,427)
(830,063)	-	(830,063)
38,960	-	38,960
(278,505)	-	(278,505)
(118,617)	-	(118,617)
<u>(9,552,587)</u>	<u>-</u>	<u>(9,552,587)</u>
<u>-</u>	<u>1,676,466</u>	<u>1,676,466</u>
<u>(9,552,587)</u>	<u>1,676,466</u>	<u>(7,876,121)</u>
2,409,778	-	2,409,778
4,056,404	-	4,056,404
482,296	-	482,296
526,141	-	526,141
600,727	-	600,727
44,016	20,675	64,691
69,132	-	69,132
2,260,035	-	2,260,035
139,309	29,100	168,409
<u>10,587,838</u>	<u>49,775</u>	<u>10,637,613</u>
<u>625,000</u>	<u>(625,000)</u>	<u>-</u>
1,660,251	1,101,241	2,761,492
<u>35,932,824</u>	<u>35,055,362</u>	<u>70,988,186</u>
<u>\$ 37,593,075</u>	<u>\$ 36,156,603</u>	<u>\$ 73,749,678</u>

LIMERICK TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>
ASSETS		
Cash and cash equivalents	\$ 5,734,834	\$ 979,979
Investments	3,629,918	373,011
Receivables, taxes and other	865,615	-
Prepaid expenses	<u>13,711</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,244,078</u>	<u>\$ 1,352,990</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 248,505	\$ 5,308
Other payables	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>248,505</u>	<u>5,308</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	<u>670,171</u>	<u>-</u>
FUND BALANCES		
Nonspendable, prepaid expenses	13,711	-
Restricted for		
Road and street improvements	-	-
CDBG grants	-	-
Water hydrant maintenance	-	-
Debt service	-	-
Fire protection	-	-
Committed		
Post retirement health reserve	250,000	-
Canine fund	25,406	-
Assigned to		
Capital projects	1,000,000	1,347,682
Capital equipment	1,000,000	-
Road improvements	-	-
Recreation activities	-	-
Future road improvements	1,000,000	-
Unassigned	<u>6,036,285</u>	<u>-</u>
TOTAL FUND BALANCES	<u>9,325,402</u>	<u>1,347,682</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,244,078</u>	<u>\$ 1,352,990</u>

See accompanying notes to the basic financial statements.

<u>Road Improvement Fund</u>	<u>Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 628,298	\$ 907,653	\$ 529,253	\$ 8,780,017
1,682,283	-	-	5,685,212
-	28,529	27,990	922,134
-	1,656	-	15,367
<u>\$ 2,310,581</u>	<u>\$ 937,838</u>	<u>\$ 557,243</u>	<u>\$ 15,402,730</u>
\$ -	\$ 26,569	\$ 36,556	\$ 316,938
-	-	-	-
<u>-</u>	<u>26,569</u>	<u>36,556</u>	<u>316,938</u>
-	-	-	670,171
-	1,656	-	15,367
-	-	210,166	210,166
-	-	1,346	1,346
-	-	1,255	1,255
-	-	307,636	307,636
-	-	284	284
-	-	-	250,000
-	-	-	25,406
-	-	-	2,347,682
-	-	-	1,000,000
2,310,581	-	-	2,310,581
-	909,613	-	909,613
-	-	-	1,000,000
-	-	-	6,036,285
<u>2,310,581</u>	<u>911,269</u>	<u>520,687</u>	<u>14,415,621</u>
<u>\$ 2,310,581</u>	<u>\$ 937,838</u>	<u>\$ 557,243</u>	<u>\$ 15,402,730</u>

LIMERICK TOWNSHIP

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

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 14,415,621

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

Land and improvements	5,372,818
Construction in progress	-
Buildings and building improvements	7,378,967
Machinery and equipment	3,810,888
Infrastructure	22,275,154
Accumulated depreciation	(8,723,537)

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

466,893

Deferred charges related to debt refunding are not current financial resources and, therefore, are not reported in the Governmental Funds.

22,496

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

Accrued interest	(12,783)
Bonds and notes payable	(4,252,324)
Net OPEB obligation	(1,478,679)
Net pension liability	(1,567,471)
Compensated absences	(109,982)

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

(4,986)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 37,593,075

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>
REVENUES		
Taxes	\$ 7,288,301	\$ -
Fees, licenses and permits	1,081,404	-
Interest and rents	31,126	7,588
Intergovernmental revenues	497,068	-
Fines, forfeits and costs	69,132	-
Program revenues	-	-
Other	<u>127,967</u>	<u>-</u>
TOTAL REVENUES	<u>9,094,998</u>	<u>7,588</u>
EXPENDITURES		
General government	1,746,901	-
Public safety	4,805,416	-
Public works	1,809,053	-
Culture and recreation	-	-
Conservation and development	-	-
Miscellaneous	262,875	-
Debt service	-	-
Capital projects	<u>-</u>	<u>877,615</u>
TOTAL EXPENDITURES	<u>8,624,245</u>	<u>877,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>470,753</u>	<u>(870,027)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	625,000	984,875
Operating transfers out	(854,928)	-
Proceeds from sale of capital assets	-	10,368
Proceeds from long-term debt	-	-
Refunding bonds issued	-	-
Premium on refunding bonds issued	-	-
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(229,928)</u>	<u>995,243</u>
NET CHANGE IN FUND BALANCES	240,825	125,216
FUND BALANCES AT BEGINNING OF YEAR	<u>9,084,577</u>	<u>1,222,466</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,325,402</u>	<u>\$ 1,347,682</u>

See accompanying notes to the basic financial statements.

