HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

Financial Report

December 31, 2013

HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

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HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA

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Independent Auditor's Report

To the Board of Supervisors
Hilltown Township
Hilltown, 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 Hilltown Township, Bucks County, Pennsylvania, as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hilltown Township's primary government as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

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 adverse audit opinion on the reporting entity and unmodified audit opinion on the governmental activities, major funds, and the aggregate remaining fund information of the primary government.

Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of Hilltown Township, Bucks County, Pennsylvania, which consists of all funds, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hilltown Township, Bucks County, Pennsylvania, as of December 31, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Township's component unit issues its own financial statements which are audited by another accounting firm. At this time, the component unit's audit report for the year ended December 31, 2013, is not complete, and is therefore not available to the Township for inclusion in its financial statements.

Unmodified Opinion on the Governmental Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information for the primary government of Hilltown Township, Bucks County, Pennsylvania as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4 through 17 and 53 through 57 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dunlap & Associates, P.C.
DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
March 28, 2014

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

Our discussion and analysis of Hilltown Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2013. Please read it in conjunction with the Township's financial statement, which begins on page 18.

FINANCIAL HIGHLIGHTS

The Township's net position increased $1,689,861 or 6.25% as a result of this year's operations.

During the year the Township purchased capital assets totaling approximately $695,000, which includes two (2) Police vehicles with accompanying equipment ($78,343), a public works asphalt roller ($95,295), computers for the Police Department ($3,592), storage shed for use by the Police Department ($6,126), a replacement air conditioning unit for the Administration Building ($7,465) and a replacement mower for use by the Public Works Department ($9,198).

The Township also replaced the roof on the Township Building which was 26 years old ($106,507), and spent approximately $380,000 on infrastructure.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 18 and 19-20) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

The Statement of Net Position and Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether or not the Township is better or worse off as a result of the year's activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting methods used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when each is received or paid. These statements report the Township's net position and changes to it. The Township's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) provides a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net position are indicators of whether the Township's financial health is improving or deteriorating.

USING THIS REPORT (Continued)

Reporting Significant Funds

The Fund Financial Statements begin on page 21 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic service it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation at the end of the fund financial statements.

The Township as a Trustee

The Township is a trustee, or fiduciary, for its employees' pension plans. The Pennsylvania Municipal Retirement System has been appointed to handle all employee pensions. It is important to note here that the original pension contracts were issued with the Pennsylvania Municipal Retirements System in the late 1980. At the end of 2012 these contracts were revised and updated to include current Internal Revenue and Pennsylvania regulations. Hilltown Township is also responsible for escrow deposits from developers, businesses, and individual for legal and engineering fees. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25-26. These activities are excluded from The Township's other financial statements because the Township cannot use these assets to finance its operation. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Position provides an overview of the Township's assets, deferred inflows, liabilities, deferred outflows, and net position. Over time this statement will provide a good indication of the Township's fiscal health.

Table 1
Net Position

Account	2013	2012	$ Change	% Change
Capital Assets	$ 19,236,008	$ 19,601,517	$ (365,509)	(1.86)
Current and Other Assets	10,715,949	8,665,573	2,050,376	23.66
Total Assets	29,951,957	28,267,090	1,684,861	5.96
Long-Term Liabilities	551,865	801,991	(250,126)	(31.19)
Other Liabilities	660,374	415,242	245,132	59.03
Total Liabilities	1,212,239	1,217,233	(4,994)	(0.41)
Net Position				
Invested in Capital Assets, Net of Related Debt	18,530,474	18,647,600	(117,126)	(0.63)
Restricted	7,055,120	6,056,656	998,464	16.49
Unrestricted	3,154,124	2,345,601	808,523	34.47
Total Net Position	$ 28,739,718	$ 27,049,857	$ 1,689,861	6.25

The total net position of the Township shown above is approximately $28.7 million. However, this does not include certain physical assets such as traffic signals, storm sewers and drainage structures acquired or constructed before January 1, 2004. Net position increased by approximated $1.6 million. This increase is largely due to higher revenues than anticipated and fiscal prudence.

Table 2
Changes in Net Position

Account	2013	2012	$ Change	% Change
Program Revenues				
General Government	$ 485,821	$ 364,974	$ 120,847	33.11
Police	369,289	361,415	7,874	2.18
Fire	151,351	133,165	18,186	13.66
Code Enforcement	455,118	273,451	181,667	66.43
Highway Maintenance	814,459	1,145,987	(331,528)	(28.93)
Snow Removal	5,270	3,230	2,040	63.16
Traffic Signals	4,115	1,741	2,374	136.36
Street Lighting	58,479	55,977	2,502	4.47
Parks and Recreation	113,042	10,342	102,700	993.04
General Revenues				
Real Estate Taxes	1,848,380	1,837,912	10,468	0.57
Transfer Taxes	358,809	338,322	20,487	6.06
Earned Income Taxes	3,798,555	3,446,276	352,279	10.22
Other Taxes	244,926	204,658	40,268	19.68
Interest and Rents	109,171	109,336	(165)	(0.15)
Miscellaneous	31,935	534	31,401	5880.34
Total Revenues (Forwarded)	$ 8,848,720	$ 8,287,320	$ 561,400	6.77

