

**REPORT ON
THE BOROUGH OF QUAKERTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

THE BOROUGH OF QUAKERTOWN

Financial Statements

For the Year Ended December 31, 2013

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Financial Statements

For the Year Ended December 31, 2013

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FINANCIAL SECTION



HUTCHINSON, GILLAHAN & FREEH, P.C.

ACCOUNTANTS, AUDITORS & CONSULTANTS

July 25, 2014

Borough Council
The Borough of Quakertown
35 North Third Street
Quakertown, PA 18951

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown at December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BOROUGH OF QUAKERTOWN

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. The Borough of Quakertown has presented the Schedule of Funding Progress for the Pension Funds and the modified approach to reporting infrastructure assets that accounting principles generally accepted in the United States of America has determined is required to be part of 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Quakertown's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the basis of accounting described in the notes to the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report on July 25, 2014, on our consideration of the Borough of Quakertown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Quakertown's internal control over financial reporting and compliance.

Respectfully submitted,

Craig W. Gillahan^{II} CPA

July 25, 2014

BOROUGH OF QUAKERTOWN
Quakertown, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended December 31, 2013

The discussion and analysis of the Borough of Quakertown's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

The Borough's overall financial position, as reflected in total net assets, increased by \$1,829,017 including special and extraordinary items. The net assets decreased in the governmental activities and funds by \$19,162 and increased in the business-type activities and funds by \$1,848,179.

During the year, the Borough paid principal of \$809,111 resulting in ending outstanding debt as of December 31, 2013, of \$8,128,094.

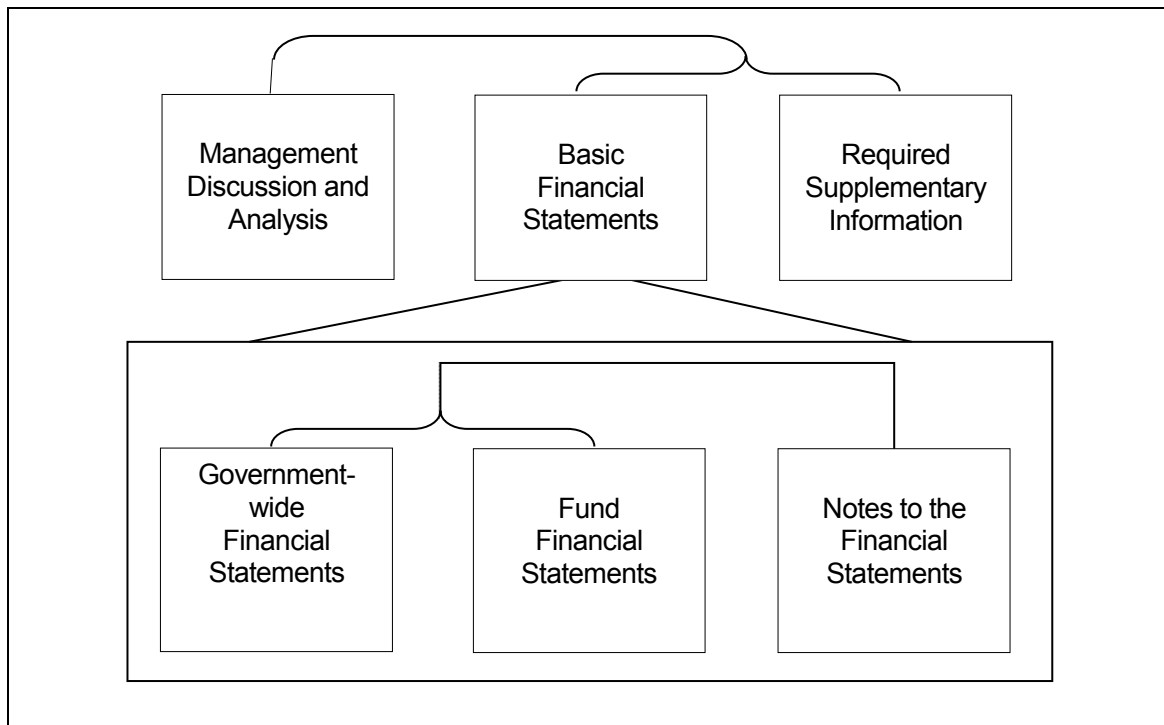
THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the Borough operates like a business. For this Borough, this is our Electric, Water, Sewer and Pool Funds. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required Components of
The Borough of Quakertown's
Financial Report



THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Figure A-2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of the Borough of Quakertown's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Borough (except proprietary and fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary.	Activities the Borough operates similar to private business: <ul style="list-style-type: none"> • Electric • Water • Sewer • Pool 	Instances in which the Borough is the trustee or agent to someone else's resources.
Required financial statements	Statement of net position, Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of net assets, Statement of revenues, expenses and changes in net assets, Statement of cash flows	Statement of fiduciary net position, Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the Borough as a whole. The statement of net position includes all assets and liabilities, both financial and capital, short-term and long-term. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Borough's net position and how they have changed. Net position, the difference between the Borough's assets and liabilities are one way to measure the Borough's financial health or position.

Over time, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating, respectively, based upon the basis of accounting used.

To assess the overall health of the Borough, you need to consider additional non-financial factors, such as changes in the Borough's property tax base and changes in the utility rates and usage.

The government-wide financial statements of the Borough are divided into two categories:

Governmental Activities

All of the Borough's basic services are included here, such as General Government, Public Safety, Public Works and Parks. Property Taxes, Earned Income Taxes and Other Public Taxes finance most of these activities.

Business-Type Activities

The Borough provides electric, water and sewer utilities as well as a recreation pool to residents of the Borough. Fees received for these utilities and pool use fees cover the costs of operations.

The Borough's fund financial statements, which begin on page 13, provide detailed information about the most significant funds - not the Borough as a whole.

Fund Financial Statements includes:

Governmental Funds

Most of the Borough's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual basis of accounting. Under this method revenues are recognized when cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after. The governmental fund statements provide a detailed short-term view of the Borough's operations and services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Proprietary Funds

These funds are used to account for the Borough's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Borough charges customers for services it provides - these services are generally reported in proprietary funds. The electric, water, sewer and pool funds, are the Borough's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information such as cash flow.

Fiduciary Funds

The Borough is a fiduciary for the uniform and non-uniform pension funds as well as the escrow fund and the police health reimbursement arrangement fund. All of the Borough's activities are reported in separate statements or fiduciary net position on pages 21-22. These activities have been excluded from the Borough's financial statements because the Borough cannot use these assets to finance their operations.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough's total net position was \$54,502,091 at December 31, 2013.

Table A-1
Year Ended December 31, 2013 and 2012
Net Position

	2013			2012		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current and Other Assets	<u>\$ 25,044,096</u>	<u>\$ 41,262,046</u>	<u>\$ 66,306,142</u>	<u>\$ 24,991,234</u>	<u>\$ 40,029,811</u>	<u>\$ 65,021,045</u>
Current and Other Liabilities	<u>\$ 1,936,786</u>	<u>\$ 9,867,265</u>	<u>\$ 11,804,051</u>	<u>\$ 1,864,762</u>	<u>\$ 10,524,204</u>	<u>\$ 12,388,966</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 22,154,603	\$ 21,117,848	\$ 43,272,451	\$ 21,689,401	\$ 19,641,176	\$ 41,330,577
Unrestricted	952,707	10,276,933	11,229,640	1,437,071	9,864,431	11,301,502
Total Net Position	<u>\$ 23,107,310</u>	<u>\$ 31,394,781</u>	<u>\$ 54,502,091</u>	<u>\$ 23,126,472</u>	<u>\$ 29,505,607</u>	<u>\$ 52,632,079</u>

The results of this year's operations as a whole are reported in the statement of activities on page 12. All expenses are reported in the first column. The two largest revenues are provided by utility services and general public taxes.

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Table A-2 takes the information from that statement, rearranges it slightly, so that you can see our total revenues and expenses for the year.

Table A-2
Year Ended December 31, 2013 and 2012
Changes in Net Position

	2013			2012		
	(Accrual Basis)			(Accrual Basis)		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 936,927	\$ 20,538,577	\$ 21,475,504	\$ 516,129	\$ 20,473,294	\$ 20,989,423
Operating Grants and Contributions	457,941	85,456	543,397	409,448	67,389	476,837
Capital Grants and Contributions	328,050	-	328,050	199,656	-	199,656
<i>General Revenues</i>						
Property Taxes	126,694	-	126,694	127,989	-	127,989
Other Taxes	1,486,192	-	1,486,192	1,374,018	-	1,374,018
Grants, Subsidies and Contributions, Unrestricted	72,400	-	72,400	48,661	-	48,661
Investment Earnings	30,968	79,941	110,909	36,816	100,519	137,335
Other Revenue	146,826	24,987	171,813	227,496	8,014	235,510
Total Revenue	3,585,998	20,728,961	24,314,959	2,940,213	20,649,216	23,589,429
Expenses						
<i>Governmental Activities</i>						
General Government	927,523	-	927,523	896,485	-	896,485
Public Safety	2,533,496	-	2,533,496	2,486,000	-	2,486,000
Public Works	1,300,749	-	1,300,749	996,716	-	996,716
Culture and Recreation	262,117	-	262,117	346,182	-	346,182
Community Development	158,767	-	158,767	143,084	-	143,084
Non-Departmental	1,855,115	-	1,855,115	1,697,039	-	1,697,039
Depreciation	252,393	-	252,393	208,025	-	208,025
Transfers Between Activities	(3,685,000)	3,685,000	-	(4,080,000)	4,080,000	-
<i>Business-Type Activities</i>						
Electric	-	10,703,665	10,703,665	-	9,514,847	9,514,847
Water	-	1,874,416	1,874,416	-	2,029,356	2,029,356
Sewer	-	2,260,851	2,260,851	-	2,252,097	2,252,097
Pool	-	356,850	356,850	-	413,682	413,682
Total Expenses	3,605,160	18,880,782	22,485,942	2,693,531	18,289,982	20,983,513
Increase in Net Position	\$ (19,162)	\$ 1,848,179	\$ 1,829,017	\$ 246,682	\$ 2,359,234	\$ 2,605,916

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

DEBT ADMINISTRATION

As of January 1, 2013 the Borough had total outstanding debt of \$8,937,205. During the year, the Borough paid principal of \$809,111 resulting in ending outstanding debt as of December 31, 2013, of \$8,128,094.

Table A-3
Outstanding Debt

	2013	2012
2003 General Obligation Note – Pool Fund	\$ -	\$ 332,807
2004 Guaranteed Revenue Note – Water Fund	-	-
2004 Guaranteed Revenue Note – Sewer Fund	-	-
2005 General Obligation Note – Water Fund	463,094	679,398
2012 General Obligation Bonds	7,665,000	7,925,000

General Fund Budget

The Borough adopts an annual budget for its General Fund. This adoption, by law, occurs prior to December 31 of each year for the subsequent year. A comprehensive budgetary comparison, original to final is provided in this report. Below is a summarized version of the budget comparison.

Table A-4
Budgetary Comparison

	2013			
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	Variances with Final Budget Positive (Negative)
Revenues	\$ 2,255,357	\$ 2,255,357	\$ 3,132,840	\$ 877,483
Expenditures	7,358,575	7,358,575	7,141,327	217,248
Excess (Deficiency) of Revenues over Expenditures	(5,103,218)	(5,103,218)	(4,008,487)	1,094,731
Other Financing Sources	4,105,000	4,105,000	4,217,544	112,544
Net Change in Fund Balance	(998,218)	(998,218)	209,057	1,207,275
Fund Balance – January 1, 2013	998,218	998,218	752,622	(245,596)
Fund Balance – December 31, 2013	\$ -	\$ -	961,679	\$ 961,679

	2012			
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	Variances with Final Budget Positive (Negative)
Revenues	\$ 2,290,387	\$ 2,290,387	\$ 2,540,089	\$ 249,702
Expenditures	6,701,290	6,701,290	6,603,720	97,570
Excess (Deficiency) of Revenues over Expenditures	(4,410,903)	(4,410,903)	(4,063,631)	347,272
Other Financing Sources	3,965,000	3,965,000	4,154,168	189,168
Net Change in Fund Balance	(445,903)	(445,903)	90,537	536,440
Fund Balance – January 1, 2012	445,903	445,903	662,085	216,182
Fund Balance – December 31, 2012	\$ -	\$ -	\$ 752,622	\$ 752,622

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Borough of Quakertown has always been and almost certainly will continue to be the core of Upper Bucks County. Although the neighboring municipalities continue to expand in population, the Borough of Quakertown will remain the center of activity and focus. The Borough continues to be perceived by the public as a very desirable place to live, work and play, and there are many reasons for this perception. Quakertown is a "full service community". Although this is a term not frequently used, it means that we provide a comprehensive complement of public services to our residents. Not only do we provide these services, but they are provided in an efficient and cost effective way. Many of the services are subtle, but are not provided by any other municipalities in our larger region. The list includes: police services, water, sewer, electric, leaf collection, brush clipping and branch drop-off, street lights, traffic light maintenance, street maintenance, community swimming pool, and park and recreation facilities (for the Quakertown Community School District). We look forward to our continued focus of Economic Development and the recruitment of new businesses. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. Our water, sewer and electric rates are extremely competitive compared to others in our region. Our property tax rate of 1.625 mills equates to the average property owner paying approximately \$40 in real estate taxes per year for the services we provide to residents and non-residents. However, we have also assumed the leadership role that comes with this designation. Being the leader is not easy or inexpensive, but we continue to provide the responsible leadership to help (along with the other municipalities and the school district) make Quakertown the quality place it is, and will continue to be, to work and live.