<u>Road Improvement Fund</u>	<u>Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 101,462	\$ 778,982	\$ 8,168,745
72,653	6,309	-	1,160,366
-	3,769	1,533	44,016
-	-	859,387	1,356,455
-	-	-	69,132
-	291,739	-	291,739
19,708	-	-	147,675
<u>92,361</u>	<u>403,279</u>	<u>1,639,902</u>	<u>11,238,128</u>
-	876	6,763	1,754,540
-	-	739,970	5,545,386
77,807	-	453,179	2,340,039
-	823,153	-	823,153
-	-	157,612	157,612
-	-	15,630	278,505
-	-	258,552	258,552
-	-	-	877,615
<u>77,807</u>	<u>824,029</u>	<u>1,631,706</u>	<u>12,035,402</u>
<u>14,554</u>	<u>(420,750)</u>	<u>8,196</u>	<u>(797,274)</u>
-	399,928	80,000	2,089,803
-	-	(609,875)	(1,464,803)
-	-	-	10,368
-	-	609,875	609,875
-	-	1,810,000	1,810,000
-	-	102,181	102,181
-	-	(1,868,126)	(1,868,126)
<u>-</u>	<u>399,928</u>	<u>124,055</u>	<u>1,289,298</u>
14,554	(20,822)	132,251	492,024
<u>2,296,027</u>	<u>932,091</u>	<u>388,436</u>	<u>13,923,597</u>
<u>\$ 2,310,581</u>	<u>\$ 911,269</u>	<u>\$ 520,687</u>	<u>\$ 14,415,621</u>

LIMERICK TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 492,024
Capital outlays are reported in the Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.	(138,693)
Donations of capital items are not reported on the Governmental Funds. However, in the statement of activities, the value of these donations is reported as a revenue. This is the value of capital asset donations in the period.	2,260,035
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(93,399)
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--pension expense--and other postemployment benefits are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(345,721)
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to Governmental Funds, but the issuance increases long-term liability in the statement of net position.	(2,522,121)
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>2,008,126</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,660,251</u>

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015

	<u>Sewer Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,454,108
Accounts receivable, net of allowance of \$54,000	984,864
Other assets	<u>4,083</u>
TOTAL CURRENT ASSETS	7,443,055
PROPERTY AND EQUIPMENT, net	<u>36,113,701</u>
TOTAL ASSETS	<u>43,556,756</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding, net	<u>89,015</u>
CURRENT LIABILITIES	
Accounts payable	115,084
Accrued salaries and benefits	9,615
Accrued interest	11,066
Developer escrows and deposits	8,251
Bonds and notes payable	<u>495,000</u>
TOTAL CURRENT LIABILITIES	639,016
NONCURRENT LIABILITIES	
Bonds and notes payable	<u>6,850,152</u>
TOTAL LIABILITIES	<u>7,489,168</u>
NET POSITION	
Net investment in capital assets	28,768,549
Unrestricted	<u>7,388,054</u>
TOTAL NET POSITION	<u>\$ 36,156,603</u>

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>3,899,063</u>
OPERATING EXPENSES	
King Road Plant	618,105
Possum Hollow Plant	145,155
General and administrative	175,195
General operating	781,509
Contractual and professional services	82,142
Depreciation	<u>1,586,579</u>
TOTAL OPERATING EXPENSES	<u>3,388,685</u>
OPERATING INCOME	<u>510,378</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	20,675
Miscellaneous	29,100
Interest expense	<u>(215,370)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(165,595)</u>
INCOME BEFORE TRANSFERS	344,783
TRANSFERS	
Capital contributions	1,381,458
Transfers in	751,118
Transfers out	<u>(1,376,118)</u>
CHANGE IN NET POSITION	1,101,241
NET POSITION AT BEGINNING OF YEAR	<u>35,055,362</u>
NET POSITION AT END OF YEAR	<u>\$ <u>36,156,603</u></u>

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2015

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,843,444
Cash payments to suppliers for goods and services	(883,139)
Cash payments to employees for services	(878,849)
Other operating cash receipts	29,100
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,110,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of property and equipment	(301,118)
Principal paid on revenue bonds	(4,510,000)
Interest paid on revenue bonds	(256,305)
Proceeds from issuance of bonds	4,076,297
Transfers to other funds	(1,376,118)
Transfers from other funds	751,118
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,616,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>20,675</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	515,105
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,939,003</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,454,108</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 510,378
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,586,579
Miscellaneous income	29,100
Increase in	
Accounts receivable	(55,619)
Other assets	(120)
Increase in accounts payable and accrued expenses	40,238
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,110,556</u>

See accompanying notes to the basic financial statements.

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

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash, restricted	\$ 125,005	\$ 249,650
Investments, restricted	<u>7,843,666</u>	<u>100,582</u>
TOTAL ASSETS	<u>\$ 7,968,671</u>	<u>\$ 350,232</u>
LIABILITIES		
Accounts payable	\$ 30	\$ 63,797
Developers' escrow	<u>-</u>	<u>286,435</u>
TOTAL LIABILITIES	<u>\$ 30</u>	<u>\$ 350,232</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 7,968,641</u>	

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 233,401
Employee	23,850
State allocation	<u>258,776</u>
TOTAL CONTRIBUTIONS	<u>516,027</u>
Income from investments	
Net appreciation in fair value of investments	(309,111)
Net investment income	<u>291,276</u>
TOTAL INCOME FROM INVESTMENTS	<u>(17,835)</u>
Investment expense	<u>(32,237)</u>
INVESTMENT INCOME, net	<u>(50,072)</u>
TOTAL ADDITIONS	465,955
DEDUCTIONS	
Benefits	<u>135,671</u>
CHANGE IN NET POSITION	330,284
NET POSITION AT BEGINNING OF YEAR	<u>7,638,357</u>
NET POSITION AT END OF YEAR	<u><u>\$ 7,968,641</u></u>

See accompanying notes to the basic financial statements.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Limerick Township (the "Township") is governed by an elected five-member board. The financial statements of the Township include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility, including general government, public safety, parks and recreation and public works. Until September 1, 2008, the Limerick Township Municipal Authority (the "Authority") was a component unit of the Township and was reported discretely in the Township's financial statements. Subsequently, the Authority was absorbed as a department of the Township and is operated as a Proprietary Fund.