Table 2
Changes in Net Position

Account	2013	2012	$ Change	% Change
Total Revenues (Forwarded)	$ 8,848,720	$ 8,287,320	$ 561,400	6.77
Program Expenses				
Legislative	48,766	48,718	48	0.10
Executive	322,145	301,041	21,104	7.01
Finance and Tax Collection	182,304	173,658	8,646	4.98
Professional Services	92,620	91,209	1,411	1.55
General Government	956,787	983,388	(26,601)	(2.71)
Police	3,137,681	2,998,415	139,266	4.64
Fire	350,665	342,266	8,399	2.45
Code Enforcement	211,302	210,771	531	0.25
Highway Maintenance	1,572,954	1,474,916	98,038	6.65
Snow and Ice Removal	100,155	50,010	50,145	100.27
Traffic Signals	42,444	50,418	(7,974)	(15.82)
Street Lighting	38,795	36,662	2,133	5.82
Parks and Recreation	78,834	134,250	(55,416)	(41.28)
Conservation and Development	23,407	20,454	2,953	14.44
Total Expenses	7,158,859	6,916,176	242,683	3.51
Changes in Net Position	$ 1,689,861	$ 1,371,144	$ 318,717	23.24

Total revenue from all sources was approximately $8.8 million. Real estate taxes continued to be assessed at 8.75 mills. Revenue from this source remained stable. Transfer taxes increased by 6.06%, continuing to indicate a slight improvement in the housing market. Earned Income Tax (EIT) revenue increased by 10.22% over 2012.

Figure 1

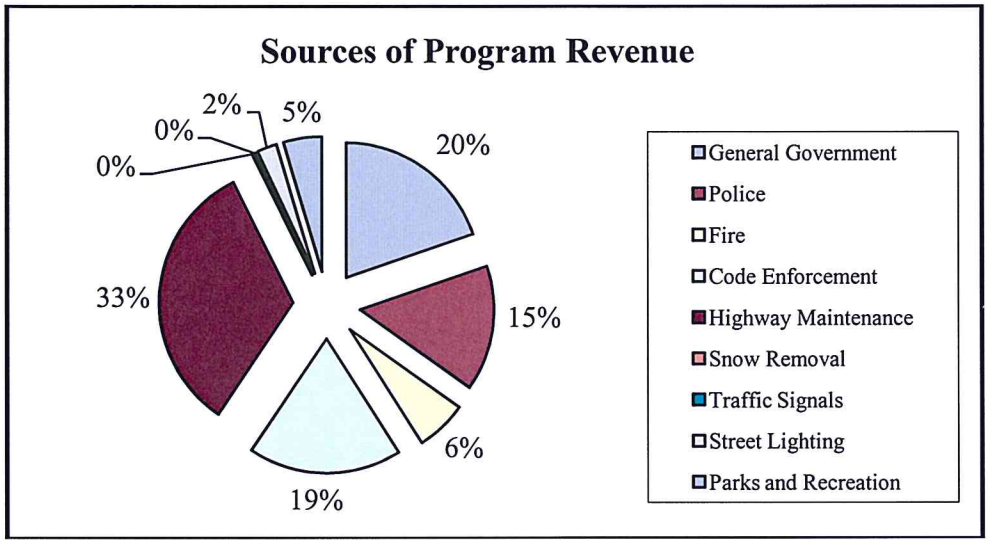
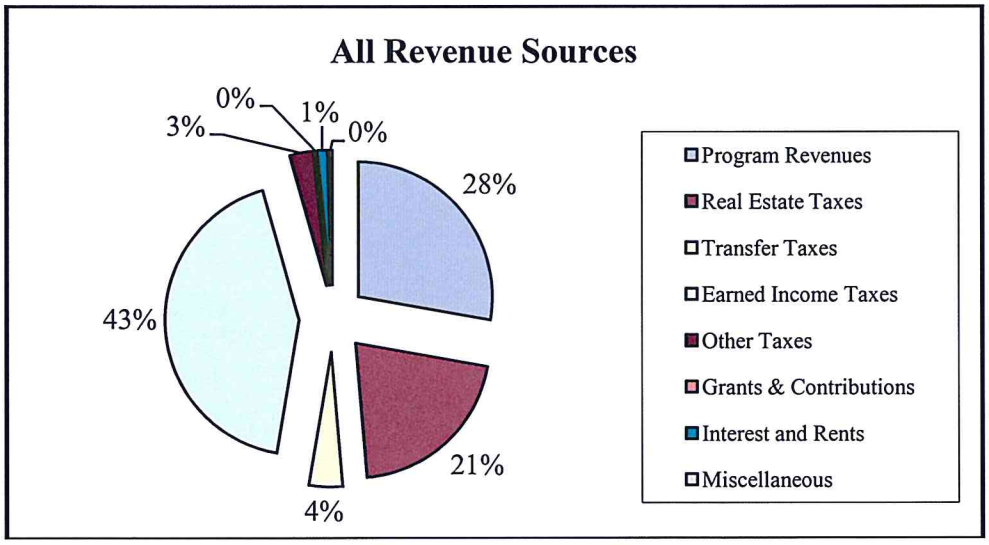