The 2014 Budget reflects cautious optimism about the local economy. The 2014 Budget is reflective of the economic situation faced by everyone. It is the universal belief by each department that we must continue to deliver core municipal services foremost. Within our revenue decline, this budget responds to the challenge of balancing the preservation of our infrastructure and maintaining the community's high standards of quality of life. Each Department was instructed to be cautious when developing the 2014 budget, and instructed to:

- Maintain services while adhering to a budget freeze in 2012;
- Postpone or delay, where possible, the hiring or replacement of positions that are vacant;
- Limit unnecessary travel and training;
- Continue to review and implement streamlining and cost savings measures;
- Reduce all non-emergency overtime;

This relative strength allows the Borough of Quakertown to continue to focus resources on building the infrastructure to deliver core services while addressing community priorities. All though there is limited revenue growth, the 2014 budget responds to the challenge of continuing to provide exceptional municipal services.

CONTACTING THE BOROUGH FINANCIAL MANAGEMENT

The Borough's financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Borough's finances and to show Borough Council's accountability for the money it receives. If you have questions, please contact Borough Manager, Scott McElree, 35 North Third Street, Quakertown, PA 18951, phone 215.536.5001.

BASIC FINANCIAL STATEMENTS

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
As of December 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,462,576	\$ 9,042,686	\$ 10,505,262
Investments	1,223,725	-	1,223,725
Taxes Receivable	22,336	-	22,336
Accounts Receivable (Net of Allowance for Doubtful Accounts)	176,776	2,973,418	3,150,194
Intergovernmental Receivable	-	-	-
Internal Balances	-	-	-
Other Receivables	4,080	-	4,080
TOTAL CURRENT ASSETS	2,889,493	12,016,104	14,905,597
NON-CURRENT ASSETS:			
Land	1,851,952	-	1,851,952
Buildings (Net of Depreciation)	1,544,139	14,442,785	15,986,924
Improvements other than Buildings (Net of Depreciation)	787,447	1,052,356	1,839,803
Machinery and Equipment (Net of Depreciation)	1,654,668	1,070,520	2,725,188
Sewer Lines Infrastructure (Net of Depreciation)	-	3,872,773	3,872,773
Water Lines Infrastructure (Net of Depreciation)	-	8,537,420	8,537,420
Infrastructure	16,045,900	-	16,045,900
Construction in Progress	270,497	270,088	540,585
TOTAL NON-CURRENT ASSETS	22,154,603	29,245,942	51,400,545
TOTAL ASSETS	\$ 25,044,096	\$ 41,262,046	\$ 66,306,142
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ -	\$ -	\$ -
Sales Tax Payable	-	13,331	13,331
Accounts Payable	73,571	1,101,410	1,174,981
Accrued Salaries and Benefits	95,477	49,347	144,824
Notes Payable	-	471,269	471,269
Accrued Compensated Absences	274,103	-	274,103
Other Payables	-	-	-
TOTAL CURRENT LIABILITIES	443,151	1,635,357	2,078,508
NON-CURRENT LIABILITIES:			
Accrued Compensated Absences	1,370,515	575,083	1,945,598
Notes Payable	-	7,656,825	7,656,825
TOTAL NON-CURRENT LIABILITIES	1,370,515	8,231,908	9,602,423
TOTAL LIABILITIES	\$ 1,813,666	\$ 9,867,265	\$ 11,680,931
DEFERRED INFLOWS OF RESOURCES	\$ 123,120	\$ -	\$ 123,120
NET POSITION			
Restricted for Capital Projects	22,154,603	21,117,848	43,272,451
Unrestricted	952,707	10,276,933	11,229,640
TOTAL NET POSITION	\$ 23,107,310	\$ 31,394,781	\$ 54,502,091

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Activities
For the Year Ended December 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 927,523	\$ 675,024	\$ -	\$ -	\$ (252,499)	\$ -	\$ (252,499)
Public Safety	2,533,496	232,304	179,671	-	(2,121,521)	-	(2,121,521)
Public Works	1,300,749	-	52,977	162,722	(1,085,050)	-	(1,085,050)
Culture and Recreation	262,117	29,599	-	165,328	(67,190)	-	(67,190)
Community Development	158,767	-	-	-	(158,767)	-	(158,767)
Non-Departmental	1,855,115	-	225,293	-	(1,629,822)	-	(1,629,822)
Debt Service Payments	-	-	-	-	-	-	-
Depreciation	252,393	-	-	-	(252,393)	-	(252,393)
TOTAL GOVERNMENTAL ACTIVITIES	7,290,160	936,927	457,941	328,050	(5,567,242)	-	(5,567,242)
BUSINESS-TYPE ACTIVITIES:							
Electric	10,703,665	15,059,389	28,485	-	-	4,384,209	4,384,209
Water	1,874,416	2,464,261	20,717	-	-	610,562	610,562
Sewer	2,260,851	2,810,134	36,254	-	-	585,537	585,537
Pool	356,850	204,793	-	-	-	(152,057)	(152,057)
TOTAL PRIMARY GOVERNMENT	\$ 22,485,942	\$ 21,475,504	\$ 543,397	\$ 328,050	\$ (5,567,242)	\$ 5,428,251	\$ (138,991)
GENERAL REVENUES:							
Property Taxes. Levied for General Purposes					\$ 126,694	\$ -	\$ 126,694
Other Taxes Levied for General Purposes					1,486,192	-	1,486,192
Grants, Subsidies, & Contributions Not Restricted					72,400	-	72,400
Investment and Rental Earnings					30,968	79,941	110,909
Miscellaneous Income					29,797	24,987	54,784
Insurance Refunds					117,029	-	117,029
Transfers					3,685,000	(3,685,000)	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					5,548,080	(3,580,072)	1,968,008
CHANGE IN NET POSITION					(19,162)	1,848,179	1,829,017
NET POSITION - BEGINNING (RESTATED)					23,126,472	29,546,602	52,673,074
NET POSITION - ENDING					\$ 23,107,310	\$ 31,394,781	\$ 54,502,091

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Balance Sheet
All Governmental Funds
As of December 31, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,321,827	\$ 130,193	\$ 10,556	\$ 1,462,576
Investments	-	1,223,725	-	1,223,725
Taxes Receivable	22,335	-	-	22,335
Accounts Receivable	59,251	-	-	59,251
Intergovernmental Receivable	-	-	-	-
Due from Other Funds	-	-	3,150	3,150
Other Receivables	4,080	-	-	4,080
TOTAL ASSETS	<u>\$ 1,407,493</u>	<u>\$ 1,353,918</u>	<u>\$ 13,706</u>	<u>\$ 2,775,117</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ 3,150	\$ -	\$ -	\$ 3,150
Accounts Payable	73,084	487	-	73,571
Accrued Salaries and Benefits	95,477	-	-	95,477
Accrued Compensated Absences	274,103	-	-	274,103
Deferred Revenue	-	123,120	-	123,120
Other Payables	-	-	-	-
TOTAL LIABILITIES	<u>445,814</u>	<u>123,607</u>	<u>-</u>	<u>569,421</u>
FUND BALANCES:				
- Nonspendable	-	-	-	-
- Restricted	-	-	13,706	13,706
- Committed	-	-	-	-
- Assigned	-	1,230,311	-	1,230,311
- Unassigned	961,679	-	-	961,679
TOTAL FUND BALANCES	<u>961,679</u>	<u>1,230,311</u>	<u>13,706</u>	<u>2,205,696</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,407,493</u>	<u>\$ 1,353,918</u>	<u>\$ 13,706</u>	<u>\$ 2,775,117</u>

Reconciliation to Statement of Net Assets:

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
As of December 31, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,205,696**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$25,145,265 and the accumulated depreciation is \$2,990,662. 22,154,603

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 117,526

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Notes Payable	\$	-	
Accrued Interest on the Bonds		-	
Compensated Absences		(1,370,515)	
Other Retirement Benefits		-	
		-	(1,370,515)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 23,107,310**

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Year Ended December 31, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 1,446,127	\$ -	\$ -	\$ 1,446,127
Licenses and Permits	165,407	-	-	165,407
Fines and Forfeits	82,790	-	-	82,790
Intergovernmental	488,706	165,328	162,722	816,756
Charges for Services	753,084	-	-	753,084
Investment and Rental Earnings	14,490	15,850	627	30,967
Miscellaneous	68,586	18,973	-	87,559
TOTAL REVENUES	<u>3,019,190</u>	<u>200,151</u>	<u>163,349</u>	<u>3,382,690</u>
EXPENDITURES				
CURRENT:				
General Government	861,423	4,797	-	866,220
Public Safety	2,454,392	116,552	-	2,570,944
Public Works	1,102,389	400,957	247,392	1,750,738
Culture and Recreation	262,117	-	-	262,117
Community Development	150,328	179,463	-	329,791
Non-Departmental	1,819,029	-	-	1,819,029
DEBT SERVICE:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	<u>6,649,678</u>	<u>701,769</u>	<u>247,392</u>	<u>7,598,839</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(3,630,488)</u>	<u>(501,618)</u>	<u>(84,043)</u>	<u>(4,216,149)</u>
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Expenditures	113,650	(36,085)	-	77,565
Sale of Fixed Assets	-	-	-	-
Interfund Transfers In	4,217,544	491,649	-	4,709,193
Interfund Transfers Out	(491,649)	(500,000)	(32,544)	(1,024,193)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,839,545</u>	<u>(44,436)</u>	<u>(32,544)</u>	<u>3,762,565</u>
NET CHANGE IN FUND BALANCES	209,057	(546,054)	(116,587)	(453,584)
FUND BALANCES - BEGINNING	<u>752,622</u>	<u>1,776,365</u>	<u>130,293</u>	<u>2,659,280</u>
FUND BALANCES - ENDING	<u>\$ 961,679</u>	<u>\$ 1,230,311</u>	<u>\$ 13,706</u>	<u>\$ 2,205,696</u>

Reconciliation to Statement of Activities:

Amounts recorded for governmental activities in the statement of activities are the same as the amounts recorded in the statement of revenues, expenditures, and changes in fund balances of all governmental funds, since both statements are prepared on the modified cash basis of accounting.

