

MILFORD TOWNSHIP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

MILFORD TOWNSHIP

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A Professional Corporation

STYER ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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R. David Styer, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Milford Township
Spinnerstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Township as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

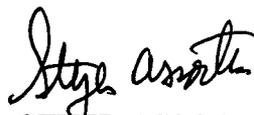
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Township, as of December 31, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



STYER ASSOCIATES
Certified Public Accountants

Souderton, Pennsylvania
June 17, 2013

**MILFORD TOWNSHIP
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

The Township of Milford's Management Discussion and Analysis is designed to (1) assist the reader to focus on significant financial issues, (2) provide an overview of the Township's general fund financial activity, (3) identify changes in the Township's financial position, (4) identify material deviations from the approved budget and identify individual fund issues or concerns.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$14,691,127 (net position). Of this amount, \$1,888,304 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$1,298,111 for the year ended December 31, 2012.
- As of the close of the current year, the Township's governmental funds reported combined ending fund balances of \$5,203,812, an increase of \$116,587 in comparison with the prior year. Of this amount 21% is *available for spending* at the Township's discretion (unassigned fund balance).
- At the end of the current year the unassigned fund balance for the General Fund was \$1,049,423 or 50% of governmental fund expenditures.
- The Township's total debt decreased by \$195,000 during the current fiscal year. The key factor in this decrease was payment of debt principal with no additional debt incurred.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Township may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Township may have used previously accumulated funds.

**MILFORD TOWNSHIP
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

Government-Wide Financial Statements (Continued):

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

The governmental activities of the Township include general government administration, public safety, and public works. The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Township maintains three governmental fund types. The Township adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the general fund and the open space acquisition fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 18 through 20 of this report.

**MILFORD TOWNSHIP
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 34 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund. Required supplementary information can be found on pages 35-37 of this report.

The following table summarized the Township's statement of net position:

**SUMMARY OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	Governmental Activities	
	2012	2011
Current and other assets	\$ 5,369,946	\$ 5,279,526
Capital assets.....	13,646,704	12,658,323
Total Assets.....	19,016,650	17,937,849
Long term debt outstanding	4,253,744	4,452,831
Other liabilities	71,779	92,002
Total Liabilities.....	4,325,523	4,544,833
Net Position:		
Invested in capital assets, net of debt.....	9,535,854	9,330,366
Restricted	3,266,969	2,390,694
Unrestricted.....	1,888,304	1,671,956
Total Net Position	\$ 14,691,127	\$ 13,393,016

At the end of the current year, the Township is able to report positive balances in all categories of net position.

Changes in net position are best presented in the statement of activities found on page 17 of the financial statement. This financial statement is a presentation of net program expenses and revenues for governmental activities and the resulting change in net position. This presentation provides a picture of the actual net cost of each program or function during the fiscal year and the resulting expense that must be absorbed by taxes, investment earnings, and other general revenue. Information from this statement is summarized and compared to the prior year in the following table:

**MILFORD TOWNSHIP
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

**CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Governmental Activities	
	2012	2011
<u>Revenues:</u>		
Program revenues:		
Charges for services.....	\$ 185,349	\$ 291,096
Grants and contributions.....	1,229,223	505,676
General revenues:		
Property taxes.....	297,459	302,840
Other taxes.....	2,381,271	2,374,262
Other general revenues.....	56,839	58,178
Total Revenues.....	4,150,141	3,532,052
<u>Expenses:</u>		
General government.....	582,871	621,525
Public safety.....	474,755	540,593
Public works.....	1,073,934	1,250,920
Recreation and parks.....	173,783	89,948
Other expenses.....	546,687	556,461
Total Expenses.....	2,852,030	3,059,447
Increase in net position.....	1,298,111	472,605
NET POSITION – BEGINNING.....	13,393,016	12,920,411
NET POSITION – ENDING.....	\$ 14,691,127	\$ 13,393,016

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets:

At the end of 2012, the Township had \$13,646,704 net of accumulated depreciation invested in a broad range of capital assets, including equipment, buildings, park facilities, roads, and bridges. (See next page.) This amount represents a net increase (including additions and deductions) of \$988,378, 8% over last year.

**MILFORD TOWNSHIP
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

Capital Assets (Continued):

**CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)**

	Governmental Activities	
	2012	2011
Land	\$ 8,599,689	\$ 7,534,597
Buildings	863,757	914,853
Equipment and vehicles	706,361	879,601
Infrastructure	<u>3,476,897</u>	<u>3,329,272</u>
Totals	<u>\$ 13,646,704</u>	<u>\$ 12,658,323</u>

Additional information on the Township's capital assets can be found in note 3 on pages 27 through 28 of this report.

Long Term Debt:

At the end of the current year, the Township had total outstanding debt of \$4,250,000 and details are summarized in the following table:

OUTSTANDING DEBT AT YEAR END

	Governmental Activities	
	2012	2011
Bonds payable	<u>\$4,250,000</u>	<u>\$4,445,000</u>

Additional information of the Township's long term debt and compliance can be found in note 4 on pages 29 and 30.

**Milford Township Board of Supervisors
Office of the Manager**

**Management Discussion and Analysis
GASB-34 Report for Fiscal Year 2012**

To: Board of Supervisors

The Milford Township Management Discussion and Analysis is designed to (1) assist in focusing on significant financial issues, (2) provide an overview of the Township's General Fund financial activity, (3) identify changes in the Township's financial position, and (4) identify material deviations from the approved budget and identify individual fund issues or concerns.