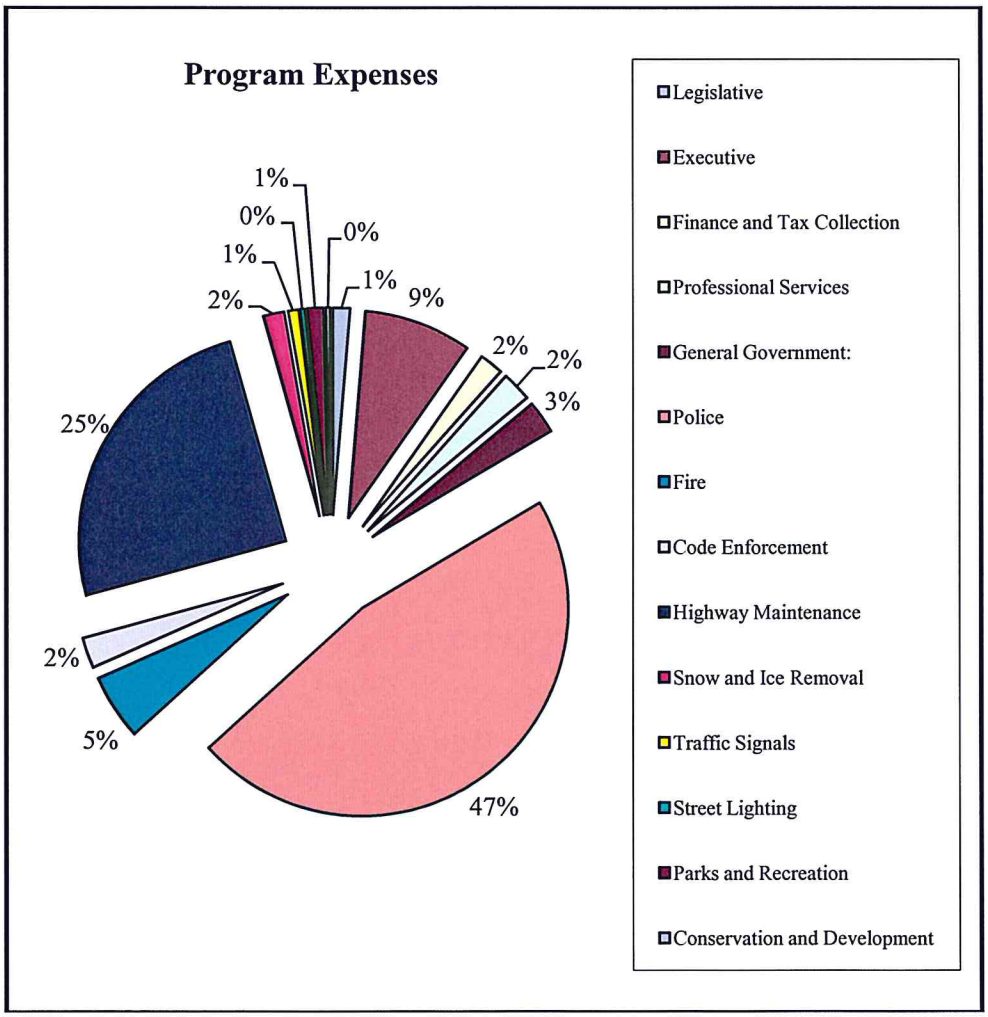
Figure 2



Expense Overview

Total expenses in all categories were approximately $7.1 million, which is an increase over 2012 of 3.5%. Police and Public Works are the largest expenses accounting for spending of approximately $4.8 million. The increase in expenses in these areas is primarily contractual salary increases which were three percent in both categories. Savings in other areas accounted for the overall increase remaining low. Fiscal prudence and careful budgeting helped to hold this increase to a minimum.

Figure 3



ITEMS OF GENERAL INTEREST

Fire

Residents and businesses of the Township are served by the Hilltown Township Volunteer Fire Company, Perkasie Fire Company, Sellersville Fire Company, Dublin Fire Company, Silverdale Fire Company, Souderton Fire Company, Telford Fire Company and Chalfont Chemical Fire Engine Company No. 1 in designated districts. There are mutual aid agreements and central dispatching throughout the area. A fire tax of 0.75 mills is assessed and the proceeds of this tax are distributed to the fire companies based on a formula of 50% area covered and 50% assessed valuation. The following disbursements were made in 2013.

Dublin Fire Company	$ 20,862
Hilltown Township Volunteer Fire Company	33,005
Perkasie Fire Company	3,416
Sellersville Fire Company	15,939
Silverdale Fire Company	36,553
Souderton Fire Company	8,278
Telford Fire Company	5,947
Total	$ 124,000

In 2013, the Silverdale Fire Company received the third and final installment of $3,000 (part of a $9,000 commitment) to help defray the cost of a replacement truck, the cost of which is approximately $350,000.