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- Two fire departments receive a contribution from the Township. However, the majority of revenues generated are through private fund-raisers under the direction of a separate independent board not appointed by the Supervisors. The departments are organized under a separate charter and, therefore, are not included in the financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of Financial Statement Presentation - The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*.

Government-Wide Financial Statements - The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for Fiduciary Funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for the Sewer Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of Governmental Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Other nonmajor Governmental Funds are aggregated and presented in a single column (Other Governmental Funds).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. 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, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public services and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units.

Capital Reserve Fund - The Capital Reserve Fund is used to account for the purchase of major capital assets and improvements.

Road Improvement Fund - The Road Improvement Fund is used to account for specific revenues and expenditures related to road improvements.

Recreation Fund - The Recreation Fund is used to account for specific revenues and expenditures related to the Township's parks and recreation facilities.

Proprietary Fund - The focus of the Proprietary Fund measurement is upon determination of net income and cash flows. The generally accepted accounting principles applicable are similar to those used by businesses in the private sector.

The Proprietary Fund includes accounts of the Township's Sewer Fund. The Township establishes sewer rates, collects sewer revenues, operates the sewer system, employs personnel to operate the sewer system and send sewer bills and handles fiscal management for the sewer system.

Fiduciary Funds - The Township also reports the following Fiduciary Funds:

Police Pension and Non-Uniform Pension Trust Funds - The Pension Trust Funds accumulate money for the retirement of Township employees.

Agency Funds - Agency Funds include the Escrow Fund, which holds monies received by the Township regarding grading permits, and the Developer Escrow Fund.

Budgets and Budgetary Accounting

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

1. A preliminary budget is presented to the Board of Supervisors in October.
2. During October and November, the Township holds budget workshops for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
4. Prior to December 31, the Township holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through motion of the Board of Supervisors.
5. All budget revisions require the approval of the Township Board of Supervisors.
6. Formal budgetary integration is employed as a management control device during the year. Budgetary control is maintained at the fund level.
7. Budgets are adopted on the modified accrual basis of accounting. All appropriations lapse at year-end.

Real Estate Tax

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. The Township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid on a commission basis.

Transfers

Operating transfers between Governmental and Nongovernmental Fund Types are reported as other financing sources (uses) within those funds.

Deposits and Investments

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

State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The government and external investment pools operate in accordance with appropriate state laws and regulations.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$2,000 and/or an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Buildings	20-40
Building improvements	15-40
System infrastructure	7-50
Vehicles	3-10
Office equipment	5-10
Computer equipment	3-5

The Township is a Phase III Government under the implementation guidance in GASB Statement No. 34 and, as such, has elected not to capitalize all infrastructure assets retroactively. Therefore, these financial statements do not report the cost of roads, bridges and street lights prior to 2002.

Compensated Absences

Unused sick benefits lapse at year-end for all employees with the exception of police officers. Accordingly, the accumulated sick leave of police officers is recorded in the governmental activities column of the government-wide statements.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable are evaluated for collectability, and an allowance is established, as deemed necessary, based on the best information available and in an amount management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred charge on refunding reported in the government-wide and Proprietary Fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. Unavailable revenue is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and inventory.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for debt service, recreation activities, road and street improvements and water hydrant maintenance.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Limerick Township Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Limerick Township Supervisors take the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Township Board of Supervisors or by an official or body to which the Township Board delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

Change of Accounting Principles

During the year ended December 31, 2015, Limerick Township adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. As of December 31, 2015, \$1,012,206 was insured by the FDIC and \$19,697,206 of the Township's bank balance of \$20,709,412 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Township's name \$ 19,697,206

Investments

As of December 31, 2015, the Township had the following investments:

<u>Investment Type</u>	<u>Investment Maturities</u>		<u>Fair Value</u>
	<u>Less Than One Year</u>	<u>1 to 5 Years</u>	
U. S. Government notes	\$ 1,051,328	\$ 1,457,707	\$ 2,509,035
U. S. Government notes, agency	272,030	2,056,665	2,328,695
Certificate of deposit	-	847,482	847,482
	<u>\$ 1,323,358</u>	<u>\$ 4,361,854</u>	<u>\$ 5,685,212</u>

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

Credit Risk - With the exception of Pension Trust Funds, state law limits investments in obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The law also allows for the Township to invest in certificates of deposit of banks, savings and loans and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance and that deposits in excess of such insurance are collateralized by the depository.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

The Township's investment policy does not further limit its investment choices.

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

Pension Trust Funds

Pension Trust Funds are comprised of the following:

	<u>Police Pension Plan</u>		<u>Non-Uniform Pension Plan</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash funds	\$ 75,573	\$ 75,573	\$ 49,432	\$ 49,432
Common stocks	-	-	-	-
Mutual funds/ETF's	<u>5,224,991</u>	<u>5,031,260</u>	<u>2,923,608</u>	<u>2,812,406</u>
	<u>\$ 5,300,564</u>	<u>\$ 5,106,833</u>	<u>\$ 2,973,040</u>	<u>\$ 2,861,838</u>

Agency Funds

Agency Funds are comprised of the following:

<u>Investment Type</u>	<u>Investment Maturities</u>		<u>Fair Value</u>
	<u>Less Than One Year</u>	<u>1 to 5 Years</u>	
U. S. Government notes	\$ 20,488	\$ 35,088	\$ 55,576
U. S. Government notes, agency	<u>5,115</u>	<u>39,891</u>	<u>45,006</u>
	<u>\$ 25,603</u>	<u>\$ 74,979</u>	<u>\$ 100,582</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - RECEIVABLES

Receivables, which consist primarily of taxes, are as follows:

GOVERNMENTAL FUNDS		
General Fund	\$ 865,615	\$ 1,277,053
Recreation Fund	28,529	1,185
Community Development Block Grant Fund	19,532	-
Water Hydrant Fund	898	883
Fire Protection Fund	5,226	5,633
Debt Service Fund	2,334	2,516
	<u>\$ 922,134</u>	<u>\$ 1,287,270</u>

Proprietary Fund receivables consist of sewer rents of \$984,864 at December 31, 2015.