Milford Township Balance Sheet Assets Added in 2012:

Land:

1350 Nursery Road – 3.114 acres (23-20-22 & 23-07-069)	\$ 242,642
Upper Ridge Road 3.508 acres (23-20-009-001)	97,622
Trumbauersville Road (23-08-006& 23-10-008)	218,710
Brick Tavern and Mill Pond Road 53.1231	<u>506,118</u>
Land purchased primarily as open space.	
Total Purchased Price	<u>\$ 1,065,092</u>

Another \$23,396 was for removing structures from open space. Township solicitor approved this expenditure.

As of December 31, 2012, Milford Township owns fee simple a total acreage (more or less) of 1010.41 acres, which is 5.6197% of the Township acreage.

Buildings/Equipment Purchased with Capital Funds:

40 Ton Crane	\$ 9,700
2012 Sakai Asphalt Roller	36,980
Main Office switched lighting for efficiency	<u>10,086</u>
Total Buildings/Equipment Purchased with Capital Funds	<u>\$ 56,766</u>

Equipment Sold from Capital Fund:

2006 GMC 2500 - sold to Schwenksville Water	<u>\$ 18,151</u>
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Management Discussion and Analysis 2012 Fiscal Year (Continued)

Equipment/Small Tools Purchased with General Funds:

Echo Trimmer	\$ 414
Sign Post Driver	3,435
Generator	1,162
Saw	1,820
Mig Welder	3,830
Overhead lift	4,534
Truck tool box	1,335
All other small tools	<u>54</u>
Total Equipment/Small Tools Purchased with General Funds	\$ <u>16,584</u>

Cost of Road Projects:

General Fund:	
Fennel Road	\$ 15,826
Clover Mill – overlay	15,863
Fels Road	30,562
Weiss Road – legal and engineering	5,355
Sleepy Hollow Hill	<u>54,108</u>
Total Cost of Road Projects	\$ <u>121,714</u>
Payroll and engineering	<u>\$ 12,544</u>

Source of Funds for Road Projects:

General Fund:	
Tax revenue	<u>\$ 134,258</u>

(No funds came from developer contributions from the Traffic Fund.)

Financial Highlights:

GENERAL FUND

The General Fund is the main operating fund used to deposit receipts and to pay expenses. It is primarily funded by:

.00075 mill real estate tax
½% Earned Income Tax (EIT)
1% Non-Resident Earned Income Tax
½% Real Estate Transfer Tax
Charges for government services

Management Discussion and Analysis 2012 Fiscal Year (Continued)

Significant Revenue: Cable TV Franchise Fees - (\$181,716) - In 2008, quarterly revenue from Verizon was added to revenue from Comcast and Service Electric TV. See Ordinance 143 dated January 16, 2007.

Rental of Cell Tower – (\$69,090) - CC Holdings formerly known as Crown Castle has the lease. The original site lease agreement is from August 1997. Site Number is 873052. The real estate taxes assessed on TMP 23-010-001, where the tower is located, are paid by CC Holdings. Sublease payments are received from CC Holdings for antennas for Cingular, Cricket, Metro PCS, Nextel, Omni point, Sprint, Skytel, Telecom Transport, and Verizon.

When a new sublease is added, the first year's rental is paid in advance. The Township receives revenue monthly or quarterly as designated in the lease.

General Fund Cash at Beginning/End of 2012:

The 2012 Budget anticipated cash on January 1, 2012 of \$917,255. Actual cash on January 1, 2012 was \$853,981 (\$904,567 actual cash less accounts payable liability of \$50,586).

2012 General Fund Actual Revenue Compared to 2012 Budget and 2011 Actual:

Total 2012 Revenues were \$2,926,257, which was 68.9% (\$1,193,469) higher than budget of \$1,723,788, and 25.9% (\$600,910) higher than 2011 actual of \$2,325,247.

Earned Income Tax Revenue was \$1,378,207 which was 37.9% (\$378,207) higher than budget of \$1,000,000, and 1.1% (\$14,570) higher than 2011 actual of \$1,363,637.

Real Estate Transfer Tax was \$147,391, which was 18% (\$22,391) higher than budget of \$125,000, and 6% lower than 2011 actual of \$155,379.

Real Estate Tax revenue was \$98,881 or 0.4% (\$381) higher than budget of \$98,500.

Total Real Estate Taxes Liened:

Tax Year:	2012	\$ 4,749
	2011	\$ 6,669
	2010	\$ 7,185
	2009	\$ 7,262
	2008	\$ 7,590

Franchise Fees (Cable TV – Comcast, Service Electric, and Verizon) were \$181,717 or 16.4% (\$25,117) higher than budget of \$156,600.

Tower lease rental fees were \$69,090, or 1.3% (\$10) lower than budget of \$70,000.

Management Discussion and Analysis 2012 Fiscal Year (Continued)

Interest Earned:

The 2012 budget projected continued low rates. In 2012, interest earned was \$18,258 as compared to \$7,015 in 2011. Interest rates have yet to recover and remain low. During 2012, the majority of investments remained in local banks: Certificates of Deposit, High Yield Checking Accounts and Regular Checking Accounts at First Savings Bank of Perkasio, and Certificates of Deposit and Money Market Accounts at QNB Bank. Investments, if any, held at Uninvest and PLGIT are kept to a minimum, as their rates are not competitive. Interest transferred from In-House escrow account was \$14,514 and was deposited in to the General Fund. This was due to the C&M bankruptcy Funds.

