

EXETER TOWNSHIP, BERKS COUNTY, PENNSYLVANIA

FINANCIAL REPORT

DECEMBER 31, 2012



REINSEL KUNTZ LESHER
certified public accountants & consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Exeter Township
Berks County, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the related notes to the financial statements of Exeter Township (the Township), Berks County, Pennsylvania, as of and for the year ended December 31, 2012 which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Auditor's Responsibility (Continued)

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

Basis for Qualified Opinion

Management has not included financial information for Exeter Township's component units, Exeter Township, Berks County, Authority and the Exeter Community Library, in the Township's financial statements. Accounting principles applicable to the Township's modified cash basis of accounting requires inclusion of the financial information of Exeter Township, Berks County, Authority and the Exeter Community Library with the financial information of the Township.

Qualified Opinion

In our opinion, except for the effects of not including financial information for the component units, Exeter Township, Berks County, Authority and the Exeter Community Library, as described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Exeter Township, Berks County, Pennsylvania, as of December 31, 2012, and the respective changes – modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 4-13 and other required supplementary information on Pages 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise Exeter Township's basic financial statements. The supplementary information presented in the table of contents under the heading Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statement 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, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted on the United States of America. Our opinions are not modified with respect to this matter.

A handwritten signature in cursive script that reads "Reinsel Kuntz Leisher LLP".

September 4, 2013
Wyomissing, Pennsylvania

EXETER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Exeter Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2012, within the limitations of the Township's modified cash basis of accounting. Please read it in conjunction with the Township's financial statements that begin on page 14.

Financial Highlights

- The Township's total expenditures exceeded total revenues on the modified cash basis of accounting by \$ 983,586 for the year ended December 31, 2012, compared to an excess of expenditures over revenues of \$ 341,106 for the year ended December 31, 2011. This resulted in a decrease of total net position of 5% for the year ended December 31, 2012, compared to a decrease of 1.7% for the year ended December 31, 2011.
- At December 31, 2012, the Township's governmental funds reported combined ending fund balances of \$ 5,876,397; an increase of \$ 27,737 from the prior year. \$ 2,202,598 or 37.5% of the ending fund balance is *available for spending* at the Township's discretion (*unassigned fund balance*). The General Fund highlights are as follows:
 - The Township's General Fund had a decrease in its fund balance of \$ 103,261 to \$ 2,999,996. As part of managing the finances of the Township, a fund balance is maintained in order to provide adequate financial resources to pay for services to the citizens of the Township during periods when tax and other revenue collections are not sufficient to fund daily operating costs. This generally occurs in the first few months of each year. This enables the Township to avoid having to borrow money to cover operating expenses prior to the receipt of tax revenues, which are assessed March 1 of each year. At December 31, 2012, the unassigned fund balance of the General Fund was \$ 2,202,598 or 24.4% of total General Fund expenditures.
- At December 31, 2012, the Township's business-type activities reported net position of \$ 12,952,723, a decrease of \$ 1,011,323 from the prior year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The statement of net position - modified cash basis and the statement of activities - modified cash basis (on pages 14 and 15) provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances. The statement of activities reports revenues and expenditures utilizing the modified cash basis of accounting as described in Note 1 to the financial statements.

Fund Financial Statements: Fund financial statements (starting on page 16) focus on the individual parts of the Township's government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For governmental funds, these statements tell how these services were financed in the short-term as well as what remains for future spending. For the proprietary funds, these statements offer information about the funds the Township operates like a business, such as the sewer fund and the country club.

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

Required Supplementary Information: The management's discussion and analysis (pages 4 through 13), the schedules of funding progress (page 53) and the budgetary comparison schedule (pages 54 through 56) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 57) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

Basis of Accounting

The Township has elected to present its financial statements on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. The term "basis of accounting" is a reference to when financial events are recorded. Under the modified cash basis of accounting, only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred.

USING THIS ANNUAL REPORT (CONTINUED)

Basis of Accounting (Continued)

As a result of the use of the modified cash basis of accounting, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The Township's Reporting Entity Presentation

This annual report includes only the primary government of the Township, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the Township's legal entity. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, we have considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township. The following component units meet the requirements for inclusion, under the above criteria, but are not included in the Township's annual report: Exeter Township, Berks County Authority and Exeter Community Library.

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

The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse as a result of the year's activities?" The statement of net position - modified cash basis and the statement of activities - modified cash basis report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include only the Township's assets and the related liabilities referred to above resulting from the use of the modified cash basis of accounting.

These two statements report the Township's net position and changes in them. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Township, i.e., changes in the Township's tax base, the condition of the Township's roads, etc. In addition, the limitations of the modified cash basis of accounting should be considered when analyzing the overall financial health of the Township.

USING THIS ANNUAL REPORT (CONTINUED)

Reporting the Township as a Whole (Continued)

The Government-Wide Statement of Net Position and the Statement of Activities (continued)

In the Statement of Net Position and the Statement of Activities, we divide the Township into two kinds of activities:

Governmental activities: Most of the Township's basic services are reported here, including general government services, public safety, public works, and culture and recreation. Charges for services finance a portion of the costs to provide these services. Costs not recovered through charges are financed from grants, contributions and general revenues of the Township, including real estate taxes and income taxes.

Business-type activities: The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer system and country club are reported here.

Reporting the Township's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by state law or by bond covenants. However, the Township establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Township's two kinds of funds - governmental and proprietary - under the modified cash basis of accounting use the same accounting approaches.

Governmental funds - Most of the Township's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as cash disbursements and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Fiduciary funds - Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Position - Modified Cash Basis

The Township's Primary Government net position, resulting from modified cash basis transactions, decreased by \$ 983,586 or 5%, from fiscal year 2011 to 2012. Combined net position was \$ 18,829,120 and \$ 19,812,706 at December 31, 2012 and 2011, respectively. Looking at the net position of governmental and business-type activities separately, governmental activities had an increase of \$ 27,737 while business-type activities had a decrease of \$ 1,011,323.

A condensed summary of the Township's Statement of Net Position at December 31, 2012 and 2011 is presented below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Total Assets (Non-Capital)	<u>\$ 5,914,050</u>	<u>\$ 5,886,061</u>	<u>\$ 13,030,773</u>	<u>\$ 13,964,046</u>	<u>\$ 18,944,823</u>	<u>\$ 19,850,107</u>
Liabilities:						
Deposits held in escrow	\$ 37,653	\$ 37,401	\$ -	\$ -	\$ 37,653	\$ 37,401
Advance deposit	-	-	<u>78,050</u>	-	<u>78,050</u>	-
Total liabilities	<u>\$ 37,653</u>	<u>\$ 37,401</u>	<u>\$ 78,050</u>	<u>\$ -</u>	<u>\$ 115,703</u>	<u>\$ 37,401</u>
Net Position:						
Unrestricted	<u>4,485,209</u>	<u>4,173,533</u>	<u>10,336,773</u>	<u>10,438,751</u>	<u>14,821,982</u>	<u>14,612,284</u>
Restricted	<u>1,391,188</u>	<u>1,675,127</u>	<u>2,615,950</u>	<u>3,525,295</u>	<u>4,007,138</u>	<u>5,200,422</u>
Total Net Position	<u><u>\$ 5,876,397</u></u>	<u><u>\$ 5,848,660</u></u>	<u><u>\$ 12,952,723</u></u>	<u><u>\$ 13,964,046</u></u>	<u><u>\$ 18,829,120</u></u>	<u><u>\$ 19,812,706</u></u>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$ 4,007,138 and \$ 5,200,422 at December 31, 2012 and 2011, respectively, is restricted and the remaining net position is unrestricted at the end of the year.