NOTE D - INTERFUND TRANSFERS

Interfund transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ 625,000	\$ 854,928
Capital Reserve Fund	984,875	-
Debt Service Fund	60,000	609,875
Recreation Fund	399,928	-
Fire Protection Fund	20,000	-
Sewer Fund	751,118	1,376,118
	<u>\$ 2,840,921</u>	<u>\$ 2,840,921</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Township has reported all capital assets, including infrastructure, in the government-wide statement of net position. All capital assets, including other infrastructure systems, were reported using the basic approach, whereby accumulated depreciation and depreciation expense have been recorded. The following presents summary information on capital assets.

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

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and improvements	\$ 5,372,818	\$ -	\$ -	\$ 5,372,818
Construction in progress	<u>2,181,136</u>	<u>-</u>	<u>(2,181,136)</u>	<u>-</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>7,553,954</u>	<u>-</u>	<u>(2,181,136)</u>	<u>5,372,818</u>
Capital assets being depreciated				
Buildings and building improvements	4,940,878	2,438,089	-	7,378,967
Machinery and equipment	3,252,425	620,881	(62,418)	3,810,888
Infrastructure	<u>20,015,119</u>	<u>2,260,035</u>	<u>-</u>	<u>22,275,154</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>28,208,422</u>	<u>5,319,005</u>	<u>(62,418)</u>	<u>33,465,009</u>
Accumulated depreciation				
Buildings and building	(2,184,163)	(141,636)	-	(2,325,799)
Machinery and equipment	(2,132,716)	(317,040)	62,418	(2,387,338)
Infrastructure	<u>(3,452,549)</u>	<u>(557,851)</u>	<u>-</u>	<u>(4,010,400)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(7,769,428)</u>	<u>(1,016,527)</u>	<u>62,418</u>	<u>(8,723,537)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,438,994</u>	<u>4,302,478</u>	<u>-</u>	<u>24,741,472</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 27,992,948</u>	<u>\$ 4,302,478</u>	<u>\$ (2,181,136)</u>	<u>\$ 30,114,290</u>

Depreciation expense was charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 111,818
Police, health and public safety	203,305
Public works	396,446
Culture and recreation	<u>304,958</u>
	<u>\$ 1,016,527</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and rights-of-way	\$ 1,048,383	\$ -	\$ -	\$ 1,048,383
Construction in progress	165,811	179,129	(174,212)	170,728
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,214,194	179,129	(174,212)	1,219,111
Capital assets being depreciated				
Sewer system and utility plant	57,550,789	1,608,287	-	59,159,076
Plant equipment	197,543	65,873	-	263,416
Office furniture and equipment	16,233	-	-	16,233
Transportation equipment	185,915	3,499	-	189,414
TOTAL CAPITAL ASSETS BEING DEPRECIATED	57,950,480	1,677,659	-	59,628,139
Accumulated depreciation				
Sewer system and utility plant	(22,925,345)	(1,552,778)	-	(24,478,123)
Plant equipment	(90,673)	(20,376)	-	(111,049)
Office furniture and equipment	(11,103)	(71)	-	(11,174)
Transportation equipment	(119,849)	(13,354)	-	(133,203)
TOTAL ACCUMULATED DEPRECIATION	(23,146,970)	(1,586,579)	-	(24,733,549)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	34,803,510	91,080	-	34,894,590
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 36,017,704	\$ 270,209	\$ (174,212)	\$ 36,113,701

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM DEBT

Bonds and notes payable are comprised of the following individual issues:

Guaranteed Sewer Revenue Note, Series B of 2001, initial issue of \$9,876,000, with a variable interest rate (maximum of 15.00%), maturing in various amounts through 2026	\$ 3,701,000
General Obligation Note, Series of 2014, borrowing up to a maximum of \$4,000,000, with drawdowns of \$2,489,875 as of December 31, 2015, with a variable interest rate (maximum of 4.99%), maturing in various amounts through 2036	2,489,875
General Obligation Bonds, Series of 2015, initial issue of \$5,585,000, with a variable interest rate (maximum of 5%), maturing in various amounts through 2025	<u>5,000,000</u>
	<u>\$ 11,190,875</u>