In 2013, the Souderton Fire Company received the second $3,000 installment (part of a $9,000 commitment) towards the purchase of a Pierce Rescue/Pumper Truck.

In addition in 2013 and for the first time, Telford Borough received $2,590 in fire tax funds in payment for Worker's Compensation Insurance. Telford Borough calculated that this amount represented the cost of Worker's Compensation Insurance for Telford Fire Company's coverage of Hilltown Township. Hilltown Township also paid $17,317 for Worker's Compensation Insurance for the Hilltown Township Volunteer Fire Company from General Funds.

In addition to the above Hilltown Township also paid $31,000 for Hilltown Township Volunteer Fire Company's property, equipment and liability insurance coverage.

The Volunteer Fire Relief Associations also received an allocation from the Commonwealth of Pennsylvania. This allocation is made in accordance with Act 205 of 1984 which stipulates than 50 percent of your allocation is based on the population of the municipality, and 50 percent is determined by the market value of real estate in the municipality. The Township received a disbursement of $151,351. These funds are derived from a charge the Commonwealth of Pennsylvania imposes on

ITEMS OF GENERAL INTEREST (Continued)

Fire (Continued)

Insurance Companies located outside of Pennsylvania who are doing business within the State. The monies were distributed as follows:

Dublin Fire Company Relief Association	$ 26,759
Hilltown Township Volunteer Fire Co. Relief Assoc.	42,333
Perkasie Fire Company Relief Association	4,381
Sellersville Fire Company Relief Association	16,596
Silverdale Fire Company Relief Association	43,037
Souderton Fire Company Relief Association	10,617
Telford Fire Company Relief Association	7,628
Total	$ 151,351

Ambulance Service
The Township is served by four (4) ambulance companies. They are Chal-Brit Regional Ambulance, Grand View Hospital Ambulance, Point Pleasant-Plumsteadville Regional Ambulance and Souderton Ambulance. They are centrally dispatched by Bucks County Emergency Management. The Board of Supervisors, in fiscal year 2010 voted to provide financial assistance to the primary ambulance companies serving Hilltown Township. That financial assistance was continued in 2013. The disbursements were made as follows:

Chal-Brit Regional Ambulance	$ 14,280
Point Pleasant-Plumsteadville Regional Ambulance	3,780
Souderton Ambulance	8,400
Total	$ 26,460

Water
Residents and businesses of the Township are served by Hilltown Township Water and Sewer Authority (HTWSA), Telford Borough Authority (TBA), North Penn Water Authority (NPWA), and primarily on-lot water systems. Based on the fact that the Township is responsible for appointing the HTWSA board members, the authority is considered a component unit of the Township. The Authority's financial activity would normally be included in the Township's financial statements under accounting principles generally accepted in the United States of America; however, due to the timing of the release of the Authority's audited financial statements, management has elected not to include the activity in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of the Authority. The Township has no financial or management control of the water companies other than that noted above.

ITEMS OF GENERAL INTEREST (Continued)

Waste Water

Residents and businesses of the Township are principally served by the HTWSA, TBA, and primarily on-lot sewage disposal systems. The Township has no financial or management control of the sewer authorities other than that noted above.

Public Facilities

The Township owns two parks along with scattered open space parcels. The Township is continuing the creation of a third park in the Forest Road area. The Township municipal building is 26 years old and houses both the Police Department and the Administrative Offices. The Public Works Department is located to the rear of the Township Administration building in facilities approximately ten years old, and centralizes all Township services. The Township also owns the former municipal building, more commonly referred to as the old school house, located in the Blooming Glen Village. The building is used by the Friends of the Samuel Pierce Library for their Thrift Shop as well as the Boy Scout and 4-H clubs for their meetings.

ANALYSIS OF INDIVIDUAL FUNDS

In the General Fund, the excess of revenues over expenditures of approximately $640,000 was due to cost cutting measures, careful management of expenses, an increase in housing starts which generated increased building fees, and a 10% increase in the earned income tax, partly due to better collection methods.

Revenues

Real Estate Taxes remained stable with a slight increase of approximately 0.57%. Transfer taxes showed an increase of $20,487 or a 6.06% increase in revenue indicating a modest but continued improvement in the housing market. Earned Income Tax showed an increase of $353,279 or 10.22% indicating jobs among Hilltown residents remain strong.

It is important to note that the Earned Income Tax collector remained Keystone Collections Group for the second year. Act 32 of the Pennsylvania Legislature mandated one tax collector of Earned Income Tax per county. The Bucks County Tax Collection Committee was formed with representatives from each Municipality and each School District in Bucks County to select and monitor the collection efforts of the chosen tax collector. The committee meets quarterly and continues to monitor the collection efforts of Keystone Collections Group.

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Expenses
Expenses for the year were higher than in 2012 by 3.51% but fell within the 2013 budget. It is important to note that Township Management approach budgeting and spending conservatively.