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Changes in Net Position - Modified Cash Basis

For the year ended December 31, 2012 and 2011, the net position of the Township (resulting from modified cash basis transactions) changed as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 1,619,778	\$ 1,713,252	\$ 7,970,273	\$ 8,508,040	\$ 9,590,051	\$ 10,221,292
Operating grants and contributions	1,465,615	2,152,001	-	-	1,465,615	2,152,001
General revenues:						
Real estate taxes	3,676,342	3,721,056	-	-	3,676,342	3,721,056
Per capita taxes	69,684	71,996	-	-	69,684	71,996
Real estate transfer taxes	253,189	298,519	-	-	253,189	298,519
Earned income taxes	3,021,920	3,266,915	-	-	3,021,920	3,266,915
Local services tax	314,950	311,700	-	-	314,950	311,700
Business privilege tax	523,805	408,517	-	-	523,805	408,517
Interest and rents	92,686	147,219	394,106	460,120	486,792	607,339
Sale of assets	11,489	2,291	-	-	11,489	2,291
Other income	244,360	323,445	-	-	244,360	323,445
Proceeds of bond issuance and bond premium	3,623,397	-	6,069,064	-	9,692,461	-
Total revenues	\$ 14,917,215	\$ 12,416,911	\$ 14,433,443	\$ 8,968,160	\$ 29,350,658	\$ 21,385,071
Expenditures:						
General government	\$ 708,599	\$ 709,651	\$ -	\$ -	\$ 708,599	\$ 709,651
Public safety	5,506,280	5,828,022	-	-	5,506,280	5,828,022
Health and human services	35,183	38,797	-	-	35,183	38,797
Public works - sanitation	179,463	298,987	-	-	179,463	298,987
Public works - highways and streets	1,971,093	2,049,861	-	-	1,971,093	2,049,861
Culture and recreation	634,805	671,817	-	-	634,805	671,817
Community development	55,121	55,121	-	-	55,121	55,121
Debt service	4,930,171	1,336,720	-	-	4,930,171	1,336,720
Benefits	93,301	106,889	-	-	93,301	106,889
Property and casualty insurance	155,369	148,680	-	-	155,369	148,680
Capital outlay	716,390	1,161,284	-	-	716,390	1,161,284
Miscellaneous	173,703	290,962	-	-	173,703	290,962
Sewer	-	-	12,385,232	6,371,894	12,385,232	6,371,894
Country club	-	-	2,789,534	2,657,492	2,789,534	2,657,492
Total expenditures	\$ 15,159,478	\$ 12,696,791	\$ 15,174,766	\$ 9,029,386	\$ 30,334,244	\$ 21,726,177
Deficiency of revenues under expenditures before transfers	\$ (242,263)	\$ (279,880)	\$ (741,323)	\$ (61,226)	\$ (983,586)	\$ (341,106)
Transfers:						
Transfers	\$ 270,000	\$ 240,000	\$ (270,000)	\$ (240,000)	\$ -	\$ -
Changes in net position	\$ 27,737	\$ (39,880)	\$ (1,011,323)	\$ (301,226)	\$ (983,586)	\$ (341,106)
Net position, beginning of year	5,848,660	5,888,540	13,964,046	14,265,272	19,812,706	20,153,812
Net position, end of year	\$ 5,876,397	\$ 5,848,660	\$ 12,952,723	\$ 13,964,046	\$ 18,829,120	\$ 19,812,706

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Governmental Activities

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

For the years ended December 31, 2012 and 2011, total revenues for governmental activities, resulting from modified cash basis transactions amounted to \$ 14,917,215 and \$ 12,416,911 respectively.

For the year ended December 31, 2012, total disbursements for governmental activities, resulting from modified cash basis transactions, amounted to \$ 15,159,478. Of these total disbursements, taxpayers and other general revenues funded \$ 11,831,822 while those directly benefiting from the program funded \$ 1,465,615 from operating grants and contributions and \$ 1,619,778 from charges for services.

Some noteworthy events occurred in 2012 that are highlighted as follows:

- The Township real estate tax for 2012 was 1.64 mills for general purposes, .505 mills for the purchase of fire apparatus and making appropriations to fire companies, and .55 mills for the purpose of debt service related to the acquisition of the Reading Country Club.
- Earned income taxes decreased \$ 244,995 or 7% from 2011.
- Business Privilege Tax increased \$ 115,288 or 28% from 2011.
- Operating grants and contributions decreased \$ 686,386 from 2011. A majority of the decrease was due to the \$ 217,266 decrease in state aid for municipal pensions, the \$ 126,260 decrease in the state aid passed through to the Exeter Volunteer Fire Relief Association and the 2011 BCERT pass through operating grant for \$ 339,442.
- Public safety expenditures decreased \$ 321,742 from 2011. This was mostly due to the 2011 purchase of equipment for the Berks County Emergency Response Team (BCERT) with funds available from the BCERT pass through operating grant in the amount of \$ 339,442.
- Debt service expenditures include \$ 3,560,601 from the advance refunding of the Series A of 2009 General Obligation Notes with the proceeds from the issuance of the Series of 2012 General Obligation Notes in the amount of \$ 3,615,000. This debt refinancing will save the Township approximately \$ 588,400 in debt service payments through July 2024.

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Business-Type Activities

In reviewing the business-type activities net revenues/expenditures resulting from modified cash basis transactions, there are certain activities that need to be examined more closely. The business-type activities reported a net loss before transfers of \$ 741,323, transfers to other funds totaled \$ 270,000, resulting in a decrease in net position of \$ 1,011,323. The Sewer Fund had a \$ 1,063,740 decrease in net position. The decrease was due mainly to the use of 2009 unspent bond proceeds to pay for the 2012 capital expenditures. The Sewer Fund also advance refunded a portion of the Series A of 2009 General Obligation Notes with the proceeds from the issuance of the Series of 2012 General Obligation Notes. The debt refinancing will save the Township approximately \$ 490,600 in debt service payments through July 2026. The Country Club had a \$ 52,417 increase in net position. Net income before transfers was \$ 322,417. Transfers of \$ 270,000 to the debt service fund will be used to pay off the debt incurred to purchase the property.

A FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

In reviewing individual funds of the Township, certain funds experienced significant changes to be considered in analyzing the Township's funds:

- Utility Fund - Total expenditures decreased \$ 68,584 or 28% from 2011. This was mostly due to the energy savings resulting from the LED street light retrofit project.
- Golf Acquisition Fund - During 2012, \$ 69,538 was expended for capital improvements to the Country Club including \$ 9,447 for half the cost of installing a flashing warning device at Gibraltar Road, \$ 7,630 for a new phone system, \$ 8,279 for HVAC and roof repairs, \$ 13,540 for golf course equipment, \$ 14,451 to rebuild a bridge and bunker restoration on the golf course and \$ 14,693 for exterior painting, outdoor patio, and water softener replacement.
- Capital Improvement Fund - During 2012, \$ 36,553 was expended for the completion of the LED street light retrofit project. \$ 63,882 was expended for the Butter Lane Box Culvert. \$ 9,447 was expended for half the cost of installing a flashing warning device at Gibraltar Road.
- Capital Expenditure Fund - During 2012, the Township terminated the 2005 interest rate basis swap. The Rate Stabilization Account in the General Fund was closed and the balance of \$ 95,055 was transferred to the capital expenditure fund for future capital needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The acquisition of capital assets by the Township is reported as expenditures in the year of acquisition in the fund acquiring the related assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Proceeds from the acquisition of long-term debt are reported as revenues in the respective fund acquiring the debt in the year the proceeds are received. Correspondingly, debt service payments are reported as expenditures in the year payment is made by the fund making the related debt service payments.

As of December 31, 2012, the Township had \$ 21,441,126 and \$ 28,585,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note 6 to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2012:

	Governmental Activities	Business-Type Activities
Beginning Balance at January 1, 2012	\$ 21,854,231	\$ 29,050,000
Additions	3,615,000	6,055,000
Principal Payments	(4,028,105)	(6,520,000)
Ending Balance at December 31, 2012	<u>\$ 21,441,126</u>	<u>\$ 28,585,000</u>

Budgetary Highlights

Over the course of the year, the Township's Board of Supervisors monitored actual results with budgeted results. Although actual results and budgeted results may differ due to circumstances that arise during the course of the year, the Township generally does not amend its budget after adoption.