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
To the Statement of Activities
For the Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (453,584)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Depreciation Expense	\$ 252,393		
	Plus - Asset Deletions	-		
	Less - Capital Outlays	<u>717,595</u>		465,202

In the statement of activities, certain operating expenses are recognized when incurred versus the expenditures using the modified accrual basis of accounting in the fund statements. As such, accounts payable increased by this amount this year. 70,883

In the statement of activities, certain operating expenses--compensated absences and special termination benefits --are measured by the amounts earned during the year. In the governmental funds; however, expenditures for the for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (191,320)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 89,657

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (19,162)**

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
All Proprietary Funds
As of December 31, 2013

	<u>ELECTRIC FUND</u>	<u>MAJOR WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 5,198,798	\$ 713,320	\$ 3,060,166	\$ 70,402	\$ 9,042,686
Investments	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,191,302	377,478	404,638	-	2,973,418
Due from Other Funds	-	-	-	-	-
TOTAL CURRENT ASSETS	<u>7,390,100</u>	<u>1,090,798</u>	<u>3,464,804</u>	<u>70,402</u>	<u>12,016,104</u>
NON-CURRENT ASSETS:					
Buildings (Net of Depreciation)	5,980,267	2,272,975	5,521,369	668,174	14,442,785
Improvements other than Buildings (Net of Depreciation)	5,475	8,626	37,000	1,001,255	1,052,356
Machinery and Equipment (Net of Depreciation)	415,551	116,560	538,409	-	1,070,520
Construction in Progress	-	-	270,088	-	270,088
Sewer Lines Infrastructure (Net of Depreciation)	-	-	3,872,773	-	3,872,773
Water Lines Infrastructure (Net of Depreciation)	-	8,537,420	-	-	8,537,420
TOTAL NON-CURRENT ASSETS	<u>6,401,293</u>	<u>10,935,581</u>	<u>10,239,639</u>	<u>1,669,429</u>	<u>29,245,942</u>
TOTAL ASSETS	<u>\$ 13,791,393</u>	<u>\$ 12,026,379</u>	<u>\$ 13,704,443</u>	<u>\$ 1,739,831</u>	<u>\$ 41,262,046</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
CURRENT LIABILITIES:					
Sales Tax Payable	\$ 13,331	\$ -	\$ -	\$ -	\$ 13,331
Accounts Payable	864,066	96,577	140,106	661	1,101,410
Accrued Salaries and Benefits	16,683	14,337	18,327	-	49,347
Deferred Revenues	-	-	-	-	-
Notes Payable	-	376,269	95,000	-	471,269
TOTAL CURRENT LIABILITIES	<u>894,080</u>	<u>487,183</u>	<u>253,433</u>	<u>661</u>	<u>1,635,357</u>
NON-CURRENT LIABILITIES:					
Compensated Absences	228,374	144,537	202,172	-	575,083
Notes Payable	-	4,856,825	2,800,000	-	7,656,825
TOTAL NON-CURRENT LIABILITIES	<u>228,374</u>	<u>5,001,362</u>	<u>3,002,172</u>	<u>-</u>	<u>8,231,908</u>
TOTAL LIABILITIES	<u>1,122,454</u>	<u>5,488,545</u>	<u>3,255,605</u>	<u>661</u>	<u>9,867,265</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Invested in Capital Assets, Net of Related Debt	6,401,293	5,702,487	7,344,639	1,669,429	21,117,848
Restricted	-	-	-	-	-
Unrestricted Net Position	6,267,646	835,347	3,104,199	69,741	10,276,933
TOTAL NET POSITION	<u>\$ 12,668,939</u>	<u>\$ 6,537,834</u>	<u>\$ 10,448,838</u>	<u>\$ 1,739,170</u>	<u>\$ 31,394,781</u>

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenses and Changes in Net Position –
All Proprietary Funds
For the Year Ended December 31, 2013

	<u>ELECTRIC FUND</u>	<u>MAJOR WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 14,695,601	\$ 1,597,122	\$ 2,787,104	\$ 204,793	\$ 19,284,620
Debt Service Fees	-	812,140	-	-	812,140
Permits and Fees	180,860	22,933	-	-	203,793
Penalties	182,928	32,066	23,030	-	238,024
Rental Income	-	40,568	-	-	40,568
Other Income	15,972	5,246	3,078	691	24,987
TOTAL OPERATING REVENUES	<u>15,075,361</u>	<u>2,510,075</u>	<u>2,813,212</u>	<u>205,484</u>	<u>20,604,132</u>
<u>OPERATING EXPENSES</u>					
Costs of Furnishing Utility	10,175,213	1,293,470	1,487,244	-	12,955,927
Costs of Pool Operations	-	-	-	232,821	232,821
Employee Benefits	197,917	142,223	208,830	10,475	559,445
Employee Pension	57,114	27,743	65,824	-	150,681
Insurance	85,606	71,837	96,502	14,950	268,895
Debt Service	-	109,383	52,263	6,786	168,432
Depreciation	187,815	229,760	350,188	91,818	859,581
TOTAL OPERATING EXPENSES	<u>10,703,665</u>	<u>1,874,416</u>	<u>2,260,851</u>	<u>356,850</u>	<u>15,195,782</u>
OPERATING INCOME (LOSS)	<u>4,371,696</u>	<u>635,659</u>	<u>552,361</u>	<u>(151,366)</u>	<u>5,408,350</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest Earned	23,700	2,345	12,320	1,008	39,373
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-
State Aid - Pension	28,485	20,717	36,254	-	85,456
Transfers from Other Funds	-	500,000	-	450,000	950,000
Transfers to Other Funds	(4,400,000)	(116,000)	(119,000)	-	(4,635,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(4,347,815)</u>	<u>407,062</u>	<u>(70,426)</u>	<u>451,008</u>	<u>(3,560,171)</u>
CHANGES IN NET POSITION	23,881	1,042,721	481,935	299,642	1,848,179
NET POSITION, JANUARY 1, 2013 (RESTATED)	<u>12,645,058</u>	<u>5,495,113</u>	<u>9,966,903</u>	<u>1,439,528</u>	<u>29,546,602</u>
NET POSITION, DECEMBER 31, 2013	<u>\$ 12,668,939</u>	<u>\$ 6,537,834</u>	<u>\$ 10,448,838</u>	<u>\$ 1,739,170</u>	<u>\$ 31,394,781</u>

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2013

	<u>ELECTRIC FUND</u>	<u>MAJOR WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Received from Users	\$ 15,108,008	\$ 2,520,102	\$ 2,682,141	\$ 204,793	\$ 20,515,044
Cash Received from Other Operating Revenue	15,972	5,246	3,078	691	24,987
Cash Payments to Employees for Services	(792,370)	(540,409)	(844,149)	(140,925)	(2,317,853)
Cash Payments to Suppliers for Goods and Services	(9,587,412)	(1,193,976)	(960,958)	(122,581)	(11,864,927)
Cash Payments to Other Operating Expenses	-	-	-	(1,249)	(1,249)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,744,198</u>	<u>790,963</u>	<u>880,112</u>	<u>(59,271)</u>	<u>6,356,002</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
State Sources	28,485	20,717	36,254	-	85,456
Operating Transfers In	-	500,000	-	450,000	950,000
Operating Transfers Out	(4,400,000)	(116,000)	(119,000)	-	(4,635,000)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(4,371,515)</u>	<u>404,717</u>	<u>(82,746)</u>	<u>450,000</u>	<u>(3,599,544)</u>
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>					
Loan Principal Payments/Proceeds	-	(381,304)	(95,000)	(332,807)	(809,111)
Purchase of Fixed Assets	(140,189)	(1,116,863)	(270,088)	-	(1,527,140)
Sale of Fixed Assets	-	-	-	-	-
Interfund Loan Payments	-	-	-	-	-
NET CASH PROVIDED (USED) FOR CAPITAL FINANCING ACTIVITIES	<u>(140,189)</u>	<u>(1,498,167)</u>	<u>(365,088)</u>	<u>(332,807)</u>	<u>(2,336,251)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Sale of Investments	-	-	-	-	-
Purchase of Investments	-	-	-	-	-
Earnings on Investments	23,700	2,345	12,320	1,008	39,373
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>23,700</u>	<u>2,345</u>	<u>12,320</u>	<u>1,008</u>	<u>39,373</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	256,194	(300,142)	444,598	58,930	459,580
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,942,604	1,013,462	2,615,568	11,472	8,583,106
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,198,798</u>	<u>\$ 713,320</u>	<u>\$ 3,060,166</u>	<u>\$ 70,402</u>	<u>\$ 9,042,686</u>

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2013

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>ELECTRIC FUND</u>	<u>MAJOR WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ 4,371,696	\$ 635,659	\$ 552,361	\$ (151,366)	\$ 5,408,350
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Depreciation	187,815	229,760	350,188	91,818	859,581
CHANGE IN ASSETS AND LIABILITIES:					
(Increase) Decrease in Accounts Receivable	48,619	15,273	(127,993)	-	(64,101)
(Increase) Decrease in Advances from Other Funds	-	-	-	-	-
Increase (Decrease) in Accounts Payable	108,193	(114,484)	89,430	277	83,416
Increase (Decrease) in Accrued Salaries and Benefits	3,036	3,376	881	-	7,293
Increase (Decrease) in Sales Tax Payable	59	-	-	-	59
Increase (Decrease) in Deferred Revenue	-	-	-	-	-
Increase (Decrease) in Compensated Absences	24,780	21,379	15,245	-	61,404
TOTAL ADJUSTMENTS	<u>372,502</u>	<u>155,304</u>	<u>327,751</u>	<u>92,095</u>	<u>947,652</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,744,198</u>	<u>\$ 790,963</u>	<u>\$ 880,112</u>	<u>\$ (59,271)</u>	<u>\$ 6,356,002</u>

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
Fiduciary Funds
As of December 31, 2013

	PENSION BENEFIT TRUST FUNDS	AGENCY FUNDS	
		ESCROW FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
ASSETS			
Cash and Cash Equivalents	\$ 389,924	\$ 263,495	\$ 90,978
Investments	13,360,632	-	-
Accrued Investment Income	32,348	-	-
Accounts Receivable	1,800	-	-
TOTAL ASSETS	\$ 13,784,704	\$ 263,495	\$ 90,978
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Escrow Holders	-	263,495	-
Due to Police Officers	-	-	90,978
TOTAL LIABILITIES	-	263,495	90,978
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -
NET POSITION			
Restricted for Employee Benefits	13,784,704	-	-
TOTAL NET POSITION	\$ 13,784,704	\$ -	\$ -

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2013

	PENSION BENEFIT TRUST FUNDS
ADDITIONS:	
Contributions - Employer	\$ 435,472
Contributions - Employee	39,371
State Aid	310,769
Miscellaneous Income	-
INVESTMENT EARNINGS:	
Interest and Dividends	629,764
Change in Fair Value of Investments	<u>1,378,722</u>
TOTAL ADDITIONS	<u>2,794,098</u> -----
DEDUCTIONS:	
Administrative Charges	15,988
Investment Expenses	41,068
Employee Benefits	<u>517,698</u>
TOTAL DEDUCTIONS	<u>574,754</u>
CHANGES IN NET POSITION	2,219,344
NET POSITION - BEGINNING OF YEAR	<u>11,565,360</u>
NET POSITION - END OF YEAR	<u>\$ 13,784,704</u>

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2013

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
RESOURCES (INFLOW):						
Taxes	\$ 1,292,000	\$ 1,292,000	\$ 1,446,127	\$ 154,127	\$ -	\$ 1,446,127
Licenses and Permits	160,000	160,000	165,407	5,407	-	165,407
Fines and Forfeits	91,000	91,000	82,790	(8,210)	-	82,790
Intergovernmental	200,507	200,507	488,706	288,199	-	488,706
Charges for Services	468,800	468,800	753,084	284,284	-	753,084
Miscellaneous	30,550	30,550	65,207	34,657	-	65,207
Insurance Claim Refund	1,000	1,000	3,379	2,379	-	3,379
Investment and Rental Earnings	11,500	11,500	14,490	2,990	-	14,490
Refund of Prior Year Expenditures	-	-	113,650	113,650	-	113,650
Transfers from Other Funds	4,105,000	4,105,000	4,217,544	112,544	-	4,217,544
TOTAL RESOURCES	6,360,357	6,360,357	7,350,384	990,027	-	7,350,384
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government						
Legal	30,500	30,500	15,287	15,213	-	15,287
Mayor, Legislative, Borough Manager	272,769	272,769	277,096	(4,327)	-	277,096
Finance and Accounting	263,192	263,192	250,840	12,352	-	250,840
Tax Collection	8,000	8,000	6,956	1,044	-	6,956
IT-Networking Services-Data Processing	51,100	51,100	43,996	7,104	-	43,996
Engineering	130,000	130,000	117,407	12,593	-	117,407
Buildings and Plant	219,300	219,300	149,841	69,459	-	149,841
Public Safety						
Police	2,017,667	2,017,667	1,909,920	107,747	-	1,909,920
Fire Department	334,200	334,200	415,568	(81,368)	-	415,568
Inspections	132,048	132,048	128,904	3,144	-	128,904
Public Works						
Solid Waste and Collection	5,880	5,880	5,880	-	-	5,880
Street Maintenance and Lighting	1,179,132	1,179,132	1,096,509	82,623	-	1,096,509
Culture and Recreation						
Parks	335,200	335,200	262,117	73,083	-	262,117
Community Development						
Community Development	141,100	141,100	150,328	(9,228)	-	150,328
Non-Departmental						
Employer Paid Benefits and Withholding Items	1,528,487	1,528,487	1,608,429	(79,942)	-	1,608,429
Insurance	158,700	158,700	208,616	(49,916)	-	208,616
Miscellaneous	3,800	3,800	1,984	1,816	-	1,984
Budgetary Reserve	107,000	107,000	-	107,000	-	-
Transfer to Other Funds	440,500	440,500	491,649	(51,149)	-	491,649
TOTAL CHARGES TO APPROPRIATIONS	7,358,575	7,358,575	7,141,327	217,248	-	7,141,327
Excess (Deficiency) of Inflows Over Outflows	(998,218)	(998,218)	209,057	1,207,275	-	209,057
FUND BALANCE - JANUARY 1, 2013	998,218	998,218	752,622	(245,596)	-	752,622
FUND BALANCE - DECEMBER 31, 2013	\$ -	\$ -	\$ 961,679	\$ 961,679	\$ -	\$ 961,679

The Accompanying Notes are an integral part of these financial statements.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Note 1 - Description of the Borough and Reporting Entity

The Borough of Quakertown, Pennsylvania (The Borough) was incorporated in 1855, under the provisions of the Laws of the Commonwealth of Pennsylvania. The Borough operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include providing water, sewer and electricity.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Borough are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Borough.