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

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 304,500	\$ 96,858	\$ 495,000	\$ 163,892
2017	309,500	88,667	525,000	145,967
2018	324,200	88,655	560,000	121,467
2019	333,900	77,452	600,000	92,467
2020	343,900	55,828	640,000	61,467
2021 to 2025	1,472,275	323,973	3,723,000	133,485
2026 to 2030	437,100	214,243	488,000	4,650
2031 to 2035	519,350	95,278	-	-
2036	115,150	2,873	-	-
	<u>\$ 4,159,875</u>	<u>\$ 1,043,827</u>	<u>\$ 7,031,000</u>	<u>\$ 723,395</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
Series of 2010	\$ 1,835,000	\$ -	\$ (1,835,000)	\$ -	\$ -
Series of 2015	-	1,810,000	(140,000)	1,670,000	140,000
General Obligation Notes					
Series of 2014	1,880,000	609,875	-	2,489,875	164,500
Net OPEB obligation	1,200,402	278,277	-	1,478,679	-
Net pension liability	1,032,231	535,240	-	1,567,471	-
Compensated absences	110,885	-	(903)	109,982	-
	<u>6,058,518</u>	<u>3,233,392</u>	<u>(1,975,903)</u>	<u>7,316,007</u>	<u>304,500</u>
Premiums					
Issuance premium					
Series of 2010	10,630	-	(10,630)	-	-
Series of 2015	-	102,181	(9,732)	92,449	-
	<u>10,630</u>	<u>102,181</u>	<u>(20,362)</u>	<u>92,449</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 6,069,148</u>	<u>\$ 3,335,573</u>	<u>\$ (1,996,265)</u>	<u>\$ 7,408,456</u>	<u>\$ 304,500</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Sewer Revenue Bonds					
Series A of 2001	\$ 80,000	\$ -	\$ (80,000)	\$ -	\$ -
Series B of 2001	3,701,000	-	-	3,701,000	-
General Obligation Bonds					
Series of 2010	3,985,000	-	(3,985,000)	-	-
Series of 2015	-	3,775,000	(445,000)	3,330,000	495,000
	<u>7,766,000</u>	<u>3,775,000</u>	<u>(4,510,000)</u>	<u>7,031,000</u>	<u>495,000</u>
Premiums					
Issuance premium					
Series of 2010	30,250	-	(30,250)	-	-
Series of 2015	-	371,271	(57,119)	314,152	-
	<u>30,250</u>	<u>371,271</u>	<u>(87,369)</u>	<u>314,152</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 7,796,250</u>	<u>\$ 4,146,271</u>	<u>\$ (4,597,369)</u>	<u>\$ 7,345,152</u>	<u>\$ 495,000</u>

For variable rate debt, the interest rate of 0.9529% in effect at December 31, 2015, was utilized to calculate the annual debt service requirements through maturity.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Pension Committee, which consists of six members appointed by the Township Board of Supervisors. The Pension Committee is responsible for managing, investing and monitoring the Township's Police Pension Fund.

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

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
	<u><u>27</u></u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month per year of benefit service completed in excess of 25 years, up to a maximum of \$300 additional per month. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability, reduced by any Social Security disability benefits received by the member for the same injuries.

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

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Contributions - The Township's police employees are required to contribute a percentage of their monthly salaries to the plan. The Township is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's 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. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$345,036 to the plan for the year 2015.

Per the collective bargaining agreement, employees are required to contribute 1% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Pension Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>
Equity Management	
Value Style	0-25%
Growth	0-25%
Small-Mid Cap	
Value	0-20%
Growth	0-20%
International Equity Management	0-15%
Exchange Traded Funds	0-100%
Fixed Income Management	35-65%
Real Estate	0-5%
Commodities	0-5%

Concentrations – No more than 5% of the Township's investments are invested in any one investment.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -0.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 6,275,742
Plan fiduciary net position	<u>(5,103,832)</u>
NET PENSION LIABILITY	\$ <u>1,171,910</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.33%</u>

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

Inflation	3%
Salary increases	4.75% annual increase
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Management	
Value Style	7.75%
Growth	7.75%
Small-Mid Cap	
Value	7.75%
Growth	7.75%
International Equity Management	7.75%
Exchange Traded Funds	7.75%
Fixed Income Management	7.75%
Real Estate	7.75%
Commodities	7.75%

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

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 5,721,202	\$ 4,843,640	\$ 877,562
Changes for the year:			
Service cost	243,761	-	243,761
Interest	459,281	-	459,281
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(213,278)	-	(213,278)
Changes of assumptions	142,297	-	142,297
Contributions			
Employer	-	345,036	(345,036)
Member	-	23,850	(23,850)
Net investment income	-	(12,006)	12,006
Benefit payments	(77,521)	(77,521)	-
Administrative expense	-	(19,167)	19,167
Net changes	<u>554,540</u>	<u>260,192</u>	<u>294,348</u>
Balances at December 31, 2015	<u>\$ 6,275,742</u>	<u>\$ 5,103,832</u>	<u>\$ 1,171,910</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.75%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ <u>2,142,135</u>	\$ <u>1,171,910</u>	\$ <u>371,490</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Township recognized pension expense of \$385,210 for the Police Pension Plan. At December 31, 2015, the Township reported deferred outflows and resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 192,826
Differences in assumptions	128,651	-
Net difference between projected and actual earnings on pension plan investments	<u>318,349</u>	<u>-</u>
Total	<u>\$ 447,000</u>	<u>\$ 192,826</u>

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

Year Ended December 31,

2016	\$ 72,780
2017	72,780
2018	72,780
2019	72,780
2020	(6,807)
Thereafter	(30,140)

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Non-Uniform Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration - The Township administers the Non-Uniform Pension Plan--a single-employer defined benefit pension plan that provides pensions for all full-time non-uniform employees hired prior to January 1, 2009.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Management of the plan is vested in the Pension Committee, which consists of six members appointed by the Township Board of Supervisors. The Pension Committee is responsible for managing, investing and monitoring the Township's Non-Uniform Pension Fund.

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

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	<u>20</u>
	<u><u>38</u></u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 65 and completion of one year of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, based upon the annuity option in effect. The amount of monthly pension is equal to 2% of average monthly compensation, multiplied by the number of years of credited service, up to a maximum of 25 years. Average compensation is based upon the last 60 months of employment. Employees are eligible for early retirement starting at age 55 with benefits reduced by 6.67% for each year from 60 to 65 and by 3.335% from ages 55 to 60.