Other Funds
This category includes:

Special Revenue Funds
- Liquid Fuels Fund
- Street Light Fund
- Fire Tax Fund
- Open Space Fund
- Park and Recreation Fund

Capital Projects Funds
- Capital Projects Fund
- Road Equipment Fund
- Operating Reserve Fund
- Stormwater System Reserve Fund
- Recreation Capital Reserve Fund

Debt Service Fund

Each of these funds had routine and unremarkable results during 2013. It is important to note that the Township's general long-term debt was reduced in 2013 as shown below. There are no plans at this time to refinance or acquire new debt.

Balance, January 1, 2013	$ 953,917
Principal Payments	(248,383)
Balance, December 31, 2013	$ 705,534

It is also important to note that according to the loan agreements the interest rate was dropped to 1.95%. Quarterly payments remain the same, enabling the principal balance to be reduced at a faster rate than originally anticipated.

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Pension Plan

Full-time employees are also members of the Police or Non-Uniform local pension plans. The pension plans for both groups are managed by the Pennsylvania Municipal Retirement System. The Township is eligible for Act 205 assistance in the form of State Aid which for 2013 totaled $194,218. These monies are collected from Insurance Companies located outside of the State but doing business within the State.

The Minimum Municipal Obligation or "MMO" was as follows:

Police Pension Plan	$ 226,341
Non-Uniform Plan	67,870
Total	$ 294,211

The Minimum Municipal Obligation is calculated based on total payroll information from the prior year. Multiplying rates are set by the actuarial studies performed every other year. Administrative charges are then included. Any actuarial surpluses or deficiencies are then amortized. The Pennsylvania Municipal Retirement System ("PMRS") sets this amount based on the actuarial study.

Police Officers of the Township were required to begin contributing to their pension plans as a result of an arbitration award granted in 2009. The award directs that if the State aid is insufficient to cover the MMO, the Police are required to contribute a percentage of their salaries up to a five (5) percent maximum. In 2013 this contribution requirement was increased to five (5) percent. The contribution rate for 2014 will remain at five (5) percent. The Police member contribution totaled $91,948 for 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Hilltown Township had approximately $18.5 million invested in Capital Assets, net of related debt. Included in this number is the valuation of almost 86 miles of Township streets and roads. This number is lower than in 2012 due to depreciation exceeding additions in 2013.

Discussion of Future Plans

The budget consists of seven operating funds and four capital improvements funds. It is prepared in line item format in accordance with the Pennsylvania Chart of Accounts for local government published by the State Department of Community and Economic Development (DCED).

An analysis of the 2014 budget will show that the Township is maintaining municipal services in such areas as police protection, code enforcement, fire protection, and public works services at or above present levels. The 2014 budget provides the necessary resources to these important areas to achieve the priorities, goals, and policies of the Board and for the Township to continue to fulfill its obligation to provide for the health, safety, and welfare of the community.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Discussion of Future Plans (Continued)

The 2014 budget carries forward projects which were not completed in 2013. Among those is the replacement of carpeting which was installed when the building was first constructed 26 years ago. Also included is repainting the interior of the Township Building. The Police Department is planning on purchasing three new vehicles to replace aging vehicles. They will also be adding an in-car video system and replacing one taser. They will also be upgrading computer equipment. They are continuing the process of upgrading radio systems due to mandatory FCC P25 compliance requirements. The Public Works Department will be investigating the purchase of a bucket truck for use within the Township as well as continuing with the pavement maintenance program. Administration will be upgrading computer equipment and software to more current versions.

The Mill Road Bridge project will be completed in late summer of 2014. This project began in 2009 with grants from the Federal as well as State governments. The Federal Government provides 80% of the funding and the Commonwealth of Pennsylvania provides 15% of the funding. Hilltown Township is required to provide 5% of the total cost.

While the Board of Supervisors is still stressing caution moving forward there seems to be a modest improvement on the horizon. Real Estate Transfer taxes rose in 2013 by 0.57% indicating that the housing market is beginning to rebound. This increase is tempered by lowered assessments as properties recover from the downturn. Earned Income Tax showed an increase over 2012 of 10.22% indicating a stronger jobs market. A change in the tax collection agency may account for some of this increase as their collection methods are more streamlined. Building permits, as well as electrical, plumbing, mechanical and occupancy permits, all showed increases during the year.

ECONOMIC FORECAST

As discussed above, the Township derives its operating revenue from a variety of other sources in addition to real estate taxes. These include Act 511 taxes such as a ½% levy on earned income of residents. A local services tax of $47 per year is also assessed on individuals working in the community, many of whom do not live in the Township but take advantage of its services. The Township also receives revenue from a 1% transfer tax on real estate sales, fees for licenses and permits, interest on investments, rents, royalties, grants and charges for use of municipal services.

Fluctuations in the housing market, unemployment, interest rates, and the availability of state funding for mandated programs or services affect Township revenues one way or another.

It is anticipated that in 2014, earned income tax will rise slightly. Real estate transfer taxes will show growth as the housing market is improving. Real estate taxes will increase due to new housing being developed. Several developments within the Township are underway and are selling well. An over fifty-five community should begin construction sometime in late 2014.