For the year ended December 31, 2012, General Fund expenditures were \$ 60,664 below final appropriations, while actual revenues available for appropriation were \$ 115,306 below the budgeted amount.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several events have occurred in 2012 that will have a positive benefit on Exeter Township. Panera Bread's Land Development Plan has been approved and construction will begin in 2013. "FroYo Fun Self-Serve Frozen Yogurt Shop" has joined Exeter's family of businesses. To spur more commercial economic development to broaden the Township's commercial tax base, the nine-member Economic Development Advisory Council (EDAC), in conjunction with the Township Board of Supervisors, has been actively seeking new commercial business in the Township. The Board approved the hiring of a commercial planner which is currently underway in 2013. The EDAC has become a member of the Greater Berks County Economic Development group in order to expand its efforts and holds quarterly business breakfasts for Exeter business leaders. The Township's general tax millage for 2013 increased from 1.64 mills to 1.815 mills. Due to the overall economic climate, many revenue sources are expected to remain stagnant through 2013. However, the Township is fortunate to have a healthy General Fund balance to bridge any unexpected shortfalls. In addition, the Debt Service millage remained unchanged at .55 mills. The Fire Tax millage remained unchanged at .505 mills. The Street Light Tax and the Fire Hydrant Tax also remained unchanged.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

The Township's current retail and service industry employment base is strong with several large employers already adding to the local economy. Some of the largest employers within the Township are as follows:

Employer	Number of Employees
Boscov's	925
Godiva Chocolatier	602
Giant Food	330
Angio Tech Surgical Specialties	283
Wal-Mart	251
Genesis Eldercare, Berkshire Center	164
Golden Living Center	143
Target	124
Lowe's	119
Home Depot	103
Redners	98

During 2013, the Township has budgeted to undertake or complete several major infrastructure and capital projects to add to the overall quality of life in the Township. These projects and the estimated costs include the following:

• Construction of Farming Ridge Park	\$ 40,000
• Improvements to Dunn Barn Community Center	82,620
• Traffic signal pre-emption public safety project	102,626
• Sewer line replacement and engineering	380,000

All of these factors were considered in preparing the Township's budget for the 2013 fiscal year. As a result, General Fund revenues are anticipated to increase .8 percent to \$ 9,203,756, while expenditures are budgeted to increase 3.3 percent to \$ 9,395,620. Other governmental fund revenues for 2013 are budgeted at \$ 2,932,617, while expenditures are budgeted for \$ 4,030,598. The excess of budgeted expenditures over revenues will be covered by the fund balances at December 31, 2012. Proprietary Fund revenues are budgeted at \$ 7,358,237, while expenditures are budgeted for \$ 7,560,105.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact Exeter Township, 4975 DeMoss Road, Reading, PA 19606.

EXETER TOWNSHIP

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2012**

	----- Primary Government -----		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash:			
Unrestricted	\$ 4,017,492	\$ 3,414,823	\$ 7,432,315
Restricted	1,896,558	2,615,950	4,512,508
Certificate of deposit	-	7,000,000	7,000,000
	<hr/>	<hr/>	<hr/>
Total assets	5,914,050	13,030,773	18,944,823
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Deposits held in escrow	\$ 37,653	\$ -	\$ 37,653
Advance deposit	-	78,050	78,050
	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 37,653	\$ 78,050	\$ 115,703
	<hr/>	<hr/>	<hr/>
NET POSITION			
Unrestricted	4,485,209	10,336,773	14,821,982
Restricted	1,391,188	2,615,950	4,007,138
	<hr/>	<hr/>	<hr/>
Total net position	\$ 5,876,397	\$ 12,952,723	\$ 18,829,120
	<hr/>	<hr/>	<hr/>

See Notes to Financial Statements.

EXETER TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2012

		----- Program Revenues -----	
Functions/Programs:	Expenditures	Charges for Services	Operating Grants and Contributions
Government:			
Governmental activities:			
General government	\$ 708,599	\$ 382,599	\$ 258,057
Public safety	5,506,280	361,312	346,702
Health and human services	35,183	-	1,597
Public works - sanitation	179,463	704,238	-
Public works - highways and streets	1,971,093	12,646	103,437
Culture and recreation	634,805	158,983	-
Community development	55,121	-	-
Debt service	4,930,171	-	65,122
Benefits	93,301	-	-
Property and casualty insurance	155,369	-	-
Capital outlay	716,390	-	527,833
Miscellaneous	173,703	-	162,867
	15,159,478	1,619,778	1,465,615
Business-type activities:			
Sewer	12,385,232	4,861,176	-
Country Club	2,789,534	3,109,097	-
	15,174,766	7,970,273	-
	\$ 30,334,244	\$ 9,590,051	\$ 1,465,615

General revenues:

Taxes:

- Real estate
- Real estate transfer
- Per capita
- Earned income
- Local services
- Business privilege
- Interest and rents
- Sale of assets
- Miscellaneous
- Proceeds from bond issuance and bond premium
- Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

See Notes to Financial Statements.

Net (Expenditures) Revenue and

----- Changes in Net Assets -----

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (67,943)	\$ -	\$ (67,943)
(4,798,266)	-	(4,798,266)
(33,586)	-	(33,586)
524,775	-	524,775
(1,855,010)	-	(1,855,010)
(475,822)	-	(475,822)
(55,121)	-	(55,121)
(4,865,049)	-	(4,865,049)
(93,301)	-	(93,301)
(155,369)	-	(155,369)
(188,557)	-	(188,557)
(10,836)	-	(10,836)
<u>(12,074,085)</u>	<u>-</u>	<u>(12,074,085)</u>
-	(7,524,056)	(7,524,056)
-	319,563	319,563
<u>-</u>	<u>(7,204,493)</u>	<u>(7,204,493)</u>
<u>(12,074,085)</u>	<u>(7,204,493)</u>	<u>(19,278,578)</u>
3,676,342	-	3,676,342
253,189	-	253,189
69,684	-	69,684
3,021,920	-	3,021,920
314,950	-	314,950
523,805	-	523,805
92,686	394,106	486,792
11,489	-	11,489
244,360	-	244,360
3,623,397	6,069,064	9,692,461
270,000	(270,000)	-
<u>12,101,822</u>	<u>6,193,170</u>	<u>18,294,992</u>
27,737	(1,011,323)	(983,586)
<u>5,848,660</u>	<u>13,964,046</u>	<u>19,812,706</u>
<u>\$ 5,876,397</u>	<u>\$ 12,952,723</u>	<u>\$ 18,829,120</u>

EXETER TOWNSHIP

**STATEMENT OF ASSETS AND LIABILITIES AND FUND
BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2012**

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash:			
Unrestricted	\$ 2,893,963	\$ 1,123,529	\$ 4,017,492
Restricted	<u>143,686</u>	<u>1,752,872</u>	<u>1,896,558</u>
Total assets	<u>3,037,649</u>	<u>2,876,401</u>	<u>5,914,050</u>
 LIABILITIES			
Deposits held in escrow	<u>37,653</u>	<u>-</u>	<u>37,653</u>
Total liabilities	<u>37,653</u>	<u>-</u>	<u>37,653</u>
 FUND BALANCES			
Restricted	95,615	1,295,573	1,391,188
Committed	701,783	1,580,828	2,282,611
Unassigned	<u>2,202,598</u>	<u>-</u>	<u>2,202,598</u>
Total fund balances	<u>\$ 2,999,996</u>	<u>\$ 2,876,401</u>	<u>\$ 5,876,397</u>

See Notes to Financial Statements.

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS**

Year Ended December 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Real estate	\$ 2,151,152	\$ 1,525,190	\$ 3,676,342
Real estate transfer	253,189	-	253,189
Per capita	69,684	-	69,684
Earned income	3,021,920	-	3,021,920
Local services	314,950	-	314,950
Business privilege	523,805	-	523,805
Licenses and permits	362,759	-	362,759
Fines and forfeits	133,608	-	133,608
Interest and rents	41,111	51,575	92,686
Intergovernmental revenues	799,007	666,608	1,465,615
Charges for services	1,103,549	19,862	1,123,411
Miscellaneous	239,902	4,458	244,360
	<hr/>	<hr/>	<hr/>
Total revenues	9,014,636	2,267,693	11,282,329
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General government	708,599	-	708,599
Public safety	4,915,801	590,479	5,506,280
Health and human services	35,183	-	35,183
Public works - sanitation	179,463	-	179,463
Public works - highways and streets	1,655,184	315,909	1,971,093
Culture and recreation	546,084	88,721	634,805
Community development	39,648	15,473	55,121
Debt service:			
Principal	273,105	109,084	382,189
Interest	116,937	818,986	935,923
Bond issuance costs	51,458	-	51,458
Benefits	93,301	-	93,301
Property and casualty insurance	155,369	-	155,369
Capital outlay	89,721	626,669	716,390
Miscellaneous	173,380	323	173,703
	<hr/>	<hr/>	<hr/>
Total expenditures	9,033,233	2,565,644	11,598,877
	<hr/>	<hr/>	<hr/>

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS (CONTINUED)
GOVERNMENTAL FUNDS**

Year Ended December 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Deficiency of revenues under expenditures	<u>\$ (18,597)</u>	<u>\$ (297,951)</u>	<u>\$ (316,548)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	3,615,000	-	3,615,000
Bond premium	8,397	-	8,397
Advance refunding of Series A of 2009 Bonds	(3,560,601)	-	(3,560,601)
Transfers in	1,814	570,763	572,577
Transfers out	(160,763)	(141,814)	(302,577)
Sale of assets	<u>11,489</u>	<u>-</u>	<u>11,489</u>
Total other financing sources (uses)	<u>(84,664)</u>	<u>428,949</u>	<u>344,285</u>
Net change in fund balances	(103,261)	130,998	27,737
Fund balances, beginning of year	<u>3,103,257</u>	<u>2,745,403</u>	<u>5,848,660</u>
Fund balances, end of year	<u>\$ 2,999,996</u>	<u>\$ 2,876,401</u>	<u>\$ 5,876,397</u>

See Notes to Financial Statements.