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

Contributions - The Township is required to contribute the amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's 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. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$147,141 to the plan for the year 2015.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Pension Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity Management	
Value Style	0-25%
Growth	0-25%
Small-Mid Cap	
Value	0-20%
Growth	0-20%
International Equity Management	0-15%
Exchange Traded Funds	0-100%
Fixed Income Management	35-65%
Real Estate	0-5%
Commodities	0-5%

Concentrations - No more than 5% of the Township's investments are invested in any one investment.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -0.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 3,260,428
Plan fiduciary net position	<u>(2,864,867)</u>
NET PENSION LIABILITY	<u>\$ 395,561</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87.87%</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

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

Inflation	3%
Salary increases	4.75% annual increase
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table.

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Management	
Value Style	7.75%
Growth	7.75%
Small-Mid Cap	
Value	7.75%
Growth	7.75%
International Equity Management	7.75%
Exchange Traded Funds	7.75%
Fixed Income Management	7.75%
Real Estate	7.75%
Commodities	7.75%

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

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 2,949,446	\$ 2,794,777	\$ 154,669
Changes for the year:			
Service cost	97,018	-	97,018
Interest	233,848	-	233,848
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(30,191)	-	(30,191)
Changes of assumptions	68,457	-	68,457
Contributions			
Employer	-	147,141	(147,141)
Member	-	-	-
Net investment income	-	(5,830)	5,830
Benefit payments	(58,150)	(58,150)	-
Administrative expense	-	(13,071)	13,071
Net changes	<u>310,982</u>	<u>70,090</u>	<u>240,892</u>
Balances at December 31, 2015	\$ <u>3,260,428</u>	\$ <u>2,864,867</u>	\$ <u>395,561</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.75%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ <u>856,196</u>	\$ <u>395,561</u>	\$ <u>6,216</u>

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Township recognized pension expense of \$175,314 for the Non-Uniform Pension Plan. At December 31, 2015, the Township reported deferred outflows and resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 25,582
Differences in assumptions	58,007	-
Net difference between projected and actual earnings on pension plan investments	<u>180,294</u>	<u>-</u>
Total	<u>\$ 238,301</u>	<u>\$ 25,582</u>

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

Year Ended December 31,

2016	\$ 50,915
2017	50,915
2018	50,915
2019	50,915
2020	5,841
Thereafter	3,219

NOTE J - OTHER PENSION PLANS

Defined Contribution Plan

The Township also provides a defined contribution plan to substantially all former Authority employees and any non-uniform employee hired on or after January 1, 2009. Pension expense for the year ended December 31, 2015, was \$93,846.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The contributions are invested with an outside agent. Participants may borrow on their accounts.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE K - ESCROW CASH DEPOSITS AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it 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. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2014, \$350,232 represents the net balance due to developers.

NOTE L - CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

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

NOTE M - DERIVATIVE FINANCIAL INSTRUMENTS

The Township financed the Guaranteed Sewer Revenue Bonds, Series A of 2001 and Series B of 2001, through the Delaware Valley Regional Finance Authority (DeVal). DeVal has, in turn, entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) DeVal and the counterparty mutually consent to termination, (2) the borrower defaults on its loan, or (3) DeVal or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, DeVal would receive or make a payment depending on the market value of the related interest rate swap. If DeVal was obligated to make such a payment and sufficient funds were not available, DeVal could assess each borrower its allocable share of the termination payment.

At December 31, 2015, the market value of the Township's interest rate swap agreements for DeVal bonds was \$675,766. As of December 31, 2015, DeVal would have received a payment of nearly \$160 million if all of the swap agreements were terminated. None of these amounts are reflected in the Township's statements of net position or activities at December 31, 2015.

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - POLICE

Plan Description

The Township provides medical, prescription and dental insurance benefits to eligible retired employees and spouses. The benefits, benefits level, employee contribution and employer contribution are administered by the Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the Township's General Fund.

Funding Policy

The Township negotiates the contribution percentage between the Township and employees through a union contract and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost	\$	136,091
Interest on normal cost		10,703
Amortization of unfunded actuarial accrued liability		131,483
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>278,277</u>
Net OPEB contributions during the year		<u>-</u>
INCREASE IN NET OPEB OBLIGATION		278,277
Net OPEB obligation at beginning of year		<u>1,200,402</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u>1,478,679</u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 221,963	0%	\$ 978,439
2014	221,963	0%	1,200,402
2015	278,277	0%	1,478,679

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - POLICE
(Continued)

Funded Status and Funding Progress

As of January 1, 2014, the actuarial accrued liability for benefits was \$2,364,546 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,162,146, and the ratio of the UAAL to the covered payroll was 109.4%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after three years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 29 years.

LIMERICK TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE P - EMERGENCY RADIO PROJECT

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Valley Regional Finance Authority("DeIVal"), that wish to participate in the Project. For the year ended December 31, 2015, the Township elected to participate in the Project and entered into a Promissory Note with the County in the amount of \$258,820 to be repaid in five annual installments of \$51,764 each. As of December 31, 2015, the purchased equipment has not yet been received by the Township and, therefore, neither the asset nor the related liability are reflected in these financial statements.