Public Safety-Zoning & Building Permits revenue was \$55,003 or 45% (\$17,277) higher than budget of \$37,725 (2011 revenue was \$39,261). Value of building permits doubled.

Permits for Single Family Dwellings:

2012 - 2 permits
2011 - 3 permits
2010 - 10 permits
2009 - 11 permits
2008 - 27 permits

PA Department of Environmental Protection (DEP) Recycling Grant Funds received in 2012 was \$11,331 for materials recycled in 2010, detailed as follows:

2012 - received for materials recycled in 2010 was \$11,331. Cost to process \$3,500
2011 - received for materials recycled in 2009 was \$29,555. Cost to process \$4,000
2010 - received for materials recycled in 2008 was \$26,151. Cost to process \$3,500
2010 - received for materials recycled in 2007 was \$17,126. Cost to process \$3,920
2009 - received for materials recycled in 2006 was \$12,001. Cost to process \$4,000

10% Administrative Charge for 2012 was \$15,727 and paid 4.4% of the Administrative Department costs. This fee is added to legal and engineering expenses processed through the In House Escrow Fund:

2011 - Paid \$43,794 or 12.1% of the Administrative Department costs
2010 - Paid \$10,777 or 2.8% of the Administrative Department costs
2009 - Paid \$14,945 or 4.1% of the Administrative Department costs
2008 - Paid \$25,201 or 7.6% of the Administrative Department costs
2007 - Paid \$34,652 or 9.5% of the Administrative Department costs

Earned Income Tax Collection Fee:

Keystone Collections is collecting the Earned Income Tax due to state law changes mandated county wide collections. The cost for 2012 was \$28,856.

State Contribution to Emergency Services-Three Fire Companies:

Foreign Fire Insurance Tax distributed by PA was \$85,607, or 14.1% (\$14,019) lower than budget of \$99,626.

Management Discussion and Analysis 2012 Fiscal Year (Continued)

2012 General Fund Expenses Compared to 2012 Budget:

Total 2012 expenses were \$2,121,287 which was 0.1% (\$2,086) higher than budget of \$2,119,201.

2011 actual of \$2,217,168 was 0.6% higher than budget.

2010 actual of \$2,245,750 was 2.3% lower than budget.

Building Maintenance Expenses were \$140,967, or 4.5% (\$6,067) higher than budget of \$134,900.

Zoning and Planning Expenses were \$112,297, or 7.5% (\$9,053) less than budget of \$121,350.

Road Maintenance and Road Construction Expenses Combined totaled \$540,478 or 14.0% (\$90,522) lower than budget of \$631,000.

Insurance Expenses were \$399,653 or 8.0% (\$34,694) lower than budget of \$434,347.

Parks Expenses:

Expenditures for the parks were \$90,471 or 26.2% (\$18,771) more than budget of \$71,700.

OPEN SPACE MAINTENANCE FUND:

The Open Space Maintenance fund is composed of funds received from developments. The income from the fund is used to mow detention basins and open space areas owned fee simple by the Township, and for the cost of paying an outside contractor to clear snow from sidewalks adjacent to open space.

No endowment was received in 2012. Interest revenue was \$5,510 and expenses were \$1,000. The cash balance on December 31, 2012 was \$555,356.

Due to the drop in interest rates and the increase in open space, a line item was increased in the General Fund Budget to prevent the principal/capital from being depleted in the Open Space Maintenance Fund.

TREE FUND:

In 2012 the revenue received in the Tree Fund was interest income of \$15 and there were no expenditures from the fund. \$202,000 was received from the Milford Pointe settlement and \$30,000 from the Naplin Three warehousing on Milford Square Pike and Route 663.

STATE FUND:

The State Fund is a segregated fund for money received as the Township's portion of the State gasoline tax. Use of these funds is restricted by the State of Pennsylvania to road maintenance, construction and 20% for equipment. Distribution of gas taxes is based on population and road mileage.

Management Discussion and Analysis 2012 Fiscal Year (Continued)

The State Fund had a cash carry over from 2011 to 2012 of \$87,011. Since 2012 State Fund Revenue would not normally be received until April 1st, this carry over was used to cover Snow and Ice Control for January, February, and March 2012.

The \$10,960 Turn back funds were received April 1st. This is a set amount (\$4,000 per mile) and does not vary from year to year. The Township receives this payment for taking over Sleepy Hollow Road (2.74 miles) in 1982.

2012 State Funds were spent on the following:

Road maintenance	\$ 143,475
Traffic control devices – signs, traffic lights, school lights	\$ 20,746
Snow and ice control	\$ 36,150

In 2012, the Township’s mileage increased from 76.03miles to 76.45miles as the township accepted the following roads:

Daniels Lane	.16 miles
Emerald Lane	.18 miles
Greenview commons	.08 miles

The 76.45 miles includes Act 32 Turn back mileage of 2.74 which is Sleepy Hollow Road which is generating \$10,960.00 in state revenue each year.

CAPITAL FUND:

In 2012, the Capital Fund earned interest income of \$4,261. Other revenue received was \$18,151 for the sale of 2006 GMC Pick Up which was sold to Schwenksville Water Authority. Expenses totaled \$57,787 of which \$11,099 was for buildings and \$46,688 was for road maintenance equipment. The Capital Fund received funds from the General Fund in the amount of \$81,706 for savings for future projects and a rainy day reserve fund.