EXETER TOWNSHIP

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2012**

ASSETS	Sewer	Country Club	Total
Cash:			
Unrestricted	\$ 2,789,565	\$ 625,258	\$ 3,414,823
Restricted	2,615,950	-	2,615,950
Certificate of deposit	7,000,000	-	7,000,000
Total assets	12,405,515	625,258	13,030,773
LIABILITIES			
Advance deposit	78,050	-	78,050
Total liabilities	78,050	-	78,050
NET POSITION			
Unrestricted	9,711,515	625,258	10,336,773
Restricted	2,615,950	-	2,615,950
Total net position	\$ 12,327,465	\$ 625,258	\$ 12,952,723

See Notes to Financial Statements.

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended December 31, 2012**

	Sewer	Country Club	Total
OPERATING REVENUES			
Sewer charges	\$ 4,739,221	\$ -	\$ 4,739,221
Tapping fees	45,300	-	45,300
Charges for services	-	3,109,097	3,109,097
Miscellaneous	76,655	-	76,655
	<u>4,861,176</u>	<u>3,109,097</u>	<u>\$ 7,970,273</u>
Total operating revenues			
OPERATING EXPENDITURES			
Wastewater collection and treatment	2,623,314	-	2,623,314
Culture and recreation expenses	-	2,787,425	2,787,425
Capital outlay	1,021,641	2,109	1,023,750
	<u>3,644,955</u>	<u>2,789,534</u>	<u>6,434,489</u>
Total operating expenditures			
Operating income	<u>1,216,221</u>	<u>319,563</u>	<u>1,535,784</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	391,252	2,854	394,106
Fiscal agent fees	(250)	-	(250)
Debt service:			
Principal	(1,330,000)	-	(1,330,000)
Interest	(1,361,538)	-	(1,361,538)
Bond issuance costs	(86,190)	-	(86,190)
	<u>(2,386,726)</u>	<u>2,854</u>	<u>(2,383,872)</u>
Total nonoperating revenues (expenses)			
Income (loss) before other financing sources (uses)	<u>(1,170,505)</u>	<u>322,417</u>	<u>(848,088)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	6,055,000	-	6,055,000
Bond premium	14,064	-	14,064
Advance refunding of Series A of 2009 Bonds	(5,962,299)	-	(5,962,299)
Transfers out	-	(270,000)	(270,000)
	<u>106,765</u>	<u>(270,000)</u>	<u>(163,235)</u>
Total other financing sources (uses)			
Change in net position	<u>(1,063,740)</u>	<u>52,417</u>	<u>(1,011,323)</u>
Net position, beginning of year	<u>13,391,205</u>	<u>572,841</u>	<u>13,964,046</u>
Net position, end of year	<u>\$ 12,327,465</u>	<u>\$ 625,258</u>	<u>\$ 12,952,723</u>

See Notes to the Financial Statements.

EXETER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

Exeter Township, Pennsylvania (the "Township"), founded in 1741, has an approximate population of 25,550, based on a 2010 census report, living within an area of 24.1 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Berks County.

A summary of the Township's significant accounting policies follows:

The accompanying primary government financial statements conform to the modified cash basis method of accounting as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Township.

A. THE FINANCIAL REPORTING ENTITY

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. The component units, as determined under the above criteria and as discussed below, are not included in the Township's reporting entity, as these financial statements include only the activities of the primary government.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

A. THE FINANCIAL REPORTING ENTITY (CONTINUED)

INDIVIDUAL COMPONENT UNIT DISCLOSURES

Exeter Township, Berks County, Authority:

Exeter Township, Berks County, Authority (the "Authority") is governed by a five-member board appointed by the Township Board of Supervisors. Although it is legally separate from the Township, the Authority is a component unit and its primary purpose is to provide sewer utilities to the Township.

Exeter Community Library:

The Exeter Community Library (the "Library") is governed by a nine-member self-appointed board. Although it is legally separate from the Township, the Library is a component unit and its primary purpose is to provide library services to the Township.

B. BASIS OF PRESENTATION

Government-wide financial statements:

The statement of net assets and the 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 external parties for goods or services.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or types, and total assets, liabilities, revenues or expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

The funds of the financial reporting entity are described below:

Governmental funds:

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The following are the Township's governmental funds:

General Fund - is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for or reported in another fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted, committed or assigned revenues should be the foundation for a special revenue fund. The reporting entity includes the following special revenue funds, which are reported as nonmajor funds:

Utility Fund - is used to account for the assessment received from property owners benefiting from public street lighting and fire hydrant service and the expenditures incurred by the Township to provide these services.

Fire Fund - is used to account for revenues generated from the .505 mill assessment received from Township residents for the purpose of providing support for the Township's volunteer fire department.

Detention Pond/Storm Water Fund - is used to account for monies received from developers for the acceptance of Deeds of Dedication for detention or retention ponds within the Township.

K-9 Fund - is used to account for contributions to be used specifically for the improvement and continuation of the police K-9 program.

Park Improvement Fund - is used to account for monies received from developers to be used in the acquisition, improvement and/or maintenance of public open space areas.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Special Revenue Funds (continued):

State Liquid Fuels Highway Aid Fund - is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this Fund must be kept separate from all other funds and no other funds shall be commingled with this Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Capital Project Funds - are used to account for and report financial resources that are restricted, committed or assigned expenditures for capital outlays, including the acquisition or construction of major capital improvements. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. The reporting entity includes the following capital project funds, which are reported as nonmajor funds:

Capital Expenditure Fund - is used to account for the financial resources to be used for the acquisition of assets.

Capital Improvement Fund - is used to account for the financial resources to be used primarily for storm sewer improvements.

Golf Acquisition Fund - is used to account for the financial resources to be used to acquire and make improvements to a municipal golf course and banquet facility within the Township.

Apparatus Fund - is used to account for the financial resources to assist the fire company in purchasing equipment.

Traffic Improvement Fund - is used to account for the collection of transportation impact assessments against new developments that adversely affect the transportation facilities within the Township.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest (debt service) resources. This Fund includes financial resources that are being accumulated for principal and interest maturing in future years, and also includes financial resources that are legally mandated to be accounted for and reported in a debt service fund.

Proprietary funds:

Enterprise Funds - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds, which are reported as major funds:

Sewer Fund - is used to account for the operation of the sewer system, which is operated as a public utility.

Country Club Fund - is used to account for the operation of the Reading Country Club.

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the primary government financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)

Modified cash basis:

The Township's policy is to prepare its financial statements on the modified cash basis under which only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation, which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present the financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Measurement focus:

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITIES ACCOUNTING POLICY DISCLOSURES

Cash:

The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash.

For the purpose of financial reporting, cash includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Due to and from other funds:

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

Capital assets:

Purchased capital assets are recorded as expenditures in the governmental fund types. Proprietary fund type capital assets are recorded as expenditures in the fund in which they are utilized. Infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are recorded as expenditures in the fund types expending the funds.

Long-term debt:

Debt proceeds from issuance of long-term debt are reported as other financing sources, and the payment of principal and interest is reported as expenditures in the fund financial statements and government-wide statements. Debt service expenditures are recognized in the period paid.