The Borough of Quakertown is a municipal Corporation governed by an elected council. As required by generally accepted accounting principles, these financial statements are to present the Borough of Quakertown (the primary government) and organizations for which the primary government is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Borough in that the Borough approved the budget, the issuance of debt, or the levying of taxes. The Borough of Quakertown does not have any material component units.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Borough have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Borough at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and for four business-type activities of the Borough. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements During the year, the Borough segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the Borough receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used for a specified purpose, and expenditure requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Fund Accounting

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Borough's **major** governmental funds:

General Fund

The General Fund is the general operating fund of the Borough. Substantially all tax revenues, Federal and State aid (except aid restricted for use in Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Borough's day-to-day operations.

Capital Projects Fund

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds. The Borough has two (2) capital project funds, consisting of the Capital Projects Fund and the Equipment Replacement Fund.

Proprietary Funds Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Borough's major enterprise funds are:

Electric Fund This fund accounts for the financial transactions related to providing electricity to the residents of the Borough.

Water Fund This fund accounts for the financial transactions related to providing water services to the residents of the Borough.

Sewer Fund This fund accounts for the financial transactions related to providing waste water to the residents of the Borough.

The Borough applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements.

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has three (3) trust funds, consisting of a Police Pension Fund, a Non-Uniform Pension Fund, and a Defined Compensation Plan Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has two (2) agency funds, consisting of an Escrow Fund and a Police Health Reimbursement Arrangement Fund.

D. Measurement Focus

Government-wide Financial Statements. The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Borough are included on the statement of net assets.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Fund Financial Statements. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

E. Budgets and Budgetary Accounting

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

1. In accordance with the Borough Code and Borough procedures, the Borough Manager submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, and insurance, employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the Borough are for the General Fund.
7. The budgets are adopted on the modified accrual basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.)
8. The Council may authorize supplemental appropriations during the year.

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, expect that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the Borough's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a reservation for encumbrances on the balance sheet of the General Fund. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the Borough's legally adopted budget.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

F. Use of Estimates

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

G. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2013 is \$79,504,100 at a rate of 1.625 mills. Real estate taxes are levied on March 1 and are payable by June 30.

Real estate taxes paid by April 30 are subject to a 2% discount and after June 30 are subject to a 10% penalty. Delinquent real estate taxes are generally lienied by January 1 of the following year.

Fund Balance Classifications

GASB Statement No 54, effective for financial statements for periods beginning after June 14, 2010, established accounting and financial reporting standards for all governments that report governmental funds. The statement established criteria for classifying fund balances into the following specifically defined classifications:

- **Non-spendable** fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

- **Restricted** fund balance includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Borough's highest level of decision making is the Borough Council.
- **Assigned** fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Borough maintains a capitalization threshold of five thousand (\$5,000) dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land, certain land improvements, infrastructure and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 - 50 years
Machinery and Equipment	5 - 20 years
Vehicles	10 - 30 years
Infrastructure	Modified Approach
Water Lines	30 - 50 years
Sewer Lines	50 - 90 years

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Compensated Absences

The Borough reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Borough will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Borough's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

Reclassification

Certain amounts have been reclassified to conform to the December 31, 2013, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis of accounting.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Borough applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between "fund balance-total governmental funds" and "net assets – governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds". The cost of the capital assets net of depreciation totals \$22,154,603. Another element of the reconciliation explains that

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

“long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds”.

The details of this \$1,370,515 difference are:

Compensated Absences	\$ 1,370,515
Net adjustment to reduce “fund balance – total governmental funds” to arrive at “net assets – governmental activities”	<u>\$ 1,370,515</u>

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Due to the difference in the measurement focus and basis of accounting used on the governmental fund statements and borough-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of two broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b) Capital related differences include: (1) the differences between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities; and, (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Explanation of Differences between Governmental Fund Statements and Borough-Wide Statements

	Total Govern- mental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Long-Term Debt Trans- actions	Total for Statement of Activities
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 126,694	\$ -	\$ -	\$ -	\$ 126,694
Other Taxes Levied for General Purposes	1,088,655	-	-	-	1,088,655
Franchise Taxes	165,053	-	-	-	165,053
Local Service Taxes	232,484	-	-	-	232,484
Grants, Subsidies & Contributions Not Restricted	72,400	-	-	-	72,400
Investment and Rental Earnings	30,968	-	-	-	30,968
Miscellaneous	29,797	-	-	-	29,797
Charges for Services	847,270	89,657	-	-	936,927
Insurance Refunds	117,029	-	-	-	117,029
Transfers In	4,709,193	(1,024,193)	-	-	3,685,000
STATE SOURCES:					
Operating and Capital Grants & Contributions	713,745	-	-	-	713,745
FEDERAL SOURCES:					
Operating and Capital Grants & Contributions	72,246	-	-	-	72,246
TOTAL REVENUES	<u>8,205,534</u>	<u>(934,536)</u>	<u>-</u>	<u>-</u>	<u>7,270,998</u>
EXPENDITURES/EXPENSES AND OTHER USES					
General Government	866,220	61,303	-	-	927,523
Public Safety	2,570,944	108,166	(145,614)	-	2,533,496
Public Works	1,750,738	(49,032)	(400,957)	-	1,300,749
Culture and Recreation	262,117	-	-	-	262,117
Community Development	329,791	-	(171,024)	-	158,767
Non-Departmental	1,855,115	-	-	-	1,855,115
Debt Service Payments	-	-	-	-	-
Depreciation	-	-	252,393	-	252,393
Transfers Out	1,024,193	(1,024,193)	-	-	-
TOTAL EXPENDITURES/EXPENSES	<u>8,659,118</u>	<u>903,756</u>	<u>(465,202)</u>	<u>-</u>	<u>7,290,160</u>
NET CHANGE FOR THE YEAR	<u>\$ (453,584)</u>	<u>\$ (30,780)</u>	<u>\$ (465,202)</u>	<u>\$ -</u>	<u>\$ (19,162)</u>

Note 4 - Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2013, \$11,925,275 of the Borough's bank balance of \$13,246,785 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	11,925,275
TOTAL	<u><u>\$ 11,925,275</u></u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 11,925,275
Plus: Insured Amount	1,321,510
Deposits in Transit	78,261
Less: Outstanding Checks	(209,676)
Carrying Amount – Bank Balances	13,115,370
Plus: Petty Cash	550
Deposits in Investment Pools Considered Cash Equivalents	13,648
Deposits in Money Market Mutual Funds Considered Cash Equivalents	373,816
Less: Certificates of Deposit Considered Investments	(2,253,725)
Total Cash per Financial Statements	\$ 11,249,659

Restricted Cash

The cash balance includes \$389,924 held for pension benefits, \$227,057 held as utility escrow funds and \$36,438 held as construction escrow funds. The utility escrow funds are security deposits from renters in the Borough. The construction escrow is funds held by the Borough to guarantee the completion of various construction projects by the developers.

Note 5 - Investments

The permitted investments for Pennsylvania Boroughs are defined in the Borough Code as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities.

Pension Trust Funds – The uniform and non-uniformed pension funds may invest funds outside of those investments permitted for Pennsylvania Boroughs.

As of December 31, 2013, the Borough had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 13,648
Federated Institutional Government Obligation Fund		373,816
Common Stocks		5,873,285
Corporate Bonds	4.5 mos – 9 yrs. 10 mos.	1,391,375
U.S. Government Agency Bonds	4 mos. – 9 yrs 11 mos	1,407,073
Certificates of Deposit	10 mos. - 5 yrs. 10 mos.	2,253,725
Mutual Funds		3,658,899
TOTAL		\$ 14,971,821

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Interest Rate Risk

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

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2013, the Borough's investments were rated as:

Investments	Standard & Poor's
PLGIT	AAA
Common Stocks	Not Available
Corporate Bonds	Not Available
Federal Home Loan Bank Bonds	AAA
Federal Home Loan Mortgage Corp. Bonds	AAA
FNMA Bonds	AAA
Federal Agricultural Mortgage Co.	AAA
American Funds Europacific Growth Fund	Not Available
Federated Short-Term Income Fund	Not Available
Federal Total Return Bond Fund	Not Available
Federated Institutional Government Obligation Fund	Not Available
Goldman Sachs Mid Cap Value Fund	Not Available
Heartland Value Plus Fund	Not Available
Prudential Jenison Mid. Cap Growth Fund	Not Available
Vanguard Explorer Fund	Not Available
Vanguard Total International ETF	Not Available
Misc. Mutual Funds	AL/FL

FL indicates that the investments is on the CGR Focus list and have passed an in-depth review and possess the CGR's highest level of confidence. AL indicates that the investments is on the CGR approved list and have passed a less rigorous review and have been approved for recommendation to investors.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. More than 5% of the Borough's investments are in certificates of deposit at the QNB Bank, the American Funds Europacific Growth Fund and the Vanguard Total International ETF. These investments are 8.17%, 5.90% and 5.80%, respectively, of the Borough's investments. More than 5% of the Trust and Agency Funds' investments are in the American Funds Europacific Growth Fund and the Vanguard Total International ETF. These investments are 6.44% and 6.32%, respectively of the Trust and Agency Funds investments. Of the Governmental Funds' investments, 98.90% is in certificates of deposit at the QNB Bank. The Capital Projects Funds' investments are in certificates of deposit at the QNB Bank.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough has no investments subject to custodial credit risk.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Foreign Currency Risk

As of December 31, 2013, the Borough had the following investments that were subject to foreign currency risk:

Name	Amount
Common Stocks:	
Freeport-McMoran Copper and Gold	\$ 62,724
Corporate Bonds:	
Barclays Bank PCL 4.00% due 4/28/17	51,318
Barclays Bank PCL 2.35% due 10/18/21	46,024
AstraZeneca PLC 5.90% due 9/15/17	50,173
Mutual Funds:	
American Funds Europacific Growth Fund	883,897
Vanguard Total International ETF	868,408

Reconciliation to Financial Statements

Total Investments Above	\$ 14,971,821
Less: Deposits in Investment Pool Considered Cash Equivalents	(13,648)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	(373,816)
Total Investments per Financial Statements	\$ 14,584,357

Restricted Investments

The investments include \$13,360,632 held for future pension obligation for the uniform and non-uniform pension plans.

Note 6 - Receivables

Receivables as of year end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are:

	General Fund	Capital Project Funds	Non- Major Funds	Electric Fund	Water Fund	Sewer Fund	Pool Fund	Fiduciary Funds	Total
Receivables									
Taxes	\$ 22,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,335
Accounts	59,251	-	-	2,305,027	397,794	417,212	-	1,800	3,181,084
Intergovernmental	-	-	-	-	-	-	-	-	-
Other	4,080	-	-	-	-	-	-	-	4,080
Gross Receivables	85,666	-	-	2,305,027	397,794	417,212	-	1,800	3,207,499
Less: Allowance for Uncollectibles	-	-	-	113,725	20,316	12,574	-	-	146,615
Net Receivables	\$ 85,666	\$ -	\$ -	\$ 2,191,302	\$377,478	404,638	-	1,800	\$ 3,060,884

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2013, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Moose Building	298,957	-	-	298,957
Construction in Progress	105,169	165,328	-	270,497
Infrastructure	16,045,900	-	-	16,045,900
Total Capital Assets not being depreciated	18,301,978	165,328	-	18,467,306
Capital Assets being depreciated:				
Buildings	2,279,938	-	-	2,279,938
Improvements Other than Buildings	1,392,808	-	-	1,392,808
Machinery and Equipment	2,452,946	552,267	-	3,005,213
Total Capital Assets Being Depreciated	6,125,692	552,267	-	6,677,959
Less: Accumulated Depreciation for:				
Buildings	(997,001)	(37,755)	-	(1,034,756)
Improvements Other than Buildings	(555,498)	(49,863)	-	(605,361)
Machinery and Equipment	(1,185,770)	(164,775)	-	(1,350,545)
Total Accumulated Depreciation	(2,738,269)	(252,393)	-	(2,990,662)
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	3,387,423	299,874	-	3,687,297
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 21,689,401	\$ 465,202	\$ -	22,154,603
Business-Type Activities:				
Capital Assets not being depreciated:				
Construction-In-Progress	1,194,985	270,088	(1,194,985)	270,088
Capital Assets being depreciated:				
Buildings	25,527,409	6,790	-	25,534,199
Improvements Other than Buildings	2,301,000	-	-	2,301,000
Machinery and Equipment	1,937,951	133,401	-	2,071,352
Sewer Lines Infrastructure	6,256,215	-	-	6,256,215
Water Lines Infrastructure	8,744,099	2,311,848	-	11,055,947
Less: Accumulated Depreciation	(17,383,278)	(859,581)	-	(18,242,859)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 28,578,381	\$ 1,862,546	\$ (1,194,985)	\$ 29,245,942

The Borough did not dispose of any capital assets in the Governmental Activities Funds and the Business-Type Activities Funds during the 2013 year.