FIRE TAX FUND:

In 2004, the Board of Supervisors imposed a 3 mill Real Estate Tax (now .00125 mills under the new assessment ratio) to support the three fire companies that serve Milford Township. The tax is to be divided in the same percentage as the Foreign Fire Insurance received from the State of Pennsylvania. This percentage was determined some years ago by the fire chiefs.

Milford Township Volunteer Fire Co. No. 1	63%
Trumbauersville Volunteer Fire Co.	31%
Richland Township Fire and Rescue Company	6%

The cost of collecting the Fire Tax is paid by the General Fund with the exception of the 2% discount.

Management Discussion and Analysis 2012 Fiscal Year (Continued)

The Fire Tax Fund also receives its portion of liened Real Estate Taxes. Bucks County Tax Claims deducts 5% for a collection fee. Liens collected are sent in one check to the General Fund and the General Fund then distributes appropriate liens to the Fire Tax Fund with the General Fund retaining its portion.

Milford Township Contribution Toward Emergency Services in 2012 was \$381,275:

Distributed from 001.25 mills of Fire Tax on Real Estate	\$ 157,367
Distributed from liens collected by Bucks County	\$ 4,613
General Fund contributed	\$ 133,688
(General Fund Real Estate Tax receipts were \$98,881)	
Pennsylvania Foreign Fire Insurance Tax	\$ 85,607

LIGHT FUND:

From January 1, 2012 to December 31, 2012 the Light Fund was paying PPL Electric Utilities for 136 street lights. There were no additional street lights installed in 2012.

- 980 street light assessments were made in 2012
- 926 street light assessments were made in 2011
- 981 street light assessments were made in 2010
- 981 street light assessments were made in 2009 (Reflects C & M addition.)
- 922 street light assessments were made in 2008

Total Street Light Assessments Liened:

Tax Year:	2012	\$ 185
	2011	\$ 1,867
	2010	\$ 3,139
	2009	\$ 3,049
	2008	\$ 1,743
	2007	\$ 1,292

A Resolution approved by the Supervisors at the reorganizational meeting in January of each year sets the street light assessment per district. The assessment is determined by dividing the cost of the electric plus the 5% commission to collect the assessment by the number of homes in the street lighting district.

For the budget process each year, the assessments should be analyzed to determine if there should be an adjustment for any material change in the cost of the electric.

TRAFFIC FUND:

In 2012, the Traffic Fund received total endowments in the amount of \$562,328 as compared to \$15,400 in 2011 Endowments for 2012 were:

Milford Pointe settlement	\$ 282,822
Naplin Three	\$ 277,656
Joslin/Halversen	\$ 1,850

Management Discussion and Analysis 2012 Fiscal Year (Continued)

The Board continues to accept fees in lieu of certain public improvements. All monies received in the Traffic Improvement Fund are spent for road construction projects. In 2012, \$292,780 was spent on road construction (refer to the "Road Projects" list for major expenditures).

RECREATION FUND:

The Recreation Fund is money deposited with the Township as a fee in lieu of installing recreational facilities and is used for public recreational improvements. The Board of Supervisors will allocate money from the fund from time to time for public recreational land acquisition. Interest income of \$1,004 was earned and \$1,500 in endowments was received in 2012.

There were total expenditures in the fund of \$250,983. Of that amount, \$5,698 was used to pay for the construction of the parking lot at Engelmann's Bridge on a conservation easement. The fund reimbursed General Fund \$245,285 toward construction of the Barrel Run Trail. The cash balance on December 31, 2012 was \$13,733.

OPEN SPACE ACQUISITION FUND:

Milford Township Ordinance 150 rescinded the Real Estate Tax for Open Space as of January 1, 2008. It was replaced with 1/4 of 1% Earned Income Tax (EIT). The 1/4% Open Space EIT will be used to repay the Five Million Dollar Open Space Bond sold in spring of 2008.

The 1/4% EIT Tax collected was 35% higher than the 2012 budget.

EIT collected	\$685,376
Bond principal payment	\$195,000
Total interest due on bond	\$165,748

On December 31, 2012, \$139,149 of Bond proceeds was unspent. Unspent proceeds and income from the 1/4% EIT were invested through laddered CDs at QNB and in a Money Market at QNB. Rates for these funds were negotiated with QNB.

Interest payment on bond is payable twice a year in May and November. Annual principal payment is due in November.

Respectfully,
Marilyn Stecker
Secretary-Treasurer

**MILFORD TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 5,244,646
Receivables	12,302
Prepaid expenses	17,036
Due from other funds	1,607
Bond discount unamortized	94,355
Capital assets:	
Land	8,599,689
Other capital assets, net of depreciation	<u>5,047,015</u>
Total Capital Assets	<u>13,646,704</u>
TOTAL ASSETS	<u>\$ 19,016,650</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Liabilities:</u>	
Accounts payable	\$ 54,998
Accrued expenses	16,781
Long term liabilities:	
Due within one year	200,000
Due in more than one year	<u>4,053,744</u>
Total Liabilities	<u>4,325,523</u>
<u>Net Position:</u>	
Invested in capital assets, net of related debt	9,535,854
Restricted for:	
Open space	2,041,799
Traffic improvements	723,942
Recreation	13,733
Trees	267,549
Fire service	206
Street lights	29,085
State liquid fuels funds	190,655
Unrestricted	<u>1,888,304</u>
Total Net Position	<u>14,691,127</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,016,650</u>

(The notes to the financial statements are an integral part of this statement.)