Compensated absences:

Compensated absences for vacation and sick leave are recorded when paid.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

E. EQUITY

Government-wide statements:

The Township classifies net position into the following components:

Restricted - This component of net position consists of constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund financial statements:

The Township classifies fund balance as follows:

Nonspendable - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted - This classification consists of amounts that are restricted to specific purposes either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

Committed - This classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end; however, the amount may be determined subsequent to year-end.

Assigned - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted nor committed.

Unassigned - This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUES AND EXPENDITURE POLICY DISCLOSURES

Program revenues:

All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (1) charges to customers or applicants for goods and services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenditures 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 sewer usage charges. The Township also recognizes as operating revenues, the portion of tapping fees intended to recover the cost of connecting new customers to the sewer system. Operating expenditures of the sewer and Country Club funds include the cost of the services. All revenues and expenditures not meeting this definition are reported as nonoperating revenues and expenditures. The principal nonoperating revenues of the Township's proprietary fund are interest income and transfers in and transfers out. The principal operating revenues of the Country Club Fund are charges for services at the Country Club.

Property taxes:

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2012 was 2.695 mills, consisting of 1.64 mills for general purposes, .505 mills for purchase of fire apparatus and .55 mills for debt service, as established by the Board of Supervisors. Current tax collections for the Township were approximately 97% of the total tax levy.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUES AND EXPENDITURE POLICY DISCLOSURES (CONTINUED)

Property taxes (continued):

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The taxes are collected by elected local tax collectors. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after June 30. The County of Berks Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the County Tax Claim Bureau is made by January 15 of the subsequent year.

Intergovernmental revenues:

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies and local governmental units, generally to fund specific programs and are recognized when received.

Expenditures/expenses:

Expenditures and expenses are recognized when paid.

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

Fund financial statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund services:

Sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund reimbursements:

Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (CONTINUED)

Fund financial statements (continued):

Interfund transfers:

Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

H. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement is effective for periods beginning after June 15, 2012; however, the Township early adopted this Statement in its December 31, 2012 financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting of deferred inflows and outflows of resources which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The Township adopted this Statement in its December 31, 2012 financial statements.

Note 2. Stewardship, Compliance and Accountability

Compliance with finance-related legal and contractual provisions:

The Township had no material violations of finance-related legal and contractual provisions.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits

The Township's available cash is invested in demand deposit accounts and a certificate of deposit. The carrying amount of cash and investments at December 31, 2012 consists of the following:

Demand deposits	\$ 11,942,621
Time deposit	7,000,000
Petty cash	<u>2,202</u>
	<u>\$ 18,944,823</u>

Reconciliation to statement of net position/balance sheet:

Cash:	
Unrestricted	\$ 7,432,315
Restricted	<u>4,512,508</u>
	11,944,823
Certificate of deposit, business-type activities	<u>7,000,000</u>
	<u>\$ 18,944,823</u>

Custodial credit risk, deposits:

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. At December 31, 2012, the carrying amount of the Township's bank deposits was \$ 18,942,621 and the corresponding bank balances were \$ 19,117,693, of which \$ 617,463 was covered by Federal Depository Insurance. The remaining \$ 18,500,230 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

NOTES TO FINANCIAL STATEMENTS

Note 4. Restricted Assets

Cash and investments whose use is limited to a specific purpose have been classified as "restricted" in the financial statements. Restricted assets at December 31, 2012 consist of the following:

Governmental activities:

General Fund:

Police equipment	\$	89,765
Fire police		2,882
Developer escrows		36,753
Police National Night Out committee		2,968
Series of 2012 Bond Issue		11,318
K-9 Fund		2,529
State Liquid Fuels Highway Aid Fund		93,227
Capital Improvement Fund		262,944
Golf Acquisition Fund		779,812
Traffic Improvement Fund		157,061
Debt Service Fund		<u>457,299</u>

Total governmental activities 1,896,558

Business-type activities:

Sewer Fund, unspent note proceeds, Series A of 2009		2,517,305
Series of 2012 Bond Issue		<u>98,645</u>

Total business-type activities 2,615,950

\$ 4,512,508

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2012 were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,814	\$ 160,763
Utility Fund	-	10,000
Fire Fund	-	130,000
K-9 Fund	-	1,814
Capital Expenditure Fund	160,763	-
Capital Improvement Fund	10,000	-
Apparatus Fund	130,000	-
Debt Service Fund	<u>270,000</u>	<u>-</u>
 Total Governmental Funds	 572,577	 302,577
 Proprietary Fund, Country Club Fund	 <u>-</u>	 <u>270,000</u>
	 <u>\$ 572,577</u>	 <u>\$ 572,577</u>

Note 6. Long-Term Debt

At December 31, 2012, long-term debt consists of the following:

	Balance Outstanding December 31, 2011	Additions	Payments	Balance Outstanding December 31, 2012
Governmental activities:				
Pennsylvania Infrastructure Investment Authority Loan, initial issue of \$ 299,193, interest due monthly at 1.387%, principal payments due monthly through February 2026	\$ 224,231	\$ -	\$ 13,105	\$ 211,126
 General Obligation Notes, Series of 2007, in the initial amount of \$ 17,810,000, interest due semiannually at rates ranging from 4.200% to 4.700%, principal due annually through August 2046	 17,660,000	 -	 45,000	 17,615,000

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

	Balance Outstanding December 31, 2011	Additions	Payments	Balance Outstanding December 31, 2012
Governmental activities				
(continued):				
General Obligation Notes, Series A of 2009, in the initial amount of \$ 4,316,556, interest due semiannually at rates ranging from 1.000% to 4.100%, principal due annually through July 2024	\$ 3,970,000	\$ -	\$ 3,970,000	\$ -
General Obligation Notes, Series of 2012, in the initial amount of \$ 3,615,000, interest due semiannually at rates ranging from 1.250% to 2.000%, principal due annually through July 2024	<u>-</u>	<u>3,615,000</u>	<u>-</u>	<u>3,615,000</u>
Total governmental activities	<u>21,854,231</u>	<u>3,615,000</u>	<u>4,028,105</u>	<u>21,441,126</u>
Business-type activities:				
General Obligation Notes, Series of 2007, in the initial amount of \$ 21,380,000, interest due semiannually at rates ranging from 4.750% to 5.300%, principal due annually through July 2021	16,705,000	-	1,315,000	15,390,000
General Obligation Notes, Series A of 2009, in the initial amount of \$ 12,358,444, interest due semiannually at rates ranging from 1.000% to 4.100%, principal due annually through July 2026	12,345,000	-	5,205,000	7,140,000

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

	Balance Outstanding December 31, 2011	Additions	Payments	Balance Outstanding December 31, 2012
Business-type activities				
(continued):				
General Obligation Notes, Series of 2012, in the initial amount of \$ 6,055,000, interest due semiannually at rates ranging from 1.250% to 2.000%, principal due annually through July 2026	\$ -	\$ 6,055,000	\$ -	\$ 6,055,000
Total business-type activities	<u>29,050,000</u>	<u>6,055,000</u>	<u>6,520,000</u>	<u>28,585,000</u>
Total debt	<u>\$ 50,904,231</u>	<u>\$ 9,670,000</u>	<u>\$ 10,548,105</u>	<u>\$ 50,026,126</u>

Aggregate maturities required on long-term debt at December 31, 2012 are as follows:

Governmental activities:

	Principal	Interest	Total Debt Service
2013	\$ 333,473	\$ 865,571	\$ 1,199,044
2014	338,852	879,705	1,218,557
2015	344,241	871,691	1,215,932
2016	349,641	863,566	1,213,207
2017	365,052	855,330	1,220,382
2018-2022	1,936,848	4,155,011	6,091,859
2023-2027	2,298,019	3,901,175	6,199,194
2028-2032	2,880,000	3,360,513	6,240,513
2033-2037	3,610,000	2,630,647	6,240,647
2038-2042	4,530,000	1,704,925	6,234,925
2043-2046	<u>4,455,000</u>	<u>535,330</u>	<u>4,990,330</u>
	<u>\$ 21,441,126</u>	<u>\$ 20,623,464</u>	<u>\$ 42,064,590</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Business-type activities:

	Principal	Interest	Total Debt Service
2013	\$ 1,480,000	\$ 1,164,578	\$ 2,644,578
2014	1,535,000	1,131,937	2,666,937
2015	1,610,000	1,055,283	2,665,283
2016	1,690,000	973,330	2,663,330
2017	1,775,000	887,085	2,662,085
2018-2022	10,480,000	2,965,183	13,445,183
2023-2026	<u>10,015,000</u>	<u>637,440</u>	<u>10,652,440</u>
	<u>\$ 28,585,000</u>	<u>\$ 8,814,836</u>	<u>\$ 37,399,836</u>

Substantially all of the Township's assets are pledged as collateral to the long-term debt.