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated **\$ 252,393**

The depreciation was charged to the business-type activities as follows:

Depreciation – Unallocated **\$ 859,581**

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Long-Term Obligations

The Borough has the following construction commitments:

	Contract Amount	Expended to 12/31/13	Outstanding Commitment
<u>KRUPP PARK</u>			
Land-Tech Enterprises, Inc.	\$ 350,740	\$ 126,522	\$ 224,218
<u>WATER TREATMENT PLANT FOR WELLS NO. 7, 8 & 9</u>			
Mercuri and Associates, Inc.	2,023,637	2,023,637	-
TOTAL	<u>\$ 2,374,377</u>	<u>\$ 2,150,159</u>	<u>\$ 224,218</u>

Note 8 – Short-Term Debt

Interfund Receivables and Payables

The following Interfund receivable and payables were in existence as of December 31, 2013.

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 3,150
Special Revenue (Liquid Fuels) Fund	3,150	-
TOTAL	<u>\$ 3,150</u>	<u>\$ 3,150</u>

Interfund Transfers

The Borough also made the following interfund transfers during the year ended December 31, 2013.

	Transfer In	Transfer Out
General Fund	\$ 4,217,544	\$ 491,649
Special Revenue (Liquid Fuels) Fund	-	32,544
Enterprise (Electric) Fund	-	4,400,000
Enterprise (Water) Fund	500,000	116,000
Enterprise (Sewer) Fund	-	119,000
Enterprise (Pool) Fund	450,000	-
Capital Projects (Equipment Replacement) Fund	491,649	-
Capital Projects (Capital Projects) Fund	-	500,000
TOTAL	<u>\$ 5,659,193</u>	<u>\$ 5,659,193</u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2013, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,415,034	\$ 229,584	\$ -	\$ 1,644,618	\$ 274,103
Total Governmental Activities Long-Term Liabilities	\$ 1,415,034	\$ 229,584	\$ -	\$ 1,644,618	274,103
Business-Type Activities:					
Guaranteed Revenue Notes and Bonds Payable					
Capital Projects	\$ 8,937,205	\$ -	\$ 809,111	\$ 8,128,094	\$ 471,269
Compensated Absences	513,679	61,404	-	575,083	-
Total Business-Type Activities Long-Term Liabilities	\$ 9,450,884	\$ 61,404	\$ 809,111	\$ 8,703,177	\$ 471,269

Payments on bonds and notes are made by the Pool Fund, Sewer Fund and Water Fund.

Total interest paid during the year:

Business-Type Activities	Paid
General Obligation Bonds	\$ 140,616
General Obligation Notes	27,815
Total Interest Paid By Business-Type Activities	\$ 168,431

The total interest cost incurred and charged to expense in 2013 was \$168,431.

General Obligation Note – Series of 2005 – Water Fund

On November 16, 2005, the Borough issued a \$2,000,000 general obligation note purchased by Wells Fargo Bank. The purpose of this Note is for certain capital projects of the Borough including construction of a filter plant and replacement of a water system telemetry panel. The effective interest rate is 3.450% for ten (10) years with a quarterly payment of \$59,333.

The future debt service obligations are:

Fiscal Year	Principal	Interest
2014	\$ 226,269	\$ 11,064
2015	236,825	5,189
Total Outstanding	\$ 463,094	\$ 16,253

General Obligation Bonds – Series of 2012 – Water Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Water Fund totaled \$4,935,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$4,872,385, issued to

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The outstanding debt service requirements at December 31, 2013, are:

Fiscal Year	Principal	Interest
2014	\$ 150,000	\$ 101,875
2015	310,000	97,275
2016	315,000	91,025
2017	320,000	84,675
2018	330,000	78,175
2019-2023	1,740,000	288,405
2024-2028	1,605,000	86,608
Total Outstanding	\$ 4,770,000	\$ 828,038

General Obligation Bonds – Series of 2012 – Sewer Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Sewer Fund totaled \$2,990,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$2,952,936, issued to Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The outstanding debt service requirements at December 31, 2013, are:

Fiscal Year	Principal	Interest
2014	\$ 95,000	\$ 61,770
2015	190,000	58,920
2016	190,000	55,120
2017	195,000	51,270
2018	200,000	47,320
2019-2023	1,055,000	174,485
2024-2028	970,000	52,255
Total Outstanding	\$ 2,895,000	\$ 501,140

Compensated Absences

Vacation, Sick and Personal Days

Under the Borough's various agreements and plans, professional and eligible support personnel accumulate unused vacation days and sick days from year to year based on their classification. These accumulated vacation and sick days are non-vesting during the employee's tenure. An estimate based upon a Paychex Benefit Accrual Report valuing these accumulated vacation and sick days has been recorded in these financial statements.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years are:

<u>PRINCIPAL REQUIREMENTS</u>	<u>G.O.B.</u>	<u>G.O.B.</u>	<u>G.O.N.</u>	<u>TOTAL</u>
<u>FISCAL YEAR</u>	<u>SERIES 2012</u> <u>WATER FUND</u>	<u>SERIES 2012</u> <u>SEWER FUND</u>	<u>SERIES 2005</u>	<u>PAYMENTS</u>
2014	\$ 150,000	\$ 95,000	\$ 226,269	\$ 471,269
2015	310,000	190,000	236,825	736,825
2016	315,000	190,000	-	505,000
2017	320,000	195,000	-	515,000
2018	330,000	200,000	-	530,000
2019-2023	1,740,000	1,055,000	-	2,795,000
2024-2028	1,605,000	970,000	-	2,575,000
	-	-	-	-
TOTAL	4,770,000	2,895,000	463,094	8,128,094
LESS PAYABLE WITHIN ONE YEAR	150,000	95,000	226,269	471,269
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 4,620,000	\$ 2,800,000	\$ 236,825	\$ 7,656,825
 <u>PRINCIPAL AND INTEREST REQUIREMENTS</u>				
<u>FISCAL YEAR</u>	<u>SERIES 2012</u> <u>WATER FUND</u>	<u>SERIES 2012</u> <u>SEWER FUND</u>	<u>G.O.N.</u> <u>SERIES 2005</u>	<u>TOTAL</u> <u>PAYMENTS</u>
2014	\$ 251,875	\$ 156,770	\$ 237,333	\$ 645,978
2015	407,275	248,920	242,014	898,209
2016	406,025	245,120	-	651,145
2017	404,675	246,270	-	650,945
2018	408,175	247,320	-	655,495
2019-2023	2,028,405	1,229,485	-	3,257,890
2024-2028	1,691,608	1,022,255	-	2,713,863
	-	-	-	-
TOTAL	\$ 5,598,038	\$ 3,396,140	\$ 479,347	\$ 9,473,525

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Note 10 - Pension Plan Obligations

The Borough maintains two pension plans, the Non-Uniformed Pension Plan and the Police Pension Plan. The Non-Uniformed Pension Plan covers substantially all full-time and permanently part-time non-police employees of the Borough and the Police Pension Plan covers the full-time police employees. The plans are single-employer defined benefit pension plans. The financial statements of the plans are part of the Borough's annual financial report which can be obtained from the Borough at 35 North Third St., Quakertown, PA 18951. The authority, under which the benefit provisions have been established or may be amended, remains with the Council of the Borough of Quakertown.

Non-Uniformed Pension Plan

Plan Description

The Borough of Quakertown Non-Uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 1006. Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, provides the authority for the Borough to establish and amend the plan.

All full-time non-police employees who were hired prior to 2008 are eligible to participate in the plan. The plan provides vesting, normal and early retirement, and survivor benefits to plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the Borough.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the plans are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when received. Benefits and expenses are recognized when paid in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities and mutual funds reported on a national exchange are valued at the last reported sales price at the end of the year.

Funding Policy

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2013. In accordance with the Borough's resolution; all plan members are required to contribute 1% of their compensation to the plan.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Plan Membership

Plan membership of the plan consisted of the following at December 31, 2013:

Active plan members	33
Retirees and beneficiaries currently receiving benefits	28
Terminated plan members entitled to benefits but not yet receiving them	19
TOTAL	80

Annual Pension Cost and Net Pension Obligation

The Borough's annual pension cost and net pension obligation for the year are:

Annual Pension cost per MMO	\$ 287,384
Contributions Made	287,384

Three-Year Trend Information

THREE YEAR TREND INFORMATION			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension
12/31/2011	\$ 307,724	100.00%	\$ -
12/31/2012	294,984	100.00%	-
12/31/2013	287,384	100.00%	-

The annual contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2013 included (a) 7.5% rate of return, (b) projected salary increases of 5.0% and (c) cost-of-living increases of 2.0%. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the Administrator, using the 4 year smoothing method. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 15-30 years. The remaining amortization periods at December 31, 2013, were 1-20 years.

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 76.95% funded. The actuarial accrued liability for benefits was \$8,852,000 and the actuarial value of the assets was \$6,812,059, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,039,951. The covered payroll (annual payroll of active employees covered by the plan) was \$1,918,292 and the ratio of the UAAL to the covered payroll was 106.34%.

As a result of being 76.95% funded at January 1, 2013, the plan is considered to be at the minimal distress level. As a result, the Borough has had to implement a plan for administrative improvements fund effective for 2013. (See administrative improvement plan note).

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Police Pension Plan

Plan Description

The Borough of Quakertown Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Section 2 of the code of Ordinances, Act 600. The Police Pension Act is the authority for the Borough to establish and amend the plan.

All full-time police employees are eligible to participate in the plan. The plan provides vesting, normal and early retirement, and survivor benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Borough.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the plan are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when received. Benefits and expenses are recognized when paid in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported as cost, which approximates fair value. Securities and mutual funds reported on a national exchange are valued at the last reported sales price at the end of the year.

Funding Policy

Act 205, of the Commonwealth of Pennsylvania, requires that the annual contributions be based on the plans' annual minimum municipal obligation (MMO). The MMO is based on the plans' biennial actuarial valuations, which were performed as of January 1, 2013. In accordance with the plan's governing resolution, members are required to contribute 1% of their compensation to the plan starting in 2011.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

Plan Membership

Plan membership of the plan consisted of the following at December 31, 2013:

Active plan members	16
Retirees and beneficiaries currently receiving benefits	10
Terminated plan members entitled to benefits but not yet receiving them	3
TOTAL	<u>29</u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Annual Pension Cost and Net Pension Obligation

The Borough's annual pension cost and net pension obligation for the year are:

Annual Pension cost per MMO	\$ 402,008
Contributions Made	402,008

Three-Year Trend Information

THREE YEAR TREND INFORMATION			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension
12/31/2011	\$ 347,966	100.00%	\$ -
12/31/2012	406,593	100.00%	-
12/31/2013	402,008	100.00%	-

The annual contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2013 included (a) 7.5% rate of return, (b) projected salary increases of 5.0% and (c) cost-of-living increases of 3.0%. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the Administrator, using the 4 year smoothing method. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 10-30 years. The remaining amortization periods at December 31, 2013, were 2-20 years.

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 62.46% funded. The actuarial accrued liability for benefits was \$7,536,885 and the actuarial value of the assets was \$4,707,286, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,829,599. The covered payroll (annual payroll of active employees covered by the plan) was \$1,528,038 and the ratio of the UAAL to the covered payroll was 185.18%.

As a result of being 62.46% funded at January 1, 2013, the plan is considered to be at the moderate distress level. As a result the Borough has had to implement a plan for administrative improvement fund effective for 2013. (See Administrative Improvement Plan Note).

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

Plan for Administrative Improvement

As a result of being classed as a moderately distressed municipality the Borough of Quakertown has approved the following plan for administrative improvement for the Borough's Pension Plan to be effective for January 1, 2013.

Data for Form AG-385

In prior years, the Borough had made errors in the certification of pension plan data on Form AG-385, resulting in an underpayment of State aid.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

The Borough has trained its employees in applicable Act 205 guidelines for the certification of eligible employees.

In addition, the Borough has been having its actuary review the form for accuracy and compliance with the applicable Act 205 guidelines.

This improvement will help to avoid underpayments and overpayments of State aid and therefore avoid lost interest on underpayments and the administrative costs of repaying overpayments with interest.