**MILFORD TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	Program Revenues				<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 582,871	\$ 92,181	\$ 27,258	\$	\$ (463,432)
Public safety	474,755	88,184	85,607		(300,964)
Public works	1,073,934	4,984	291,417	563,828	(213,705)
Recreation and parks	173,783		3,270	232,000	61,487
Employee benefits	319,991		25,843		(294,148)
Insurance	58,460				(58,460)
Interest on long term debt	165,748				(165,748)
Refunds of prior year revenue	<u>2,488</u>				<u>(2,488)</u>
Total Activities	<u>2,852,030</u>	<u>185,349</u>	<u>433,395</u>	<u>795,828</u>	<u>(1,437,458)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	98,975
Property taxes, levied for fire protection	164,831
Property taxes, levied for street lighting	33,653
Earned income taxes, levied for general purposes	1,378,207
Earned income taxes, levied for open space	674,756
Real estate transfer tax	146,591
Franchise fees	181,717
Investment earnings	37,860
Gain on sale of assets	17,186
Miscellaneous	<u>1,793</u>
Total General Revenues	<u>2,735,569</u>

Change in Net Position	1,298,111
Net Position - Beginning	<u>13,393,016</u>
Net Position - Ending	<u>\$ 14,691,127</u>

(The notes to the financial statements are an integral part of this statement.)

**MILFORD TOWNSHIP
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

<u>ASSETS</u>	General	Open Space Acquisition Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Cash.....	\$ 2,647,989	\$ 1,645,476	\$ 731,235	\$ 219,946	\$ 5,244,646
Taxes receivable.....	8,130	4,172			12,302
Due from other funds.....	1,607				1,607
Prepaid expenses.....	17,036				17,036
TOTAL ASSETS	<u>\$ 2,674,762</u>	<u>\$ 1,649,648</u>	<u>\$ 731,235</u>	<u>\$ 219,946</u>	<u>\$ 5,275,591</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable.....	\$ 31,442	\$ 23,556	\$	\$	\$ 54,998
Accrued expenses	16,781				16,781
Total Liabilities.....	<u>48,223</u>	<u>23,556</u>	<u>0</u>	<u>0</u>	<u>71,779</u>

Fund Balances:

Nonspendable	17,036				17,036
Restricted for:					
Open space.....	554,856	1,626,092			2,180,948
Traffic improvements.....	723,942				723,942
Recreation	13,733				13,733
Trees	267,549				267,549
State liquid fuels funds.....				190,655	190,655
Street lights				29,085	29,085
Fire service.....				206	206
Assigned for:					
Capital expenditures			731,235		731,235
Unassigned	1,049,423				1,049,423
Total Fund Balances	<u>2,626,539</u>	<u>1,626,092</u>	<u>731,235</u>	<u>219,946</u>	<u>5,203,812</u>

TOTAL LIABILITIES AND FUND BALANCES

	\$ 2,674,762	\$ 1,649,648	\$ 731,235	\$ 219,946	
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Amounts reported for *governmental activities* in the statement of net position are different because:

- Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.
- Other long term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.
- Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.

Net Position of Governmental Activities.

	13,646,704
	94,355
	<u>(4,253,744)</u>
	<u>\$ 14,691,127</u>

(The notes to the financial statements are an integral part of this statement.)

MILFORD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Open Space Acquisition Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes, penalties and interest.....	\$ 1,622,060	\$ 674,756		\$ 198,485	\$ 2,495,301
Charges for services.....	29,305				29,305
Intergovernmental revenues.....	127,748			302,377	430,125
Licenses and permits.....	226,751				226,751
Interest and rents.....	104,257	18,468	4,261	114	127,100
Fines and forfeitures.....	12,040				12,040
Special assessments.....	795,828				795,828
Miscellaneous.....	<u>8,268</u>	<u>18,151</u>		<u>1,544</u>	<u>27,963</u>
Total Revenues.....	<u>2,926,257</u>	<u>693,224</u>	<u>22,412</u>	<u>502,520</u>	<u>4,144,413</u>
Expenditures:					
General government.....	536,115			4,359	541,552
Public safety.....	311,000	1,078		161,774	472,774
Public works.....	407,132			232,305	639,437
Recreation and parks.....	105,801				105,801
Debt service - principal.....		195,000			195,000
- interest.....		165,748			165,748
Capital outlays.....	382,791		57,787		1,529,066
Employee benefits.....	319,991				319,991
Insurance.....	<u>58,457</u>				<u>58,457</u>
Total Expenditures.....	<u>2,121,287</u>	<u>1,450,314</u>	<u>57,787</u>	<u>398,438</u>	<u>4,027,826</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>804,970</u>	<u>(757,090)</u>	<u>(35,375)</u>	<u>104,082</u>	<u>116,587</u>
Other Financing Sources (Uses):					
Operating transfers in.....			81,706		81,706
Operating transfers out.....	<u>(81,706)</u>				<u>(81,706)</u>
Total Other Financing Sources (Uses).....	<u>(81,706)</u>	<u>0</u>	<u>81,706</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances.....	723,264	(757,090)	46,331	104,082	116,587
FUND BALANCES – BEGINNING.....	<u>1,903,275</u>	<u>2,383,182</u>		<u>115,864</u>	<u>5,087,225</u>
FUND BALANCES – ENDING.....	<u>\$ 2,626,539</u>	<u>\$ 1,626,092</u>	<u>\$ 731,235</u>	<u>\$ 219,946</u>	<u>\$ 5,203,812</u>

(The notes to the financial statements are an integral part of this statement.)