Note 7. Fund Balance

The fund balances of the Township's governmental funds at December 31, 2012 consist of the following:

	Restricted	Committed	Unassigned	Total Fund Balance
Reported in:				
General Fund	<u>\$ 95,615</u>	<u>\$ 701,783</u>	<u>\$ 2,202,598</u>	<u>\$ 2,999,996</u>
Other governmental funds:				
Utility Fund	-	8,469	-	8,469
Fire protection	-	129,655	-	129,655
Detention pond/storm water maintenance	-	73,830	-	73,830
K-9 program	2,529	-	-	2,529
Parks	-	192,113	-	192,113
Public works, highways and streets	93,227	-	-	93,227
Debt service	-	457,299	-	457,299
Capital projects	<u>1,199,817</u>	<u>719,462</u>	<u>-</u>	<u>1,919,279</u>
	<u>1,295,573</u>	<u>1,580,828</u>	<u>-</u>	<u>2,876,401</u>
	<u>\$ 1,391,188</u>	<u>\$ 2,282,611</u>	<u>\$ 2,202,598</u>	<u>\$ 5,876,397</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balance (Continued)

Fund balance policy:

The Township established and maintains reservations of fund balance in accordance with its policy, which applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs or enhance the financial position of the Township in accordance with policies established by the Board of Supervisors.

Spending policy:

The Township's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Township's policy is to use unrestricted fund balance in the following order: committed, assigned and unassigned, when expenditure is incurred for purposes for which each of these fund balance classifications is available.

Minimum fund balance policy:

The Township has not formally adopted a minimum fund balance policy.

Committed fund balance:

The Board of Supervisors is the Township's highest level of decision-making authority. The Township has not formally adopted a policy as to the formal action that is required to be taken to establish, modify or rescind a fund balance commitment.

Assigned fund balance:

The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose and the policy established by the governing body pursuant to which that authorization is given.

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balance (Continued)

Reservations of fund balance:

Restricted - General Fund:

The Township's restricted fund balance in the General Fund consists of contributions from third parties and funds held which are restricted to be used on specific expenditures.

Restricted - Other governmental funds:

The Township hereby establishes the following restricted fund balance reserves in the other governmental funds:

K-9 Program Reserve - The Township's restricted fund balance in the K-9 Fund consists of contributions from third parties which are restricted for Exeter Police K-9 Unit expenses.

Highways and Streets Reserve - The Township's restricted fund balance in the State Highway Aid Fund consists of proceeds from the State Motor License Fund accounted for in the State Liquid Fuels Highway Aid Fund. Expenditure of these funds is legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

Capital Project Reserves - The Township's restricted fund balances in the Capital Improvement Fund and the Golf Acquisition Fund consist of unspent bond proceeds which are restricted for specific capital projects. The Township's restricted fund balance in the Traffic Improvement Fund consists of unspent grant funds and contributions from third parties restricted for expenditures for traffic improvements.

Committed - General Fund:

The Township's committed fund balance in the General Fund consists of an amount to be used for tree replacement as approved by the Board of Supervisors and contract commitments.

Committed - Other governmental funds:

The Township established the following committed fund balance reserves in the other governmental funds:

Utility Reserve - is committed as set forth by Township ordinance and consists of funds to be used for public street lighting and fire hydrant services. Revenues are generated from assessments collected from Township residents.

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balance (Continued)

Reservations of fund balance (continued):

Committed - Other governmental funds (continued):

Fire Protection Reserve - is committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for support of the volunteer fire department and is generated from the .505 mill assessment received from Township residents.

Detention Pond/Storm Water Reserve - is committed by the Township Board of Supervisors, as set forth by Township Ordinance, to provide funds for the maintenance of detention ponds and storm water systems within the Township.

Park Improvement Reserve - is committed by the Township Board of Supervisors, as set forth by Township Ordinance, to collect certain fees to be used for park improvement projects within the Township.

Capital Project Reserves – Township committed fund balances in the Capital Expenditure Fund and Apparatus Fund are committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for capital projects.

Debt Service Reserve - is committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for the repayment of principal and interest on Township debt.

Disbursement of fund balance reserves:

No formal policy has been adopted by the Township regarding disbursement of funds within the fund balance reserves; however, disbursement is approved by the Board of Supervisors by inclusion in the approved annual budget and amendments thereto.

Annual review and determination of fund balance reserve amounts:

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and the amounts of nonspendable, restricted, committed, assigned and the minimum level of unassigned fund balance shall be determined during this process.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans

The Township administers and contributes to two defined benefit pension plans: the Exeter Township Police Pension Plan and the Exeter Township Employees' Pension Plan. The assets of the plans are invested separately, and each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Valuation of investments:

All investments of the pension plans are reported at fair value based on quoted market values.

Plan description and funding policy:

Exeter Township Police Pension Plan:

Plan description:

The Exeter Township Police Pension Plan (the "Police Plan") provides retirement benefits, as well as death and disability benefits. All benefits vest after 12 years of service. Employees who retire at or after age 50 with 25 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their average monthly pay, plus a service increment equal to \$ 50 per year of service in excess of 25 years of service, up to a maximum service increment of \$ 100 per month. Average monthly pay is based upon the last 36 months of employment. An option for early retirement is available for employees after completion of 20 years of service.

Contributions:

Active, covered employees are required to contribute to the Police Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Police Plan. The current rate is 15.3% of annual covered payroll. Employees currently contribute to the Police Plan at a rate of 8.0% of their compensation for 2012. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Plan description and funding policy (continued):

Exeter Township Employees' Pension Plan:

Plan description:

The Exeter Township Employees' Pension Plan (the "Employees' Plan") provides retirement benefits, as well as death and disability benefits. All benefits vest at 100% after five years of service. Employees who retire at or after age 62 and completion of five years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.75% of average monthly pay multiplied by the number of years of service. If a member was a participant prior to December 31, 1995, an additional monthly benefit is payable of \$ 10 multiplied by the number of years of service as of December 31, 1995. Average monthly pay is based upon the employee's last 36 months of W-2 earnings excluding unused vacation, sick and personal days. An option for early retirement is available for employees who reach the age of 55 and have completed 15 years of service.

Contributions:

Active, covered employees are required to contribute to the Employees' Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Employees' Plan. The current rate is 7.9% of annual covered payroll. Member contributions are currently suspended. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Annual pension cost and net pension obligation (asset):

The Township's annual pension cost and net pension obligation (asset) to the pension plans for the current year are as follows:

	Police Plan	Employees' Plan
Annual required contribution	\$ 387,491	\$ 93,998
Adjustment to annual required contribution	-	-
Annual pension cost	387,491	93,998
Contributions made	387,491	93,998
Change in net pension obligation (asset)	-	-
Net pension obligation (asset), beginning of year	-	-
Net pension obligation (asset), end of year	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Annual pension cost and net pension obligation (asset) (continued):

Exeter Township Police Pension Plan:

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

Three-year trend information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/10	\$ 268,564	100%	\$ -
12/31/11	\$ 447,195	100%	\$ -
12/31/12	\$ 387,491	100%	\$ -

Exeter Township Employees' Pension Plan:

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Annual pension cost and net pension obligation (asset) (continued):

Exeter Township Employees' Pension Plan (continued):

Three-year trend information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/10	\$ 102,880	100%	\$ -
12/31/11	\$ 107,469	100%	\$ -
12/31/12	\$ 93,998	100%	\$ -

Funded status and funding progress:

The funded status of Exeter Township's Police Pension Plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 9,759,266	\$ 11,371,131	\$ 1,611,865	86%	\$ 2,552,468	63%

The funded status of Exeter Township's Employees' Pension Plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 787,611	\$ 1,320,042	\$ 532,431	60%	\$ 546,007	98%

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Funded status and funding progress (continued):

The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method.