NOTE Q - PRIOR PERIOD ADJUSTMENT

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

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

For the government-wide governmental activities, the Township has treated the beginning of year net pension liability of \$1,032,231 as having been recognized in the period incurred. Accordingly, the Township has adjusted beginning net position for the governmental activities from \$36,965,055 to \$35,932,824.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 6,883,300	\$ 6,984,000	\$ 7,288,301	\$ 304,301
Fees, licenses and permits	827,240	1,034,458	1,081,404	46,946
Interest and rents	25,000	29,000	31,126	2,126
Intergovernmental revenues	445,552	485,822	497,068	11,246
Fines, forfeits and costs	66,800	65,851	69,132	3,281
Other	95,769	119,203	127,967	8,764
TOTAL REVENUES	8,343,661	8,718,334	9,094,998	376,664
EXPENDITURES				
General government	1,513,190	1,731,179	1,746,901	(15,722)
Public safety	5,084,551	4,938,725	4,805,416	133,309
Public works	1,837,130	1,879,500	1,809,053	70,447
Miscellaneous	303,046	297,146	262,875	34,271
TOTAL EXPENDITURES	8,737,917	8,846,550	8,624,245	222,305
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(394,256)	(128,216)	470,753	598,969
OTHER FINANCING SOURCES (USES)				
Operating transfers in	625,000	625,000	625,000	-
Operating transfers out	(590,585)	(488,399)	(854,928)	(366,529)
TOTAL OTHER FINANCING SOURCES (USES)	34,415	136,601	(229,928)	(366,529)
NET CHANGE IN FUND BALANCE				
	(359,841)	8,385	240,825	232,440
FUND BALANCE AT BEGINNING OF YEAR				
	9,084,577	9,084,577	9,084,577	-
FUND BALANCE AT END OF YEAR				
	\$ 8,724,736	\$ 9,092,962	\$ 9,325,402	\$ 232,440

See accompanying note to the budgetary comparison schedule.

LIMERICK TOWNSHIP

**NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2015**

NOTE A - BUDGET POLICY

The Board of Supervisors annually adopts the budget for the General Fund of the Township. Management may not amend the budget without approval of the governing body. Uncommitted appropriations lapse at year-end. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 243,761	\$ 236,746
Interest	459,281	408,015
Changes of benefit terms	-	-
Differences between expected and actual experience	(213,278)	7,390
Changes of assumptions	142,297	-
Benefit payments	<u>(77,521)</u>	<u>(67,939)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	554,540	584,212
Total pension liability, beginning	<u>5,721,202</u>	<u>5,136,990</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 6,275,742</u></u>	<u><u>\$ 5,721,202</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 345,036	\$ 327,874
Member	23,850	21,729
Net investment income	(12,006)	215,890
Benefit payments, including refunds of member contributions	(77,521)	(67,939)
Administrative expense	(19,167)	-
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>260,192</u>	<u>497,554</u>
Plan fiduciary net position, beginning	<u>4,843,640</u>	<u>4,346,086</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 5,103,832</u></u>	<u><u>\$ 4,843,640</u></u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u><u>\$ 1,171,910</u></u>	<u><u>\$ 877,562</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>81.33%</u>	<u>84.66%</u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 2,248,910</u></u>	<u><u>\$ 2,259,199</u></u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>52.11%</u>	<u>38.84%</u>

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

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 345,036	\$ 327,874
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>345,036</u>	<u>327,874</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,248,910</u>	<u>\$ 2,259,199</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>15.34%</u>	<u>14.51%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	13 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.75% average annual increase
Investment rate of return	7.75%
Retirement age	Age 52 with 27 years of service
Mortality	RP-2000 Table (Blue Collar) with Scale AA

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

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>(0.52%)</u>	<u>5.82%</u>

LIMERICK TOWNSHIP
SCHEDULE OF CHANGES IN THE NET NON-UNIFORM PENSION
PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 97,018	\$ 98,606
Interest	233,848	215,189
Changes of benefit terms	-	-
Differences between expected and actual experience	(30,191)	(30,030)
Changes of assumptions	68,457	-
Benefit payments	<u>(58,150)</u>	<u>(52,750)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	310,982	231,015
Total pension liability, beginning	<u>2,949,446</u>	<u>2,718,431</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 3,260,428</u>	<u>\$ 2,949,446</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 147,141	\$ 133,479
Member	-	-
Net investment income	(5,830)	124,606
Benefit payments, including refunds of member contributions	(58,150)	(52,750)
Administrative expense	(13,071)	-
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>70,090</u>	<u>205,335</u>
Plan fiduciary net position, beginning	<u>2,794,777</u>	<u>2,589,442</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,864,867</u>	<u>\$ 2,794,777</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 395,561</u>	<u>\$ 154,669</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>87.87%</u>	<u>94.76%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,363,192</u>	<u>\$ 1,326,883</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>29.02%</u>	<u>11.66%</u>

LIMERICK TOWNSHIP
SCHEDULE OF NON-UNIFORM PENSION PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 345,036	\$ 133,479
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>345,036</u>	<u>133,479</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,248,910</u>	<u>\$ 1,326,883</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>15.34%</u>	<u>10.06%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14 years
Asset valuation method	Market value
Inflation	3%
Salary increases	4.75% average annual increase
Investment rate of return	7.75%
Retirement age	Normal retirement age
Mortality	RP-2000 Table (Blue Collar) with Scale AA

LIMERICK TOWNSHIP
SCHEDULE OF NON-UNIFORM PENSION PLAN INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>(0.52%)</u>	<u>5.58%</u>

LIMERICK TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FUNDING PROGRESS

Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	\$ -	\$ 1,330,684	\$ 1,330,684	0%	\$ 1,558,526	85.4%
2012	-	1,813,647	1,813,647	0%	1,877,020	96.6%
2014	-	2,364,546	2,364,546	0%	2,162,146	109.4%

SUPPLEMENTARY INFORMATION SECTION

LIMERICK TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>Highway Aid Fund</u>	<u>Community Development Block Grant Fund</u>
ASSETS		
Cash and cash equivalents	\$ 210,166	\$ 1,346
Receivables, taxes and other	<u>-</u>	<u>19,532</u>
TOTAL ASSETS	<u>\$ 210,166</u>	<u>\$ 20,878</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 19,532
Other payables	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>19,532</u>
FUND BALANCES		
Restricted for		
Road and street improvements	210,166	-
CDBG grants	-	1,346
Water hydrant maintenance	-	-
Debt service	-	-
Fire protection	-	-
Unassigned	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>210,166</u>	<u>1,346</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 210,166</u>	<u>\$ 20,878</u>