**MILFORD TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances – total governmental funds \$ 116,587

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,461,574) exceeded depreciation (\$472,231) in the current period. 989,343

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the costs of the assets sold. (965)

Repayment of long term debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the statement of net position. 195,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. The net change of this adjustment for 2012 is as follows. (1,854)

Change in net position of governmental activities \$1,298,111

(The notes to the financial statements are an integral part of this statement.)

**MILFORD TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012**

	<u>Agency Fund</u>
<u>ASSETS:</u>	
Cash	\$ <u>909,633</u>
TOTAL ASSETS	\$ <u>909,633</u>
<u>LIABILITIES:</u>	
Accounts payable	\$ 2,303
Escrow deposits	905,723
Due to other funds.....	<u>1,607</u>
TOTAL LIABILITIES	\$ <u>909,633</u>

(The notes to the financial statement are an integral part of this statement.)

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 1 - Summary of Significant Accounting Policies:

The summary of significant accounting policies of the Township is presented to assist in understanding the Township's financial statements. The financial statements and notes are representations of the Township's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The Township operates under a Board of Supervisors - manager form of government and provides such services that advance the welfare, health, comfort, safety and convenience of the Township and its inhabitants.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Township are discussed below.

Reporting Entity:

The combined financial statements of Milford Township include all government activities, organizations and functions for which the Township exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the Township's combined financial statements includes the degree of oversight responsibility exercised by the Board of Supervisors over a government organization, activity or function, the Township's accountability for the activity's fiscal matters, its scope of public service and the nature of any special financing relationships which may exist between the Township and a given government activity. There are no agencies or organizations that require reporting in the Township's financial statements.

Therefore, the Township's municipal services which include public safety, public works, culture and recreation, public improvements, planning and zoning, and general administrative services, are included in the accompanying financial statements.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 1 – Summary of Significant Accounting Policies (Continued):

Related Organizations - Milford Township appoints members to the governing boards of the following operating authorities:

1. Milford Township Water Authority - all members of the governing board appointed by Milford Township.
2. Milford Trumbauersville Area Sewer Authority - Milford Township appoints half of the governing board members. Trumbauersville appoints the other half.

The above operating authorities provide water and sewer service to the residents of Milford Township. The provisions have not been met regarding component units, therefore, the above operating authorities are not included in the financial statements of Milford Township.

Basic Financial Statements – Government-Wide Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The Township public safety, parks and recreation, public works, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long term assets and receivables as well as long term debt and obligations. The Township's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions (public safety, public works, etc.). The functions are also supported by general government revenues (property, taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.).

The net costs (by function) are normally covered by general revenue (property, earned income taxes, intergovernmental revenues, interest income, etc.).

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Government-Wide Statements (Continued):

The Township does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the Township are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

1. **Governmental Funds** – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:
 - a. **General fund** is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. **Capital projects fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
 - c. **Special revenue funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted to expenditures for specified purposes.

Three special revenue funds are not major funds of the Township. The activity relating to these funds is shown in the other governmental funds column on the fund financial statement.

2. **Fiduciary Funds** – The funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Township programs.
 - a. **Agency fund** is used to account for funds posted by developers who have projects in progress in the Township. The funds are used to pay legal, engineering, and administrative costs incurred by the Township relating to those projects.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued):

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. **Accrual** – The governmental activity in the government-wide financial statements and the fiduciary fund are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
2. **Modified Accrual** – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 45 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to the general rule is that principal and interest on general obligation long term debt, if any, is recognized when due.

Cash and Cash Equivalents:

The Township considers cash and cash equivalents to include cash on hand, demand deposits, money market funds, and certificates of deposit.

Budget:

The Board of Supervisors adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by the Board of Supervisors. The proposed budget shall be kept on file with the Township secretary and made available for public inspection for a period of 20 days.
2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Township and posted during the 20 day period noted in item 1.
3. After 20 days, the Board of Supervisors shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued):

Budget (Continued):

4. Annual budgets are generally adopted for the general, special revenue, and capital project funds.
5. For budgetary purposes, appropriations lapse at the end of each year.
6. The budget is prepared on the modified accrual basis of accounting.
7. During 2012 the budget was not amended.

Note 2 – Deposits and Investments:

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

The Township does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits, highly liquid money market funds, certificates of deposit or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT) are captioned as "cash" in the balance sheet. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township.

Deposits:

Concentration of Credit Risk – At December 31, 2012, 38% of the balances shown as cash on the Township's Balance Sheets were held by QNB Bank, 52% were held by First Savings Bank of Perkasio, 9% were held directly by PLGIT, and 1% by Uninvest Bank and Trust Company.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statutes as they relate to custodial credit risk. As of December 31, 2012, the Township's total bank balances of \$6,218,103 were exposed to custodial credit risk as follows:

**MILFORD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012**

Note 2 – Deposits and Investments (Continued):

Balances subject to FDIC Insurance	\$ 624,390
Balances uninsured and collateralized with securities held by Uninvest Bank and Trust Company, QNB Bank, and First Savings Bank of Perkasio not in the Township’s name	5,031,279
Balances uninsured and uncollateralized held with PLGIT	<u>562,434</u>
TOTAL	<u>\$ 6,218,103</u>

Note 3 – Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 and infrastructure construction over \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	5 – 20 years
Vehicles	5 – 10 years
Infrastructure	25 years
Paving	10 years

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 3 – Capital Assets (Continued):