Plan membership:

Membership in the pension plans as of January 1, 2011, the most recent actuarial valuation date, is comprised of the following:

	Police Plan	Employees' Plan
Active employees	29	8
Retirees and beneficiaries currently receiving benefits	11	4
Terminated employees entitled to benefits, but not yet receiving benefits	<u>1</u>	<u>4</u>
	<u>41</u>	<u>16</u>

Note 9. Central Pennsylvania Teamsters Pension Fund

The Township contributes to the Central Pennsylvania Teamsters Pension Fund, a union-sponsored, multiemployer retirement plan in accordance with negotiated labor contracts. The plan covers all of the Township's eligible union employees. Contributions to the plan are based on varying rates for hours worked by the employees. Contributions totaled \$ 185,565 for the year ended December 31, 2012.

Governmental regulations impose certain requirements relative to multiemployer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Township has not received information from the plan's administrators to determine its share of unfunded vested benefits. The Township does not anticipate withdrawal from the plan, nor is the Township aware of any expected plan termination.

NOTES TO FINANCIAL STATEMENTS

Note 10. Post-Employment Benefits Other than Pensions

Plan descriptions:

The Township sponsors a post-employment benefits plan that covers health and life insurance benefits for eligible retirees. Groups of retirees that are eligible for these benefits are police, teamsters and management. The plan does not issue a publicly available financial report. Benefit provisions are established and amended through negotiations between the Township and the respective union.

Funding policy and annual OPEB cost:

The Township currently funds OPEB costs as they occur. For 2012, the Township's estimated contribution to the plan was \$ 82,144 for current premiums, including the implicit rate study.

The Township's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Township's annual OPEB cost for the current year and the related information for each plan are as follows:

Annual required contribution (ARC)	\$ 842,145
Interest on net OPEB obligation	109,391
Adjustment to the annual required contribution	<u>(149,237)</u>
Annual OPEB cost	802,299
Contributions made	<u>(82,144)</u>
Increase in net OPEB obligation	720,155
Net OPEB obligation, beginning of year	<u>2,430,905</u>
Net OPEB obligation, end of year	<u>\$ 3,151,060</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Post-Employment Benefits Other than Pensions (Continued)

Funding policy and annual OPEB cost (continued):

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for each of the plans were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 645,145	16%	\$ 1,685,827
12/31/2011	814,512	9	2,430,905
12/31/2012	802,299	10	3,151,060

Funded status and funding progress:

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation, was as follows:

Actuarial present value at attained age (APVAA):		
Active members		\$ 11,666,727
Retired members		<u>1,100,114</u>
Total APVAA		<u>\$ 12,766,841</u>
Actuarial accrued liability (AAL):		
Active members		\$ 6,107,089
Retired members		<u>1,100,114</u>
Total AAL		<u>\$ 7,207,203</u>
Actuarial value of assets (AVA)		<u>\$ -</u>
Unfunded actuarial accrued liability (UAAL)		<u>\$ 7,207,203</u>
Funded ratio		- %
Covered payroll		<u>\$ 4,995,780</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		144%

NOTES TO FINANCIAL STATEMENTS

Note 10. Post-Employment Benefits Other than Pensions (Continued)

Funded status and funding progress (continued):

Annual required contribution (ARC):	
Normal cost	\$ 399,684
30-year amortization of UAAL	<u>442,461</u>
Total ARC	<u>\$ 842,145</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. 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 to past expectations and new estimates are made about the future. The required Schedules of Funding Progress presented as supplementary information provide multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial methods and assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar method
Remaining amortization period	30-year closed period
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.50% per annum
Projected salary increases	5.00% per annum
Healthcare inflation rate	Declining scale from 8% in 2011, decreasing by .5% each year to 5.5% in 2016.

NOTES TO FINANCIAL STATEMENTS

Note 11. Exeter Township Tax Increment Financing District

In March 2008, the Township, along with the County of Berks and the Exeter Township School District, entered into a Cooperation Agreement with the Berks County Industrial Development Authority (the "Authority"). The Authority has prepared a Tax Increment Financing (TIF) Plan referred to as the Exeter Township TIF District. The agreement sets forth the terms by which Tax Increment Revenues shall be raised from the Exeter Township TIF District and the means of financing,

Under the terms of this agreement, the taxing bodies (the Township, the County of Berks and the Exeter Township School District) will remit their respective share of the positive real estate tax increments to the Authority. The Authority will deposit these funds into the Tax Increment Fund established for this project and use these funds for repayment of debt service incurred in connection with the project. The Exeter Township TIF District began on December 1, 2007 and has a term of 20 years.

In 2012, the Township remitted \$ 55,121 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

At December 31, 2012, the outstanding balance was \$ 5,553,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

Note 12. Commitments and Contingencies

Commitments:

Capital projects:

The Township is committed to make payments on various capital construction projects in the approximate amount of \$ 609,000 at December 31, 2012.

Sewer system management:

The Township entered into an agreement with Exeter Township, Berks County, Authority for the management of Exeter Township's sewer system. Under the terms of the agreement, payments of up to \$ 60,000 from Exeter Township are due the Authority in semiannual payments of \$ 30,000 for administrative expenses through 2022, when the management agreement dated July 15, 2002 expires. For the year ended December 31, 2012, \$ 60,000 was paid to the Authority under this agreement.

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies (Continued)

Commitments (continued):

County of Berks Public Safety Radio System Loan:

In 2012, the Township entered into agreements with the County of Berks to finance the purchase of end-user radio hardware and accessory hardware for participation in the County-wide Public Safety Radio System. The Township issued a promissory note in the aggregate principal amount of \$ 477,690. The note shall bear interest at a rate of 0%. The Township shall pay annual installments of principal on June 1 of each year through June 1, 2019, commencing on June 1, 2013. The Township will receive the equipment in 2013.

Leases:

The Township has entered into lease agreements, as lessee, for financing the acquisition of vehicles and other equipment. The leases have expiration dates extending through 2017.

As of December 31, 2012, the future minimum lease payments are as follows:

Year Ending December 31:	
2013	\$ 58,269
2014	55,571
2015	42,547
2016	6,599
2017	<u>1,321</u>
	<u>\$ 164,307</u>

Contingencies:

Litigation:

The Township is a defendant in lawsuits that have been referred to the lawyers who represent the Township's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies (Continued)

Contingencies (continued):

Concentration of labor:

The Township entered into a collective bargaining agreement with the Police Officers Association, effective January 1, 2005 through December 31, 2009. The Police Officers Association did not request collective bargaining, so the terms and conditions of the agreement became operative for an additional four-year period commencing January 1, 2010 through December 31, 2013. The Township also entered into a collective bargaining agreement with nonuniform employees, effective January 1, 2013 through December 31, 2014. Of the Township's total workforce, 40% is covered by the agreement with the police officers and 49% is covered by the agreement with the nonuniform employees.

Loss of a major sewer customer:

During 2012, the Township lost a major sewer customer. A new company has taken its place, however, not at the same level. The estimated annual loss in net revenue is \$ 544,000.

Note 13. Subsequent Events

The Township has evaluated subsequent events through September 4, 2013. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2012 was noted:

In January 2013, the Township issued General Obligation Bonds, Series of 2013 in the amount of \$ 7,755,000 to advance refund the Township's remaining General Obligation Bonds, Series of 2009 and to pay issuance costs.