ECONOMIC FORECAST (Continued)

Tax rates for 2014 remain the same as 2013 and are as follows:

General Purposes	6.05 mills
Fire Protection	0.75
Park and Recreation	0.20
Debt Service Obligations	1.25
Road Equipment Acquisition	0.50
Total	8.75 mills

For the homeowner with an average assessed value of $36,000, the total real estate tax paid to the Township is $315.00

It is with these factors in mind that the 2014 budget indicates some limited growth constantly staying mindful of cost constraints. Consistently looking for better value and lower costs for the dollars spent is a priority of all staff.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

The Management Discussion and Analysis is intended to provide our citizens, taxpayers, and creditors with a general, plain English overview of important financial matters. The Township's Treasurer/Finance Director is Lorraine E. Leslie, who can be reached at 215-453-6000 extension 212. The Township's Manager is Richard Schnaedter who can be reached at 215-453-6000 extension 213. The Township can also be reached by fax at 215-453-1024 or by the internet at www.hilltown.org.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Net Position
December 31, 2013

Assets	
Current Assets	
Cash	$ 8,568,611
Taxes Receivable	1,832,221
Other Receivables	314,777
Due from Fiduciary Fund	340
Total Current Assets	10,715,949
Noncurrent Assets	
Net Capital Assets	19,236,008
Total Assets	29,951,957
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	278,672
Accrued Wages and Benefits	128,506
Current Portion of General Obligation Note	253,196
Total Current Liabilities	660,374
Noncurrent Liabilities	
General Obligation Note Payable	452,338
Compensated Absences	99,527
Total Noncurrent Liabilities	551,865
Total Liabilities	1,212,239
Net Position	
Invested in Capital Assets, Net of Related Debt	18,530,474
Restricted for	
Land Preservation	5,781,956
Capital Projects	896,596
Debt Service	26,620
Other Purposes	349,948
Unrestricted	3,154,124
Total Net Position	$ 28,739,718

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
Governmental Activities			
General Government			
Legislative	$ 48,766	$ 0	$ 0
Executive	322,145	0	10,013
Finance and Tax Collection	182,304	0	0
Professional Services	92,620	0	0
General Government	956,787	351,098	39,665
Public Safety			
Police	3,137,681	214,702	154,587
Fire	350,665	0	151,351
Code Enforcement and Planning and Zoning	211,302	449,724	5,394
Highways			
Highway Maintenance	1,572,954	145,638	413,031
Snow and Ice Removal	100,155	5,270	0
Traffic Signals	42,444	4,115	0
Street Lights	38,795	58,479	0
Parks and Recreation	78,834	8,327	104,715
Conservation and Development	23,407	0	0
Total Governmental Activities	$ 7,158,859	$ 1,237,353	$ 878,756
General Revenues			
Taxes			
Real Estate Taxes			
Real Estate Transfer Taxes			
Earned Income Taxes			
Other Taxes			
Interest Income and Rents			
Miscellaneous			
Total General Revenues			
Change in Net Assets			
Net Position, Beginning of Year			
Net Position, End of Year			

See Notes to Financial Statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
$ 0	$ (48,766)
0	(312,132)
0	(182,304)
0	(92,620)
85,045	(480,979)
0	(2,768,392)
0	(199,314)
0	243,816
255,790	(758,495)
0	(94,885)
0	(38,329)
0	19,684
0	34,208
0	(23,407)
$ 340,835	(4,701,915)
	1,848,380
	358,809
	3,798,555
	244,926
	109,171
	31,935
	6,391,776
	1,689,861
	27,049,857
	$ 28,739,718

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Open Space Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 2,084,225	$ 5,252,266	$ 1,232,120	$ 8,568,611
Taxes Receivable	1,283,521	531,000	17,700	1,832,221
Other Receivables	103,602	0	211,175	314,777
Due (to) from Other Funds	(54,825)	0	55,165	340
Total Assets	$ 3,416,523	$ 5,783,266	$ 1,516,160	$10,715,949
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	$ 34,366	$ 1,310	$ 242,996	$ 278,672
Accrued Wages and Benefits	128,506	0	0	128,506
Total Liabilities	162,872	1,310	242,996	407,178
Deferred Inflows of Resources				
Deferred Tax Receipts	831,427	351,125	13,600	1,196,152
Fund Balances				
Restricted	0	5,135,658	473,216	5,608,874
Committed	151,038	0	0	151,038
Assigned	0	295,173	786,348	1,081,521
Unassigned	2,271,186	0	0	2,271,186
Total Fund Balances	2,422,224	5,430,831	1,259,564	9,112,619
Total Liabilities and Fund Balances	$ 3,416,523	$ 5,783,266	$ 1,516,160	$10,715,949

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2013

Total Governmental Fund Balances	$ 9,112,619
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 Not Reported in Funds, Net of Accumulated Depreciation of $18,102,589.	19,236,008
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	1,196,152
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
General Obligation Notes Payable	(705,534)
Compensated Absences	(99,527)
Net Position of Governmental Activities	$ 28,739,718