Changes in Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2012:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 7,534,597	\$ 1,065,092	\$ _____	\$ 8,599,689
Other capital assets:				
Buildings	2,038,893	22,037		2,060,930
Equipment	1,384,285	59,358		1,443,643
Infrastructure	4,039,817	315,087		4,354,904
Vehicles	1,006,262	_____	(27,804)	978,458
Total Other Capital Assets At Historical Cost	<u>8,469,257</u>	<u>396,482</u>	<u>(27,804)</u>	<u>8,837,935</u>
Less accumulated depreciation:				
Buildings	(1,124,040)	(73,133)		(1,197,173)
Equipment	(896,799)	(119,372)		(1,016,171)
Infrastructure	(710,545)	(167,462)		(878,007)
Vehicles	(614,144)	(112,264)	26,839	(699,569)
	<u>(3,345,528)</u>	<u>(472,231)</u>	<u>26,839</u>	<u>(3,790,920)</u>
Other capital assets net	<u>5,123,729</u>	<u>(75,749)</u>	<u>(965)</u>	<u>5,047,015</u>
Capital Assets Net	<u>\$ 12,658,326</u>	<u>\$ 989,343</u>	<u>\$ (965)</u>	<u>\$ 13,646,704</u>

Depreciation Expense:

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 42,204
Public works	398,133
Recreation and conservation	31,894
	<u>\$ 472,231</u>

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 4 – Long Term Liabilities:

The following is a summary of changes in long term liabilities for the year ended December 31, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable.....	\$ 4,445,000	\$	\$(195,000)	\$4,250,000	\$ 200,000
Other liabilities:					
Compensated absences.....	<u>7,831</u>	<u></u>	<u>(4,087)</u>	<u>3,744</u>	<u></u>
Long Term Liabilities	<u>\$ 4,452,831</u>	<u>\$ 0</u>	<u>\$(199,087)</u>	<u>\$ 4,253,744</u>	<u>\$ 200,000</u>

Description of Debt:

General Obligation Bonds – In May, 2008, the Township issued General Obligation Bonds, Series of 2008 in the amount of \$5,000,000. Proceeds of the bonds were used for and towards funding a portion of the Township’s open space acquisition program and paying the costs related to issuing and insuring the bonds. Interest on the bonds is paid semi-annually on May 15th and November 15th. The balance of bonds outstanding as of December 31, 2012 is \$4,250,000. Interest paid on the bonds during 2012 totaled \$165,748.

A schedule of principal maturities and annual interest payments follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Interest Rate</u>	<u>Annual Interest Amount</u>	<u>Total Debt Service</u>
<u>November 15th</u>				
2013	\$ 200,000	3.00%	\$ 159,898	\$ 359,898
2014	\$ 210,000	3.15%	\$ 153,897	\$ 363,897
2015	215,000	3.25%	147,282	362,282
2016	220,000	3.40%	140,295	360,295
2017	230,000	3.50%	132,815	362,815
2018	235,000	3.70%	124,765	359,765
2019	245,000	3.80%	116,070	361,070
2020	255,000	3.80%	106,760	361,760
2021	265,000	3.80%	97,070	362,070

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 4 – Long Term Liabilities (Continued):

Maturity Date	Principal Amount	Annual Interest Rate	Annual Interest Amount	Total Debt Service
<u>November 15th</u>				
2022	275,000	4.00%	87,000	362,000
2023	290,000	4.00%	76,000	366,000
2024	300,000	4.00%	64,400	364,400
2025	310,000	4.00%	52,400	362,400
2026	320,000	4.00%	40,000	360,000
2027	335,000	4.00%	27,200	362,200
2028	345,000	4.00%	13,800	358,800
	<u>\$ 4,250,000</u>		<u>\$ 1,539,652</u>	<u>\$ 5,789,652</u>

Note 5 - Accrued Vacation Time:

The Township does not allow employees to accumulate sick time to be paid at termination, so no accrual has been made in the financial statements for accrued sick time.

Vacation time can be accrued from year to year. Accrued vacation time due employees at December 31, 2012 is \$3,744 and has been recorded as a liability in the Statement of Net Assets.

Note 6 – Government-Wide Net Position:

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the Township’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributions.
- Unrestricted – all other net position is reported in this category.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 7 - Fund Balances:

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Township classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal contractual constraints. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Supervisors. Presently the Township has no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Supervisors.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Note 8 – Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Township’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances if there are any before using unassigned fund balances.

Note 9 - Property Tax:

Property taxes are levied in January. Liens are placed on uncollected property taxes on January 15th of the following year. The Township uses a tax collector to make collections throughout the year. Property tax revenue is recognized when collected. No allowance for uncollectible taxes is used. Eventually, all taxes are collected and remitted to the Township.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 10 - Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliations to the government-wide financial statements.

Interfund receivables and payable at December 31, 2012 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund.....	\$ 1,607	\$
Agency Fund	<u> </u>	<u>1,607</u>
Total All Funds.....	\$ <u>1,607</u>	\$ <u>1,607</u>

The above interfund receivable and payable was a result of interest revenue owed the general fund from the agency fund.

Individual fund operating transfers for the year ended December 31, 2012 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund.....	\$	\$ 81,706
Capital Projects Fund.....	<u>81,706</u>	<u> </u>
Total All Funds.....	\$ <u>81,706</u>	\$ <u>81,706</u>

Transfers were made to move funds to the Capital Projects Fund for future capital purchases.

Note 11 - Deferred Compensation Plan:

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 12 - Pension Plan:

Plan Description – The Milford Township pension plan is a single-employer defined benefit pension plan controlled by the provisions of the Ordinance No. 131 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Plan Membership - Membership of the plan consisted of the following at December 31, 2012.