<u>Water Hydrant Fund</u>	<u>Fire Protection Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 357 898	\$ 12,077 5,226	\$ 305,307 2,334	\$ 529,253 27,990
<u>\$ 1,255</u>	<u>\$ 17,303</u>	<u>\$ 307,641</u>	<u>\$ 557,243</u>
\$ - - -	\$ 17,019 - 17,019	\$ 5 - 5	\$ 36,556 - 36,556
- - 1,255 - - -	- - - - 284 -	- - - 307,636 - -	210,166 1,346 1,255 307,636 284 -
<u>1,255</u>	<u>284</u>	<u>307,636</u>	<u>520,687</u>
<u>\$ 1,255</u>	<u>\$ 17,303</u>	<u>\$ 307,641</u>	<u>\$ 557,243</u>

LIMERICK TOWNSHIP**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	<u>Highway Aid Fund</u>	<u>Community Development Block Grant Fund</u>
REVENUES		
Taxes	\$ -	\$ -
Interest and rents	1,236	12
Intergovernmental revenues	489,785	196,572
Other	-	-
	<u>491,021</u>	<u>196,584</u>
TOTAL REVENUES		
	<u>491,021</u>	<u>196,584</u>
EXPENDITURES		
General government	-	-
Public safety	-	-
Public works	453,179	-
Conservation and development	-	157,612
Miscellaneous	-	-
Debt service	-	-
	<u>453,179</u>	<u>157,612</u>
TOTAL EXPENDITURES		
	<u>453,179</u>	<u>157,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>37,842</u>	<u>38,972</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	-	-
Proceeds from long-term debt	-	-
Refunding bonds issued	-	-
Premium on refunding bonds issued	-	-
Payment to refunded bond escrow agent	-	-
	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)		
	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	37,842	38,972
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>172,324</u>	<u>(37,626)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 210,166</u>	<u>\$ 1,346</u>

<u>Water Hydrant Fund</u>	<u>Fire Protection Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 81,249	\$ 482,296	\$ 215,437	\$ 778,982
20	-	265	1,533
-	173,030	-	859,387
-	-	-	-
<u>81,269</u>	<u>655,326</u>	<u>215,702</u>	<u>1,639,902</u>
-	4,903	1,860	6,763
85,177	654,793	-	739,970
-	-	-	453,179
-	-	-	157,612
-	15,630	-	15,630
-	-	258,552	258,552
<u>85,177</u>	<u>675,326</u>	<u>260,412</u>	<u>1,631,706</u>
<u>(3,908)</u>	<u>(20,000)</u>	<u>(44,710)</u>	<u>8,196</u>
-	20,000	60,000	80,000
-	-	(609,875)	(609,875)
-	-	609,875	609,875
-	-	1,810,000	1,810,000
-	-	102,181	102,181
-	-	(1,868,126)	(1,868,126)
<u>-</u>	<u>20,000</u>	<u>104,055</u>	<u>124,055</u>
(3,908)	-	59,345	132,251
<u>5,163</u>	<u>284</u>	<u>248,291</u>	<u>388,436</u>
<u>\$ 1,255</u>	<u>\$ 284</u>	<u>\$ 307,636</u>	<u>\$ 520,687</u>

LIMERICK TOWNSHIP**COMBINING SCHEDULE OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****DECEMBER 31, 2015**

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Pension Fund	Totals
ASSETS			
Cash, restricted	\$ 75,573	\$ 49,432	\$ 125,005
Investments, restricted	<u>5,031,260</u>	<u>2,812,406</u>	<u>7,843,666</u>
TOTAL ASSETS	<u><u>5,106,833</u></u>	<u><u>2,861,838</u></u>	<u><u>7,968,671</u></u>
LIABILITIES			
Accounts payable	-	30	30
Due to (from) other funds	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>3,000</u></u>	<u><u>(2,970)</u></u>	<u><u>30</u></u>
NET POSITION			
Held in trust for pension benefits	<u><u>\$ 5,103,833</u></u>	<u><u>\$ 2,864,808</u></u>	<u><u>\$ 7,968,641</u></u>

LIMERICK TOWNSHIP**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2015**

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Pension Fund	Totals
ADDITIONS			
Contributions			
Employer	\$ 164,677	\$ 68,724	\$ 233,401
Employee	23,850	-	23,850
State allocation	180,359	78,417	258,776
TOTAL CONTRIBUTIONS	<u>368,886</u>	<u>147,141</u>	<u>516,027</u>
Income from investments			
Net appreciation in fair value of investments	(196,661)	(112,450)	(309,111)
Net investment income	184,656	106,620	291,276
TOTAL INCOME FROM INVESTMENTS	<u>(12,005)</u>	<u>(5,830)</u>	<u>(17,835)</u>
Investment expense	(19,167)	(13,070)	(32,237)
INVESTMENT INCOME, net	<u>(31,172)</u>	<u>(18,900)</u>	<u>(50,072)</u>
TOTAL ADDITIONS	337,714	128,241	465,955
DEDUCTIONS			
Benefits	77,521	58,150	135,671
CHANGE IN NET POSITION	260,193	70,091	330,284
NET POSITION AT BEGINNING OF YEAR	<u>4,843,640</u>	<u>2,794,717</u>	<u>7,638,357</u>
NET POSITION AT END OF YEAR	<u>\$ 5,103,833</u>	<u>\$ 2,864,808</u>	<u>\$ 7,968,641</u>