Review of Actuarial Assumptions

Salary increases among the uniformed and non-uniformed employees have decreased in recent years from 6-7% per year to 2-3% per year. This was reviewed with our actuary during the process of preparing the January 1, 2013 actuarial valuation to see if the 5.0% annual salary increase assumption is still valid going forward. The January 1, 2013 valuations retained the 5% annual salary increases.

In addition, we will review our investment return assumption, in light of recent history; to make sure that we use a rate going forward that reflects expected future fund experience.

Member Contributions

Historically, the Borough has funded the pension plan contributions with State aid and Borough contributions.

Since 2010, members of the non-uniformed pension plan have been contributing 1% of their salary to the plan. Since 2011, the police officers were required to contribute 1% of their compensation to the plan.

The Borough plans to increase member contributions to both plans where possible, given the collective bargaining agreements.

Investment Performance

The Borough will meet regularly with their investment advisors to ensure that the strategy has the best chance of maximizing our returns while paying the lowest possible expenses.

Other Voluntary Remedies Elected by the Borough

The Borough has elected not to use the specific member contribution provisions of Sec. 607 (i) of Act 205. The Borough has elected not to use its option to exceed otherwise applicable limitations on municipal contributions to its pension funds under Sec. 607(d) of Act 205.

The Borough has elected to reduce its amortization payment by 25% for the current biannual reporting period. The Borough has elected to use an actuarial asset smoothing method that results in an actuarial value of assets of between 70% and 130% of the market value of the assets.

Deferred Retirement Option Plan

On November 29, 2006, the Borough adopted the Deferred Retirement Option Plan (DROP) for the Borough's police officers. Police officers who have not retired prior to the implementation of the DROP plan may enter into DROP on the first day of any month following completion of twenty-five years of credited service and attaining the age of fifty.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

A police officer electing to participate in the DROP must complete and file with the Borough a DROP option form which shall evidence the member's participation in the DROP. The form must be submitted prior to the date on which the member wishes the DROP option to be effective. The DROP Option notice shall include an irrevocable notice to the Borough that the member shall resign from employment with the Borough Police Department effective on a specific date (the "Resignation Date"). In no event shall the Resignation date be shorter than twelve months or longer than sixty months from the execution of the DROP Option form. An officer shall cease to work as a police officer on the officer's Resignation Date, unless the Borough terminates or honorably discharges the officer prior to the Resignation Date.

After the effective date of the DROP Option, the police officer shall no longer earn or accrue additional years of continuous service for pension purposes.

The monthly benefit that would have been payable had the police officer elected to cease employment and receive a normal retirement benefit, shall be upon the police officer commencing participation in DROP, be paid into the separate account established to receive the participant's monthly pension payments. This account shall be designated the DROP account. An individual officer's DROP account shall be a self-directed investment vehicle with the officer having exclusive control over the investment of his or her DROP account monies.

After a police officer elects to participate in the DROP program, all other contractual benefits shall continue to accrue with the exception of those provisions relating to the Police Pension Plan and the buy back of accrued, but unused sick or vacation time. A police officer may utilize leave time during the DROP period, but the Borough shall not be required to buyback any such unused leave time at the end of the DROP period.

Upon the resignation date set forth in the police officer's DROP option notice or such date as the Borough separates the member from employment, the retirement benefits payable to the police officer's designated beneficiary, if applicable, shall be paid to the police officer or beneficiary and shall no longer be paid the police officer's deferred retirement option account. Within thirty days following termination of the police officer's employment pursuant to their participating in the DROP program, the balance in the police officer's DROP account shall be paid to the police officer in a single lump sum payment or at the police officer's option, in any manner permitted by the law.

If a police officer becomes temporarily incapacitated during this participation in DROP, that police officer shall continue to participate in the DROP program as if fully employed. The police officer shall receive disability pay in the same amount as a disabled police officer that is not participating in DROP. In no event shall a police officer on temporary disability have the ability to draw from his DROP account. However, notwithstanding any other provision in this paragraph, if a police officer is disabled and has not returned to work as of his required Resignation Date, then such resignation shall take precedence over all other provisions herein, and said officer shall be required to resign. If a police officer becomes permanently disabled during the DROP period, the officer shall be honorably discharged from employment, on the date that the police officer may obtain the contents of his DROP account, and thereafter, commence receiving his normal pension benefit.

If a DROP participant dies before the DROP account balances are paid, the participant member's designated beneficiary shall have the same rights as the police officer to withdraw the account balance. However, if a DROP participant dies during the DROP period and the Act 600 killed-in-service death benefit is payable to the deceased DROP participant, then the DROP election shall be revoked and the DROP account shall not be payable to any designated beneficiary of the deceased DROP participant. If death occurs during the DROP period but the Act 600 Killed-In-Service Death Benefit is not payable, the DROP participant's designated beneficiary shall be entitled to a lump sum payment of the DROP account balance and any applicable survivor benefit shall be paid by the fund.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Notwithstanding a police officer's participation in the DROP plan, a police officer, who is convicted or pleads guilty to engaging in criminal misconduct, which constitutes a "Crime related to public office or public employment" as that phrase is defined in Pennsylvania's Pension Forfeiture Law and interpreted there under, forfeit his right to receive a pension, including any monies currently deposited in the DROP account. In such a case, the police officer shall only be entitled to receive the contributions, if any, by the police officer to the Fund, without interest.

As of December 31, 2013, no officer had elected to participate in the DROP Plan.

401(a) Pension Plan

All employees of the Borough hired after January 1, 2008, are ineligible for the Borough's Non-Uniformed Pension Plan. The Borough has started a new 401(a) plan known as the Borough of Quakertown 401(a) Plan. The plan provides retirement benefits for the participants. This plan is in accordance with Internal Revenue Code Section 401(a). This plan provides for employer and employee contribution at the election of the Borough. For 2013, the Borough elected to only have employer contributions and contributed \$56,848 to the plan.

All contributions made to the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property of and rights of the participants. Participant's rights created under the plan are equivalent and in an amount equal to the market value of the participant's account maintained for each participant.

Deferred Compensation Plan

The Borough has adopted the Deferred Compensation Plan for voluntary participation of eligible municipal employees. The plan is in accordance with Internal Revenue Code Section 457 and permits the employees to defer a portion of their current salary until future years. The deferred amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property and rights of the participants. Participants' rights created under the plan are equivalent and in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

Note 9 – Deferred Inflows of Resources

The Borough received a Municipal Open Space Program Grant and Donations during the 2012 and 2013 years for outdoor recreational improvements to Krupp Park in the amount of \$288,448. This grant and these donations are expenditure driven with construction on Krupp Park beginning in 2013. During the current year, the Borough recognized \$165,328 as expenditures resulting in a deferred revenue/deferred inflow of resources of \$123,120.

Note 10 - Contingencies

Litigation

The Borough of Quakertown is currently not involved in any material litigation proceedings.

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2013

Note 11 – Risk Management

The Borough is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Borough lowers these risks through the purchase of commercial insurance. The Borough workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Borough or its employees did not exceed insurance coverage in the last three years.

Note 12 – Fund Balances

Detailed information about aggregated fund balances;

Assigned Fund Balances

Capital Projects Fund	\$ 1,191,752
Equipment Replacement Fund	<u>38,559</u>
TOTAL	<u>\$ 1,230,311</u>

Restricted Fund Balances

The restricted fund balance represents contributions that are externally restricted for specific purposes;

State Liquid Fuels Fund	\$ 13,706
TOTAL	<u>\$ 13,706</u>

Note 13 – Prior Period Adjustments

During the current year, the Borough of Quakertown made one prior period adjustment. The adjustment was to record an additional receivable in the Proprietary (Sewer) fund as of January 1, 2013.

Fund	Original Fund Balances/ Net Position Jan. 1, 2013	Fund Balance/ Net Position Change	Restated Fund Balance/ Net Position Jan. 1, 2013
Sewer (Proprietary) Fund	\$ 9,925,908	\$ 40,995	\$ 9,966,903
TOTAL	<u>\$ 9,925,908</u>	<u>\$ 40,995</u>	<u>\$ 9,966,903</u>

Note 14 – Subsequent Events

The subsequent events have been evaluated through July 25, 2014, which is the date of the financial statements were available to be issued.



HUTCHINSON, GILLAHAN & FREEH, P.C.
ACCOUNTANTS, AUDITORS & CONSULTANTS

Borough Council
The Borough of Quakertown
35 North Third Street
Quakertown, PA 18951

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown, Bucks County, PA, as of and for the year ended December 31, 2013, which collectively comprise the Borough of Quakertown's basic financial statements, and have issued our report thereon dated July 25, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Borough of Quakertown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Quakertown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Quakertown's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BOROUGH COUNCIL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Quakertown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Borough of Quakertown in a separate letter dated July 25, 2014.

This report is intended solely for the information and use of management, the Borough Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Craig W. Gilliland^{III} CPA

July 25, 2014

REQUIRED SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Pension Funds
Required Supplemental Information
December 31, 2013

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	UNFUNDED AAL	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
<u>NON-UNIFORMED PENSION PLAN</u>						
1/1/2009	\$ 5,732,547	\$ 7,403,418	\$ 1,670,871	77.43%	\$ 2,407,792	69.39%
1/1/2011	6,078,785	7,886,686	1,807,901	77.08%	2,151,885	84.01%
1/1/2013	6,812,059	8,852,010	2,039,951	76.95%	1,918,292	106.34%
<u>POLICE PENSION FUND</u>						
1/1/2009	\$ 3,332,507	\$ 5,645,512	\$ 2,313,005	59.03%	\$ 1,387,429	166.71%
1/1/2011	3,883,347	6,506,558	2,623,211	59.68%	1,473,176	178.07%
1/1/2013	4,707,286	7,536,885	2,829,599	62.46%	1,528,038	185.18%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

<u>NON-UNIFORMED PENSION PLAN</u>				<u>POLICE PENSION PLAN</u>			
YEAR ENDED DECEMBER 31	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	
2008	\$ 274,564	\$ 274,564	100.00%	\$ 320,583	\$ 320,583	100.00%	
2009	274,607	274,607	100.00%	349,600	349,600	100.00%	
2010	269,428	269,428	100.00%	354,154	354,154	100.00%	
2011	307,724	307,724	100.00%	347,966	347,966	100.00%	
2012	294,984	294,984	100.00%	406,593	406,593	100.00%	
2013	287,384	287,384	100.00%	402,008	402,008	100.00%	

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2013

As permitted by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments, the Borough has adopted the modified approach for reporting infrastructure assets. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expenses.

The modified approach requires that the Borough:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each fiscal year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Condition Assessments

The Borough performs yearly condition assessments through its Maintenance Assessment Program. Under this program, visual inspections are conducted on the infrastructure asset. For each section of highway observed, various factors are assessed scores from 0 to 5 (0 = N/A, 1 = Failed, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent) in order to determine the condition of the highways. Each factor within a component is weighted according to importance and each component is weighted according to importance to determine the overall condition of the System. The overall score is converted to a percentage measurement for reporting (1 = 20%, 2 = 40%, 3 = 60%, 4 = 80% and 5 = 100%).

Assessed Conditions

The Borough has adopted a minimum condition level of 80% for the System based on the condition assessments. Fiscal year 2010 was the first year that a condition assessment was conducted.

Fiscal Year	Condition Assessment (Minimum 80%)
2013	78%
2012	74%
2011	74%
2010	70%

Estimated and Actual Costs for Maintenance

The table below provides a comparison between the Borough's estimate of maintenance expenditures required to maintain the System at or above the adopted condition level and the actual expenditures.

	Year 2013	Year 2012	Year 2011	Year 2010
Estimate	\$ 1,142,093	\$ 744,528	\$ 913,674	\$ 1,064,558
Actual	337,757	53,214	211,433	300,359

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2013

Factors Affecting Condition Assessments

The Borough continues to develop its methods for determining such estimates. As additional experience is acquired in the estimation and reporting processes, the Borough hopes to achieve a greater correlation between the estimated maintenance expenditures needed to maintain the System at or above the adopted condition levels and the condition level of the System. In comparing actual expenditures to estimated expenditures, factors such as increases in traffic, legislative mandates, budgetary constraints, and environmental effects (rainfall, drought, hurricane, freeze thaw, etc.) should be considered as they may have a major impact on needed funds and the condition of system roads.