Active plan members	10
Retirees and beneficiaries currently receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>15</u>

Benefit Provisions - The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

Funding Policy - Act 205 requires that annual contributions be based upon the plan’s minimum municipal obligation (MMO). The MMO is based upon the plan’s biennial actuarial valuation.

In accordance with the plan’s governing Resolution, members are not required to contribute to the plan.

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

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

**MILFORD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 12 - Pension Plan (Continued):

Annual Pension Cost and Net Pension Obligation – Milford Township’s pension plan’s annual pension cost and net pension obligation (Asset) for the current year were as follows:

Annual required contribution.....	\$ 31,007
Interest on net pension obligation.....	0
Adjustment to annual required contribution.....	<u>0</u>
Annual pension cost.....	31,007
Contributions made.....	<u>31,007</u>
Increase (decrease) in net pension obligation (Asset)...	0
Net pension obligation/(Asset) beginning of year	<u>0</u>
Net pension obligation/(Asset) end of year.....	<u><u>\$ 0</u></u>

The annual required contribution for the current year was based upon the plan’s biennial actuarial valuation using the entry age normal method. The actuarial assumptions included a.) 6.0% investment rate of return (net of administrative expenses) and b.) projected salary increase of age-related scale for merit/seniority (e.g. age 30 – 6.4%; age 40 – 5.0%; age 50 – 4.1%; age 60 – 3.7% also 2.0% is added for each of the first 3 years of service) b.) included an inflation component of 3%. The assumptions did not include post retirement benefit increases. PMRS law provides for the municipality to optionally award post retirement adjustments based on the system’s investment performance.

Three-Year Trend Information:

<u>Year Ending December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/(Asset)</u>
2012	\$ 31,007	100.0%	\$ 0
2011	31,912	100.0%	0
2010	36,168	100.0%	0

Required Supplementary Information
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Portion (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
1/1/11	\$ 1,309,556	\$ 1,249,777	\$(59,779)	104.8%	\$663,480	(9.0%)
1/1/09	1,167,439	1,108,892	(58,547)	105.3%	601,361	(9.7%)
1/1/07	966,623	934,600	(32,023)	103.4%	571,197	(5.6%)

SUPPLEMENTARY INFORMATION

**MILFORD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2012**

	<u>Budget Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Taxes, penalties, and interest	\$ 1,227,700	\$ 1,622,060	\$ 394,360
Charges for services	17,000	29,305	12,305
Intergovernmental revenues	159,283	127,748	(31,535)
Licenses and permits	190,675	226,751	36,076
Interest and rents	114,130	104,257	(9,873)
Fines and forfeitures	14,000	12,040	(1,960)
Special assessments	3,000	795,828	792,828
Miscellaneous	<u>7,000</u>	<u>8,268</u>	<u>1,268</u>
Total Revenues	<u>1,732,788</u>	<u>2,926,257</u>	<u>1,193,469</u>
<u>Expenditures:</u>			
General government	628,828	536,115	92,713
Public safety	331,326	311,000	20,326
Public works	635,000	407,132	227,868
Recreation and parks	71,700	105,801	(34,101)
Capital outlays	18,000	382,791	(364,791)
Employee benefits	368,257	319,991	48,266
Insurance	<u>66,090</u>	<u>58,457</u>	<u>7,633</u>
Total Expenditures	<u>2,119,201</u>	<u>2,121,287</u>	<u>(2,086)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(386,413)</u>	<u>804,970</u>	<u>1,191,383</u>
<u>Other Financing Sources (Uses):</u>			
Operating transfers in			
Operating transfers out	_____	<u>(81,706)</u>	<u>(81,706)</u>
Total Other Financing Sources (Uses)	_____	<u>(81,706)</u>	<u>(81,706)</u>
Net Change in Fund Balances	(386,413)	723,264	1,109,677
Fund Balances – Beginning	<u>1,903,275</u>	<u>1,903,275</u>	_____
Fund Balances – Ending	<u>\$ 1,516,862</u>	<u>\$ 2,626,539</u>	<u>\$ 1,109,677</u>

**MILFORD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE – OPEN SPACE ACQUISITION FUND
YEAR ENDED DECEMBER 31, 2012**

	<u>Budget Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Taxes, penalties, and interest	\$ 500,000	\$ 674,756	\$ 174,756
Interest revenue	20,000	18,468	(1,532)
Miscellaneous			
Total Revenues	<u>520,000</u>	<u>693,224</u>	<u>173,224</u>
<u>Expenditures:</u>			
General government.....		1,078	(1,078)
Debt service - principal.....	195,000	195,000	
- interest	165,748	165,748	
Capital outlays		<u>1,088,488</u>	<u>(1,088,488)</u>
Total Expenditures	<u>360,748</u>	<u>1,450,314</u>	<u>(1,089,566)</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>159,252</u>	<u>(757,090)</u>	<u>(916,342)</u>
Net Change in Fund Balances	159,252	(757,090)	(916,342)
Fund Balances – Beginning....	<u>2,383,182</u>	<u>2,383,182</u>	
Fund Balances – Ending.....	<u>\$ 2,542,434</u>	<u>\$ 1,626,092</u>	<u>\$ (916,342)</u>

**MILFORD TOWNSHIP
NOTE TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2012**

Note 1 – Funds and Basis of Accounting:

A Budgetary Comparison Schedule is presented for the General Fund and the Open Space Acquisition Fund of the Township. They are prepared on the modified accrual basis of accounting.