EXETER TOWNSHIP

SCHEDULES OF FUNDING PROGRESS

Exeter Township Police Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ 8,255,119	\$ 8,410,658	\$ 155,539	98.2%	\$ 2,323,358	6.7%
January 1, 2009	8,211,475	10,186,585	1,975,110	80.6	2,538,835	77.8
January 1, 2011	9,759,266	11,371,131	1,611,865	85.8	2,552,468	63.1

Exeter Township Employees' Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ 416,016	\$ 957,043	\$ 541,027	43.5%	\$ 468,822	115.4%
January 1, 2009	566,223	1,081,790	515,567	52.3	535,326	96.3
January 1, 2011	787,611	1,320,042	532,431	59.7	546,007	97.5

Exeter Township Post-Employment Benefits Other than Pensions:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 5,314,263	\$ 5,314,263	- %	\$ 4,718,187	113.0%
January 1, 2011	-	7,207,203	7,207,203	-	4,995,780	144.0

EXETER TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND**

Year Ended December 31, 2012

	- - - - Budgeted Amounts - - - -		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Real estate	\$ 2,135,000	\$ 2,135,000	\$ 2,151,152	\$ 16,152
Real estate transfer	365,000	365,000	253,189	(111,811)
Per capita	72,500	72,500	69,684	(2,816)
Earned income	3,232,000	3,232,000	3,021,920	(210,080)
Local services	300,000	300,000	314,950	14,950
Business privilege	410,000	410,000	523,805	113,805
Licenses and permits	333,300	333,300	362,759	29,459
Fines and forfeits	122,500	122,500	133,608	11,108
Interest and rents	40,800	40,800	41,111	311
Intergovernmental revenues	844,225	844,225	799,007	(45,218)
Charges for services	1,187,617	1,187,617	1,103,549	(84,068)
Miscellaneous	87,000	87,000	239,902	152,902
	<u>9,129,942</u>	<u>9,129,942</u>	<u>9,014,636</u>	<u>(115,306)</u>
Total revenues	9,129,942	9,129,942	9,014,636	(115,306)
EXPENDITURES				
Current:				
General government	768,874	768,874	708,599	60,275
Public safety	4,911,270	4,911,270	4,915,801	(4,531)
Health and human services	25,800	25,800	35,183	(9,383)
Public works - sanitation	200,000	200,000	179,463	20,537
Public works - highways and streets	1,657,246	1,657,246	1,655,184	2,062
Culture and recreation	567,976	567,976	546,084	21,892
Community development	40,000	40,000	39,648	352
Debt service:				
Principal	-	-	273,105	(273,105)
Interest	404,053	404,053	116,937	287,116
Bond issuance costs	-	-	51,458	(51,458)
Benefits	32,691	32,691	93,301	(60,610)
Property and casualty insurance	155,470	155,470	155,369	101
Capital outlay	125,017	125,017	89,721	35,296
Miscellaneous	205,500	205,500	173,380	32,120
	<u>9,093,897</u>	<u>9,093,897</u>	<u>9,033,233</u>	<u>60,664</u>
Total expenditures	9,093,897	9,093,897	9,033,233	60,664
Excess (deficiency) of revenues over (under) expenditures	36,045	36,045	(18,597)	(54,642)

EXETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (CONTINUED)

GENERAL FUND

Year Ended December 31, 2012

	- - - - Budgeted Amounts - - - -		Actual	Variance with
	Original	Final	Amounts	Final Budget
OTHER FINANCING SOURCES				
(USES)				
Bond proceeds	\$ -	\$ -	\$ 3,615,000	\$ 3,615,000
Bond premium	-	-	8,397	8,397
Advance refunding of Series A of 2009 Bonds	-	-	(3,560,601)	(3,560,601)
Transfers in	-	-	1,814	1,814
Transfers out	-	-	(160,763)	(160,763)
Sale of assets	-	-	11,489	11,489
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	(84,664)	(84,664)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ 36,045	\$ 36,045	(103,261)	\$ (139,306)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year			<u>3,103,257</u>	
Fund balance, end of year			<u>\$ 2,999,996</u>	

See Note to Budgetary Comparison Schedules.

EXETER TOWNSHIP

NOTE TO BUDGETARY COMPARISON SCHEDULE

Note 1. Budget Matters

The Board of Supervisors annually adopts the budget for the General, Utility, Fire, Park Improvement, State Liquid Fuels Highway Aid, Capital Expenditure, Capital Improvement, Golf Acquisition, Apparatus, Traffic Improvement, Debt Service and Sewer and Country Club Funds. Budgetary control is legally maintained at the fund level.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

Appropriations, except open project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements.

EXETER TOWNSHIP
COMBINING STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
OTHER GOVERNMENTAL FUNDS
December 31, 2012

ASSETS	----- Special Revenue Funds -----						----- Capital Project Funds -----					Debt Service Fund	Total Other Governmental Funds
	Utility	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
Cash:													
Unrestricted	\$ 8,469	\$ 129,655	\$ 73,830	\$ -	\$ 192,113	\$ -	\$ 488,708	\$ -	\$ -	\$ 230,754	\$ -	\$ -	\$ 1,123,529
Restricted	-	-	-	2,529	-	93,227	-	262,944	779,812	-	157,061	457,299	1,752,872
Total assets	\$ 8,469	\$ 129,655	\$ 73,830	\$ 2,529	\$ 192,113	\$ 93,227	\$ 488,708	\$ 262,944	\$ 779,812	\$ 230,754	\$ 157,061	\$ 457,299	\$ 2,876,401
FUND BALANCES													
Restricted	\$ -	\$ -	\$ -	\$ 2,529	\$ -	\$ 93,227	\$ -	\$ 262,944	\$ 779,812	\$ -	\$ 157,061	\$ -	\$ 1,295,573
Committed	8,469	129,655	73,830	-	192,113	-	488,708	-	-	230,754	-	457,299	1,580,828
Total fund balances	\$ 8,469	\$ 129,655	\$ 73,830	\$ 2,529	\$ 192,113	\$ 93,227	\$ 488,708	\$ 262,944	\$ 779,812	\$ 230,754	\$ 157,061	\$ 457,299	\$ 2,876,401

See Notes to Financial Statements.

EXETER TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
OTHER GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	----- Special Revenue Funds -----						----- Capital Project Funds -----					Debt Service Fund	Total Other Governmental Funds
	Utility	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
REVENUES													
Taxes, real estate	\$ 203,628	\$ 632,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 688,976	\$ 1,525,190
Interest and rents	234	1,222	319	16	1,023	1,275	40,426	1,241	3,471	443	783	1,122	51,575
Intergovernmental revenues	-	58,148	-	-	-	608,460	-	-	-	-	-	-	666,608
Charges for services	-	-	-	-	19,862	-	-	-	-	-	-	-	19,862
Miscellaneous	-	-	3,808	650	-	-	-	-	-	-	-	-	4,458
Total revenues	203,862	691,956	4,127	666	20,885	609,735	40,426	1,241	3,471	443	783	690,098	2,267,693
EXPENDITURES													
Current:													
Public safety	92,132	498,347	-	-	-	-	-	-	-	-	-	-	590,479
Public works - highways and streets	78,180	-	5,293	-	-	183,829	-	-	-	-	48,607	-	315,909
Culture and recreation	-	-	-	-	88,721	-	-	-	-	-	-	-	88,721
Community development	2,176	-	-	-	-	-	-	-	-	-	-	13,297	15,473
Debt service:													
Principal	-	-	-	-	-	64,084	-	-	-	-	-	45,000	109,084
Interest	-	-	-	-	-	1,038	-	-	-	-	-	817,948	818,986
Capital outlay	-	-	-	-	2,000	441,994	3,255	109,882	69,538	-	-	-	626,669
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	323	323
Total expenditures	172,488	498,347	5,293	-	90,721	690,945	3,255	109,882	69,538	-	48,607	876,568	2,565,644
Excess (deficiency) of revenues over (under) expenditures	31,374	193,609	(1,166)	666	(69,836)	(81,210)	37,171	(108,641)	(66,067)	443	(47,824)	(186,470)	(297,951)
OTHER FINANCING SOURCES (USES)													
Transfers in	-	-	-	-	-	-	160,763	10,000	-	130,000	-	270,000	570,763
Transfers out	(10,000)	(130,000)	-	(1,814)	-	-	-	-	-	-	-	-	(141,814)
Total other financing sources (uses)	(10,000)	(130,000)	-	(1,814)	-	-	160,763	10,000	-	130,000	-	270,000	428,949
Net change in fund balances	21,374	63,609	(1,166)	(1,148)	(69,836)	(81,210)	197,934	(98,641)	(66,067)	130,443	(47,824)	83,530	130,998
Fund balances (deficit), beginning of year	(12,905)	66,046	74,996	3,677	261,949	174,437	290,774	361,585	845,879	100,311	204,885	373,769	2,745,403
Fund balances, end of year	\$ 8,469	\$ 129,655	\$ 73,830	\$ 2,529	\$ 192,113	\$ 93,227	\$ 488,708	\$ 262,944	\$ 779,812	\$ 230,754	\$ 157,061	\$ 457,299	\$ 2,876,401

See Notes to Financial Statements.