OTHER SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Combining Balance Sheet
All Capital Project Funds
For the Year Ended December 31, 2013

	CAPITAL PROJECTS FUND	EQUIPMENT REPLACEMENT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 91,634	\$ 38,559	\$ 130,193
Investments	1,223,725	-	1,223,725
Due from Other Funds	-	-	-
TOTAL ASSETS	\$ 1,315,359	\$ 38,559	\$ 1,353,918
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Deferred Revenue	123,120	-	123,120
Accounts Payable	487	-	487
TOTAL LIABILITIES	123,607	-	123,607
 FUND BALANCES:			
Restricted for Capital Projects	1,191,752	38,559	1,230,311
TOTAL FUND BALANCES	1,191,752	38,559	1,230,311
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,315,359	\$ 38,559	\$ 1,353,918

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Project Funds
For the Year Ended December 31, 2013

	CAPITAL PROJECTS FUND	EQUIPMENT REPLACEMENT FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Donations	\$ 18,973	\$ -	\$ 18,973
Krupp Park Grant Revenue	165,328	-	165,328
Investment Earnings	15,634	216	15,850
TOTAL REVENUES	<u>199,935</u>	<u>216</u>	<u>200,151</u>
EXPENDITURES			
General Government	4,797	-	4,797
Public Safety	-	116,552	116,552
Public Works	-	400,957	400,957
Culture and Recreation	-	-	-
Community Development	179,463	-	179,463
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>184,260</u>	<u>517,509</u>	<u>701,769</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>15,675</u>	<u>(517,293)</u>	<u>(501,618)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Fixed Assets	-	-	-
Refund of Prior Year Revenues	-	(36,085)	(36,085)
Transfers In	-	491,649	491,649
Transfers Out	(500,000)	-	(500,000)
TOTAL OTHER FINANCING SOURCES	<u>(500,000)</u>	<u>455,564</u>	<u>(44,436)</u>
NET CHANGES IN FUND BALANCE	(484,325)	(61,729)	(546,054)
FUND BALANCES - BEGINNING	<u>1,676,077</u>	<u>100,288</u>	<u>1,776,365</u>
FUND BALANCES - ENDING	<u>\$ 1,191,752</u>	<u>\$ 38,559</u>	<u>\$ 1,230,311</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Pension Trust Funds
As December 31, 2013

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 144,978	\$ 229,904	\$ 15,042	\$ 389,924
Investments	5,524,698	7,691,170	144,764	13,360,632
Accrued Investment Income	12,670	19,678	-	32,348
Due from Other Funds	-	-	-	-
Accounts Receivable	-	-	1,800	1,800
TOTAL ASSETS	\$ 5,682,346	\$ 7,940,752	\$ 161,606	\$ 13,784,704
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Due to Police Officers	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
<u>NET POSITION</u>				
Restricted for Employee Benefits	5,682,346	7,940,752	161,606	13,784,704
TOTAL NET POSITION	\$ 5,682,346	\$ 7,940,752	\$ 161,606	\$ 13,784,704

THE BOROUGH OF QUAKERTOWN
Combining Statement of Additions, Deductions and Changes in Net Position
All Pension Trust Funds
For the Year Ended December 31, 2013

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
ADDITIONS:				
Contributions - Employer	\$ 220,780	\$ 157,843	\$ 56,849	\$ 435,472
Contributions - Employee	19,577	19,794	-	39,371
State Aid	181,228	129,541	-	310,769
Miscellaneous	-	-	-	-
INVESTMENT EARNINGS:				
Interest and Dividends	254,792	370,815	4,157	629,764
Change in Fair Value of Investments	556,263	807,357	15,102	1,378,722
TOTAL ADDITIONS	<u>1,232,640</u>	<u>1,485,350</u>	<u>76,108</u>	<u>2,794,098</u>
DEDUCTIONS:				
Administrative Charges	5,843	6,917	3,228	15,988
Investment Expenses	16,146	23,282	1,640	41,068
Employee Benefits	213,761	303,937	-	517,698
TOTAL DEDUCTIONS	<u>235,750</u>	<u>334,136</u>	<u>4,868</u>	<u>574,754</u>
CHANGES IN NET POSITION	996,890	1,151,214	71,240	2,219,344
NET POSITION - BEGINNING OF YEAR	<u>4,685,456</u>	<u>6,789,538</u>	<u>90,366</u>	<u>11,565,360</u>
NET POSITION - END OF YEAR	<u>\$ 5,682,346</u>	<u>\$ 7,940,752</u>	<u>\$ 161,606</u>	<u>\$ 13,784,704</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2013

	<u>ELECTRIC FUND</u>	<u>MAJOR WATER FUND</u>	<u>SEWER FUND</u>	<u>NON-MAJOR POOL FUND</u>	<u>TOTAL</u>
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 5,198,798	\$ 713,320	\$ 3,060,166	\$ 70,402	\$ 9,042,686
Investments	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,191,302	377,478	404,638	-	2,973,418
Due from Other Funds	-	-	-	-	-
TOTAL CURRENT ASSETS	<u>7,390,100</u>	<u>1,090,798</u>	<u>3,464,804</u>	<u>70,402</u>	<u>12,016,104</u>
NON-CURRENT ASSETS:					
Buildings (Net of Depreciation)	5,980,267	2,272,975	5,521,369	668,174	14,442,785
Improvements other than Buildings (Net of Depreciation)	5,475	8,626	37,000	1,001,255	1,052,356
Machinery and Equipment (Net of Depreciation)	415,551	116,560	538,409	-	1,070,520
Construction In Progress	-	-	270,088	-	270,088
Sewer Lines Infrastructure (Net of Depreciation)	-	-	3,872,773	-	3,872,773
Water Lines Infrastructure (Net of Depreciation)	-	8,537,420	-	-	8,537,420
TOTAL NON-CURRENT ASSETS	<u>6,401,293</u>	<u>10,935,581</u>	<u>10,239,639</u>	<u>1,669,429</u>	<u>29,245,942</u>
TOTAL ASSETS	<u>\$ 13,791,393</u>	<u>\$ 12,026,379</u>	<u>\$ 13,704,443</u>	<u>\$ 1,739,831</u>	<u>\$ 41,262,046</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
CURRENT LIABILITIES:					
Sales Tax Payable	\$ 13,331	\$ -	\$ -	\$ -	\$ 13,331
Accounts Payable	864,066	96,577	140,106	661	1,101,410
Accrued Salaries and Benefits	16,683	14,337	18,327	-	49,347
Deferred Revenues	-	-	-	-	-
Notes Payable	-	376,269	95,000	-	471,269
TOTAL CURRENT LIABILITIES	<u>894,080</u>	<u>487,183</u>	<u>253,433</u>	<u>661</u>	<u>1,635,357</u>
NON-CURRENT LIABILITIES:					
Compensated Absences	228,374	144,537	202,172	-	575,083
Notes Payable	-	4,856,825	2,800,000	-	7,656,825
TOTAL NON-CURRENT LIABILITIES	<u>228,374</u>	<u>5,001,362</u>	<u>3,002,172</u>	<u>-</u>	<u>8,231,908</u>
TOTAL LIABILITIES	<u>1,122,454</u>	<u>5,488,545</u>	<u>3,255,605</u>	<u>661</u>	<u>9,867,265</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Invested in Capital Assets, Net of Related Debt	6,401,293	5,702,487	7,344,639	1,669,429	21,117,848
Restricted	-	-	-	-	-
Unrestricted Net Position	6,267,646	835,347	3,104,199	69,741	10,276,933
TOTAL NET POSITION	<u>\$ 12,668,939</u>	<u>\$ 6,537,834</u>	<u>\$ 10,448,838</u>	<u>\$ 1,739,170</u>	<u>\$ 31,394,781</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenses and Changes in Net Position
All Proprietary Funds
For the Year Ended December 31, 2013

	MAJOR			NON-MAJOR	TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 14,695,601	\$ 1,597,122	\$ 2,787,104	\$ 204,793	\$ 19,284,620
Debt Service Fees	-	812,140	-	-	812,140
Permits and Fees	180,860	22,933	-	-	203,793
Penalties	182,928	32,066	23,030	-	238,024
Rental Income	-	40,568	-	-	40,568
Other Income	15,972	5,246	3,078	691	24,987
TOTAL OPERATING REVENUES	<u>15,075,361</u>	<u>2,510,075</u>	<u>2,813,212</u>	<u>205,484</u>	<u>20,604,132</u>
<u>OPERATING EXPENSES</u>					
Costs of Furnishing Utility	10,175,213	1,293,470	1,487,244	-	12,955,927
Costs of Pool Operations	-	-	-	232,821	232,821
Employee Benefits	197,917	142,223	208,830	10,475	559,445
Employee Pension	57,114	27,743	65,824	-	150,681
Insurance	85,606	71,837	96,502	14,950	268,895
Debt Service	-	109,383	52,263	6,786	168,432
Depreciation	187,815	229,760	350,188	91,818	859,581
TOTAL OPERATING EXPENSES	<u>10,703,665</u>	<u>1,874,416</u>	<u>2,260,851</u>	<u>356,850</u>	<u>15,195,782</u>
OPERATING INCOME (LOSS)	<u>4,371,696</u>	<u>635,659</u>	<u>552,361</u>	<u>(151,366)</u>	<u>5,408,350</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest Earned	23,700	2,345	12,320	1,008	39,373
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-
State Aid - Pension	28,485	20,717	36,254	-	85,456
Transfers from Other Funds	-	500,000	-	450,000	950,000
Transfers to Other Funds	(4,400,000)	(116,000)	(119,000)	-	(4,635,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(4,347,815)</u>	<u>407,062</u>	<u>(70,426)</u>	<u>451,008</u>	<u>(3,560,171)</u>
CHANGES IN NET POSITION	23,881	1,042,721	481,935	299,642	1,848,179
NET POSITION, JANUARY 1, 2013 (RESTATED)	<u>12,645,058</u>	<u>5,495,113</u>	<u>9,966,903</u>	<u>1,439,528</u>	<u>29,546,602</u>
NET POSITION, DECEMBER 31, 2013	<u>\$ 12,668,939</u>	<u>\$ 6,537,834</u>	<u>\$ 10,448,838</u>	<u>\$ 1,739,170</u>	<u>\$ 31,394,781</u>

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

THE BOROUGH OF QUAKERTOWN
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

REVENUES

TAXES:

Real Estate Taxes - Current	\$ 124,391	
Real Estate Taxes - Prior	2,303	
Real Estate Transfer Tax	145,013	
Earned Income Tax	941,936	
Local Services Tax	<u>232,484</u>	\$ 1,446,127

FINES AND FORFEITS:

Motor Vehicle Violations	75,388	
Fines	4,252	
Parking Tickets	<u>3,150</u>	82,790

LICENSES AND PERMITS:

Franchise Fee Cable	165,053	
Permits/Reports	<u>354</u>	165,407

INTERGOVERNMENTAL:

Public Utility Realty Tax	1,706	
In Lieu of Taxes	22,500	
Beverage Licenses	1,600	
Pension State Aid	225,293	
Allotment - Fireman's Relief	69,051	
Local Government Units	4,959	
Federal Grants	72,246	
State Grants	<u>91,351</u>	488,706

CHARGES FOR SERVICES:

General Government	187,128	
Public Safety	506,702	
Parking Meters	8,522	
Sale of Trash Bags	-	
Health	-	
Culture and Recreation	<u>50,732</u>	753,084

INVESTMENT AND RENTAL EARNINGS:

Interest Income	4,520	
Rentals	<u>9,970</u>	14,490

MISCELLANEOUS:

Contributions and Donations	9,794	
Reimbursements	29,376	
Insurance Claim Refund	3,379	
Other	<u>26,037</u>	68,586

TOTAL REVENUES **\$ 3,019,190**

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

EXPENDITURES

GENERAL GOVERNMENT

LEGAL:

Solicitor	\$	15,287
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MAYOR, LEGISLATIVE, BOROUGH MANAGER:

Salary		209,053
Materials and Supplies		5,732
Contracted Services		10,047
Association Dues and Conventions		25,541
Advertising, Printing and Postage		3,684
Gasoline		2,075
Telephone		12,668
Insurance		3,375
Small Tools and Equipment		4,921

FINANCE AND ACCOUNTING:

Salary		198,473
Auditing		24,760
Office Supplies		439
Bonding		1,272
Association Dues and Conventions		6,741
Contracted Services		19,155

TAX COLLECTION:

Salary		6,000
Contracted Services		956

IT-NETWORKING SERVICES-DATA PROCESSING:

Computer Hardware and Software		8,283
Computer Parts and Supplies		449
Internet Service		1,728
Contracted IT Services		32,399
Web Design and Maintenance		1,137

ENGINEERING:

Engineering Fees		117,407
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BUILDINGS AND PLANT:

Building Supplies		7,849
Cleaning Supplies		16,351
Repairs and Maintenance		122,019
Contracted Services		3,622

TOTAL GENERAL GOVERNMENT

\$ 861,423

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

PUBLIC SAFETY

POLICE:

Salaries and Benefits	\$ 1,668,615
Office Supplies	4,068
Postage	179
Fuel and Oil	42,747
Uniforms	22,064
K9	2,495
Vice	193
Ammunition	4,616
National Night Out	1,532
Vehicle Maintenance and Repair	14,705
Small Tools and Equipment	14,923
Telephone	17,183
Towing	15,670
Advertising and Printing	779
Police Professional Liability Insurance	-
Asset Forfeiture	5,684
Association Dues and Conventions	39,299
Contracted Services	26,106
Capital Purchases	29,062

FIRE:

Contribution to Fire Co.	145,000
Fireman's Relief	69,051
Fire Marshal	53,751
Insurance	46,079
Telephone	6,951
Gasoline	93,841
Fire Truck Repairs	851
Small Tools and Equipment	44

INSPECTIONS:

Zoning and Administration	69,721
Salary of Clerical	31,892
Office Supplies	1,438
Fuel and Oil	2,116
Uniforms	424
Small Tools and Equipment	8,564
Advertising and Printing	5,343
Association Dues and Conventions	5,274
Contracted Services	4,132

TOTAL PUBLIC SAFETY \$ 2,454,392

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

PUBLIC WORKS

STREET MAINTENANCE AND LIGHTING:

Salaries - Highways and Streets	\$ 704,023
Sanitation	5,880
Office Supplies	455
Fuel and Oil	76,520
Uniforms	4,415
Street and Traffic Signs	20,034
Road Materials	141,339
Vehicle Maintenance and Repairs	67,847
Small Tools and Equipment	26,990
Telephone	8,157
Association Dues and Conventions	25
CDL Drug and Alcohol Testing	650
Equipment	-
Equipment Rental	-
Snow Removal Materials	<u>46,054</u>

TOTAL PUBLIC WORKS \$ 1,102,389

CULTURE AND RECREATION

PARKS AND POOL:

Salary	78,702
Supplies	8,905
Discount Tickets	16,557
QSAA	1,699
Vehicle Maintenance and Repairs	173
Small Tools and Equipment	11,728
Summer Concert Series	5,510
Kids Program	5,991
Events	9,989
Contracted Services	120,823
Field Improvements	1,608
Advertising and Printing	432
Capital Maintenance	<u>-</u>

TOTAL CULTURE AND RECREATION 262,117

COMMUNITY DEVELOPMENT

Quakertown Alive	70,000
Senior Center	8,400
Historical Society Barn	2,920
Equipment	5,695
Small Tools and Equipment	12,119
Contracted Services	50,000
Triangle Park Construction	<u>1,194</u>

TOTAL COMMUNITY DEVELOPMENT 150,328

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

EMPLOYER BENEFITS AND WITHHOLDING ITEMS

Police Pension	\$	402,008	
Non-Uniformed Pension		136,704	
Employee Benefits		<u>1,069,717</u>	

TOTAL EMPLOYER BENEFITS AND WITHHOLDING ITEMS \$ 1,608,429

INSURANCE

Insurance, Casualty, and Surety	208,616
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UNCLASSIFIED EXPENDITURES 1,984

TOTAL EXPENDITURES 6,649,678

DEFICIENCY OF REVENUES OVER EXPENDITURES (3,630,488)

OTHER FINANCING SOURCES AND OTHER FINANCING USES

Refund of Prior Year Expenditures	113,650	
Interfund Transfers In	4,217,544	
Interfund Transfers Out	<u>(491,649)</u>	<u>3,839,545</u>

NET CHANGE IN FUND BALANCES 209,057

FUND BALANCE - JANUARY 1, 2013 752,622

FUND BALANCE - DECEMBER 31, 2013 \$ 961,679

THE BOROUGH OF QUAKERTOWN
Electric Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 14,025,000	\$ 14,695,601
Permits and Fees	304,400	180,860
Penalties	145,000	182,928
Other Income	9,600	15,972
TOTAL OPERATING REVENUES	<u>14,484,000</u>	<u>15,075,361</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	9,899,210	10,175,213
Employee Benefits	185,720	197,917
Employee Pension	31,275	57,114
Insurance	57,400	85,606
Depreciation	-	187,815
Contingency	735,000	-
TOTAL OPERATING EXPENSES	<u>10,908,605</u>	<u>10,703,665</u>
OPERATING INCOME	<u>3,575,395</u>	<u>4,371,696</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	30,000	23,700
Gain (Loss) on Sale of Fixed Assets	1,000	-
State Aid - Pension	4,816	28,485
Transfers to Other Funds	(4,547,000)	(4,400,000)
TOTAL NON-OPERATING (EXPENSES)	<u>(4,511,184)</u>	<u>(4,347,815)</u>
CHANGES IN NET POSITION	(935,789)	23,881
NET POSITION, JANUARY 1, 2013	<u>935,789</u>	<u>12,645,058</u>
NET POSITION, DECEMBER 31, 2013	<u>\$ -</u>	<u>\$ 12,668,939</u>

THE BOROUGH OF QUAKERTOWN
Water Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2013

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,500,000	\$ 1,597,122
Penalties	30,000	32,066
Debt Service Fee	813,000	812,140
Other Fees	90,100	22,933
Rental Income	37,900	40,568
Other Income	2,000	5,246
TOTAL OPERATING REVENUES	2,473,000	2,510,075
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	2,861,210	1,293,470
Employee Benefits	167,470	142,223
Employee Pension	18,575	27,743
Insurance	67,350	71,837
Debt Service	489,856	109,383
Depreciation	-	229,760
Contingency	127,000	-
TOTAL OPERATING EXPENSES	3,731,461	1,874,416
OPERATING INCOME (LOSS)	(1,258,461)	635,659
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	12,300	2,345
State Aid - Pension	7,224	20,717
Gain (Loss) on Sale of Fixed Assets	1,000	-
Transfers from Other Funds	727,170	500,000
Transfers to Other Funds	(116,000)	(116,000)
TOTAL NON-OPERATING REVENUES	631,694	407,062
CHANGES IN NET POSITION	(626,767)	1,042,721
NET POSITION, JANUARY 1, 2013	626,767	5,495,113
NET POSITION, DECEMBER 31, 2013	\$ -	\$ 6,537,834

THE BOROUGH OF QUAKERTOWN
Sewer Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2013

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 2,770,000	\$ 2,787,104
Penalties	20,000	23,030
Other Income	7,500	3,078
TOTAL OPERATING REVENUES	2,797,500	2,813,212
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	1,765,190	1,487,244
Employee Benefits	215,080	208,830
Employee Pension	40,085	65,824
Insurance	98,550	96,502
Debt Service	148,094	52,263
Depreciation	-	350,188
Contingency	145,000	-
TOTAL OPERATING EXPENSES	2,411,999	2,260,851
OPERATING INCOME	385,501	552,361
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	19,000	12,320
Gain (Loss) on Sale of Fixed Assets	500	-
State Aid - Pension	4,816	36,254
Sewage Facilities Grant	-	-
Transfers to Other Funds	(119,000)	(119,000)
TOTAL NON-OPERATING (EXPENSES)	(94,684)	(70,426)
CHANGES IN NET POSITION	290,817	481,935
NET POSITION, JANUARY 1, 2013 (RESTATED)	(290,817)	9,966,903
NET POSITION, DECEMBER 31, 2013	\$ -	\$ 10,448,838

THE BOROUGH OF QUAKERTOWN
Pool Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2013

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 232,700	\$ 204,793
Other Income	1,500	691
TOTAL OPERATING REVENUES	234,200	205,484
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<u>OPERATING EXPENSES</u>		
Costs of Pool Operations	290,850	232,821
Employee Benefits	10,850	10,475
Insurance	17,820	14,950
Debt Service	340,549	6,786
Depreciation	-	91,818
Contingency	11,000	-
TOTAL OPERATING EXPENSES	671,069	356,850
OPERATING (LOSS)	(436,869)	(151,366)
<u>NON-OPERATING REVENUES</u>		
Interest Earned	1,700	1,008
Transfers from Other Funds	450,000	450,000
TOTAL NON-OPERATING REVENUES	451,700	451,008
CHANGES IN NET POSITION	14,831	299,642
NET POSITION, JANUARY 1, 2013	(14,831)	1,439,528
NET POSITION, DECEMBER 31, 2013	\$ -	\$ 1,739,170

**The Borough of Quakertown
Liquid Fuels Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013**

FUND BALANCE - JANUARY 1, 2013	\$	130,293
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
INTERGOVERNMENTAL:		
Liquid Fuels Tax	\$	157,242
Highway/Turnback Income		5,480
INVESTMENT EARNINGS:		
Interest Earnings		627
		163,349
 TOTAL FUNDS AVAILABLE		 293,642
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Highway Construction	\$	247,392
OTHER FINANCING USES:		
Transfer To Other Funds		32,544
		279,936
 FUND BALANCE - DECEMBER 31, 2013	 \$	 13,706

**Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2013**

FUND BALANCE - JANUARY 1, 2013	\$	1,676,077
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest Earnings	\$	15,634
Krupp Park Grant Revenue		165,328
Donations		18,973
		199,935
TOTAL FUNDS AVAILABLE		1,876,012
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
GENERAL GOVERNMENT:		
Buildings and Plant	\$	4,797
COMMUNITY DEVELOPMENT:		
Moose Building Taxes		14,135
Construction Costs		165,328
OTHER FINANCING USES:		
Transfer To Other Funds		500,000
		684,260
 FUND BALANCE - DECEMBER 31, 2013	 \$	 1,191,752

THE BOROUGH OF QUAKERTOWN
Equipment Replacement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2013

FUND BALANCE - JANUARY 1, 2013	\$	100,288
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest Earnings	\$	216
Miscellaneous		-
Sale of Fixed Assets		-
Refund of Prior Year Expenditures		-
Transfer From Other Funds		491,649
		<u>491,865</u>
 TOTAL FUNDS AVAILABLE		 592,153
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
GENERAL GOVERNMENT:		
Equipment	\$	-
PUBLIC SAFETY:		
Equipment		116,552
PUBLIC WORKS:		
Equipment		400,957
OTHER FINANCING USES:		
Refund of Prior Year Revenues		36,085
		<u>553,594</u>
 FUND BALANCE - DECEMBER 31, 2013	 \$	 <u>38,559</u>

Escrow Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2013

ASSETS		
Escrow Checking	\$	263,495
 TOTAL ASSETS		 <u>\$ 263,495</u>
 LIABILITIES		
Due to Escrow Holders	\$	263,495
 TOTAL LIABILITIES		 <u>\$ 263,495</u>

THE BOROUGH OF QUAKERTOWN
Police Health Reimbursement Arrangement Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2013

ASSETS		
Cash	\$	90,978
		<u>90,978</u>
TOTAL ASSETS		\$ 90,978
LIABILITIES		
Due to Police Officers	\$	90,978
		<u>90,978</u>
TOTAL LIABILITIES		\$ 90,978

Defined Compensation Plan Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2013

NET POSITION - BEGINNING OF YEAR		\$	90,366
ADDITIONS:			
Contributions - Employer	\$	56,849	
INVESTMENT EARNINGS:			
Interest and Dividends		4,157	
Change in Fair Value of Investments		<u>15,102</u>	
TOTAL ADDITIONS		76,108	

DEDUCTIONS:			
Administrative Charges		3,228	
Investment Expenses		<u>1,640</u>	
TOTAL DEDUCTIONS		<u>4,868</u>	
CHANGE IN NET POSITION			<u>71,240</u>
NET POSITION - END OF YEAR		\$	<u>161,606</u>

BOROUGH OF QUAKERTOWN
Police Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2013

NET POSITION - BEGINNING OF YEAR		\$ 4,685,456
ADDITIONS:		
Contributions - Employer	\$ 220,780	
Contributions - Employee	19,577	
State Aid	181,228	
INVESTMENT EARNINGS:		
Interest and Dividends	254,792	
Change in Fair Value of Investments	556,263	
TOTAL ADDITIONS	1,232,640	
DEDUCTIONS:		
Administrative Charges	5,843	
Investment Expenses	16,146	
Employee Benefits	213,761	
TOTAL DEDUCTIONS	235,750	
CHANGE IN NET POSITION		996,890
NET POSITION - END OF YEAR		\$ 5,682,346

Non-Uniformed Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2013

NET POSITION - BEGINNING OF YEAR		\$ 6,789,538
ADDITIONS:		
Contributions - Employer	157,843	
Contributions - Employee	19,794	
State Aid	129,541	
INVESTMENT EARNINGS:		
Interest and Dividends	370,815	
Change in Fair Value of Investments	807,357	
TOTAL ADDITIONS	1,485,350	
DEDUCTIONS:		
Administrative Charges	6,917	
Investment Expenses	23,282	
Employee Benefits	303,937	
TOTAL DEDUCTIONS	334,136	
CHANGE IN NET POSITION		1,151,214
NET POSITION - END OF YEAR		\$ 7,940,752