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	General Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 4,291,735	$ 1,175,930	$ 633,137	$ 6,100,802
Intergovernmental Revenues	470,279	0	624,324	1,094,603
Charges for Services	737,567	0	8,327	745,894
Fines, Licenses and Permits	395,830	0	0	395,830
Interest Income and Rents	76,971	23,099	9,101	109,171
Miscellaneous	71,012	0	124,988	196,000
Total Revenues	6,043,394	1,199,029	1,399,877	8,642,300
Expenditures				
General Government	738,855	0	13,585	752,440
Public Safety	3,493,825	0	160,706	3,654,531
Highways	1,028,159	0	525,835	1,553,994
Parks and Recreation	0	0	41,126	41,126
Conservation and Development	5,000	18,407	0	23,407
Debt Service - Principal	0	0	248,383	248,383
Debt Service - Interest	0	0	15,969	15,969
Capital Expenditures	85,045	0	610,578	695,623
Miscellaneous Governmental	55,059	0	0	55,059
Total Expenditures	5,405,943	18,407	1,616,182	7,040,532
Excess (Deficiency) of Revenues Over Expenditures	637,451	1,180,622	(216,305)	1,601,768
Fund Balances				
Beginning of Year	1,784,773	4,250,209	1,475,869	7,510,851
End of Year	$ 2,422,224	$ 5,430,831	$ 1,259,564	$ 9,112,619

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds:	$ 1,601,768
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 of $695,623 Was Less Than Loss on Disposal of Capital Assets of $1,936 and Depreciation Expense of $1,059,197 in the Current Year.	(365,510)
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	
Taxes Receivable	208,356
Repayment of Note Payable Principal Is an Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Assets.	248,383
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.	
Compensated Absences	(3,136)
Change in Net Position of Governmental Activities	$ 1,689,861

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Fiduciary Net Position
December 31, 2013

	Pension Trust Funds	Agency Funds
Assets		
Cash	$ 0	$ 1,504,596
Investments	11,315,044	0
Total Assets	11,315,044	1,504,596
Liabilities		
Due to Other Funds	0	340
Escrow Deposits	0	1,504,256
Total Liabilities	0	$ 1,504,596
Net Position		
Held in Trust for Pension Benefits	$ 11,315,044	

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2013

Additions	
Contributions:	
Commonwealth	$ 194,218
Member	91,948
Employer (Township)	99,993
Total Contributions	386,159
Investment Income	574,642
Total Additions	960,801
Deductions	
Insurance Premiums	3,810
Administrative	940
Total Deductions	4,750
Increase in Net Position	956,051
Net Position, Held in Trust	
Beginning of Year	10,358,993
End of Year	$ 11,315,044

See Notes to Financial Statements.

1. Summary of Significant Accounting Policies

Hilltown Township was incorporated in 1721, in Bucks County, Pennsylvania. The Township is classified as a "Township of the Second Class" under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services.

The Township's statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

The Township complies with accounting principles generally accepted in the United States of America (GAAP) except as disclosed in Note 1A, Reporting Entity, below. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting Entity

The Township's financial reporting entity comprises the following:

Primary Government:	Hilltown Township
Component Unit:	Hilltown Township Water and Sewer Authority

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 61, requires Hilltown Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township. Based upon the fact that the Township is responsible for appointing the Authority board members, the Hilltown Township Water and Sewer Authority (Authority) is considered a component unit of Hilltown Township. Accordingly, the Authority's financial activity would normally be included in the Township's financial statements under GAAP.

Management has elected to not include the financial activities of the Authority in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of the Authority. A copy of the Authority's financial statements can be obtained by contacting Hilltown Township Water and Sewer Authority.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and fiduciary.

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Operating Reserve Fund has been combined with the General Fund to conform with the fund definitions set forth in GASB 54 – *Fund Balance Reporting and Governmental Type Definitions.*

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

1. **Summary of Significant Accounting Policies** (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

Fund	Description	Major Fund?
Liquid Fuels	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Street Light	Accounts for revenues and expenditures of street light tax funds	No
Fire Tax	Accounts for revenues and expenditures of fire protection tax funds	No
Open Space	Accounts for tax money received for protection of open space	Yes
Park and Recreation	Accounts for tax money received for parks and recreation	No

1. **Summary of Significant Accounting Policies** (Continued)

B. **Basis of Presentation** (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fund	Description	Major Fund?
Capital Project	Accounts for funds received from developers to be spent for capital projects in the Township	No
Road Equipment	Accounts for tax money received for the purchase of road equipment	No
Recreation Capital Reserve	Accounts for funds received from developers in lieu of recreation improvements to be used to construct recreational and park facilities	No
Stormwater System Reserve	Accounts for funds received from developers in lieu of stormwater improvements	No

Debt Service Fund - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Fiduciary Funds

Pension Trust Funds and Agency Funds - Pension Trust Funds (which include the Police and Non-Uniform Pension Plans that are administered by the Pennsylvania Municipal Retirement System) and Agency Funds (which include the Developers Escrow and Sewer Maintenance Funds) are used to account for assets held by a third party in the Township's name in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Pension Trust Funds and Agency Funds are custodial in nature and do not involve measurement of results of operations.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus
On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

2. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting
In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset is used.

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.

2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.

3. The budget is formally adopted by the Board members prior to December 31.

4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.

5. Amendments may be approved by the Board during the year.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 8 for details of interfund transactions, including receivables and payables at year end.

1. Summary of Significant Accounting Policies (Continued)

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident's property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, franchise taxes, grants, and police fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements
In the government-wide financial statements, fixed assets are accounted for as capital assets. Repairs and maintenance are recorded as expenditures, and renewals and betterments are capitalized. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation.

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Government-wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and the capitalization level by type of asset is shown below.

Classifications	Years
Land/Park Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10
Vehicles	5-10
Furniture and Fixtures	10
Traffic Lights	20
Infrastructure	40

Fund Financial Statements
In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

H. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

1. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

Township uniformed employees accumulate vacation and sick time in accordance with their contract. Uniformed employees can earn up to 240 hours of vacation time depending on their years of service. Uniformed employees may carry over 120 unused vacation hours per year.

Uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 360 hours can be accumulated from year to year. Upon retirement, resignation or termination, the employee is not paid for accumulated sick time.

Township non-uniformed employees accumulate vacation and sick time in accordance with their contract. Non-uniformed employees can earn up to 184 hours of vacation time depending on their years of service. Non-uniformed employees may carry over 240 hours of vacation per year.

Non-uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 240 hours of sick leave can be accumulated from year to year. Upon retirement, resignation or termination, non-uniformed employees are not paid for accumulated sick time.

The Township is liable to employees in the amount of $99,527 for vested vacation pay at December 31, 2013.

J. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. **Restricted net position** - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.

3. **Unrestricted net position** - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1. Summary of Significant Accounting Policies (Continued)

J. Equity Classifications (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2013.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Township Manager and Finance Director/Treasurer, as well as the Board of Supervisors.

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

The Township does not currently have a formal minimum fund balance policy.

1. Summary of Significant Accounting Policies (Continued)

K. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function) Debt Service Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

L. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

M. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash and investments as of December 31, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	$ 8,568,611
Statement of Fiduciary Net Position:	
Cash	1,504,596
Investments	11,315,044
Total Cash and Investments	$ 21,388,251

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. All Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2013, $10,013,247 of the Township's bank balance of $10,263,247 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Township's name.

B. Investments

At December 31, 2013, the Township's investments of $11,315,044 were all held in fiduciary funds. The funds are invested in an external investment pool with the Pennsylvania Municipal Retirement System (PMRS) and are reported at fair value. PMRS functions as the investment and administrative agent for the Township's police and non-uniform pension plans (see Note 9).

Investments Authorized by the Township

The Township does not currently have an investment policy as all of their governmental funds are held in bank accounts. Fiduciary investments are held and managed by PMRS.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. The credit risk for the Township's investments held in trust with PMRS was not available at December 31, 2013.

2. Cash and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information on the Township's interest rate risk on its fiduciary investments was not available to the Township at December 31, 2013.

3. Fiduciary Funds - Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers and other applicants. At December 31, 2013, the Township had $1,504,256 in escrow deposits and sewer maintenance deposits.

4. Property Taxes

Taxes are levied on March 1, based on the assessed value established by the Bucks County Board of Assessments. Real property in the Township was originally assessed at $213,168,860 for 2013. Property taxes attach as an enforceable lien on property as of January 15 of the following year. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2013: general purposes, 6.05 mills; fire tax purposes, 0.75 mills; debt service, 1.25 mills; park and recreation purposes, 0.2 mills; road equipment, 0.5 mills.

5. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 1/1/13	Additions	Disposals	Balance 12/31/13
Governmental Activities				
Assets Not Being Depreciated				
Land	$ 6,635,754	$ 0	$ 0	$ 6,635,754
Depreciable Assets				
Land/Park Improvements	841,930	0	0	841,930
Buildings and Improvements	3,336,147	113,972	0	3,450,119
Equipment	1,038,153	127,324	23,094	1,142,383
Vehicles	1,687,036	72,723	0	1,759,759
Furniture and Fixtures	84,539	0	359	84,180
Traffic Lights	149,302	0	0	149,302
Infrastructure	22,893,566	381,604	0	23,275,170
Total at Historical Cost	36,666,427	695,623	23,453	37,338,597
Less Accumulated Depreciation				
Land/Park Improvements	237,796	32,118	0	269,914
Buildings and Improvements	1,344,326	85,381	0	1,429,707
Equipment	826,331	45,396	21,158	850,569
Vehicles	1,437,250	93,038	0	1,530,288
Furniture and Fixtures	74,553	1,691	359	75,885
Traffic Lights	32,208	7,712	0	39,920
Infrastructure	13,112,445	793,861	0	13,906,306
Total Accumulated Depreciation	17,064,909	1,059,197	21,517	18,102,589
Total Governmental Activities Net Capital Assets	$ 19,601,518	$ (363,574)	$ 1,936	$ 19,236,008

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	$ 794,092
Police	43,469
Highway Maintenance	183,391
Fire	537
Park	37,708
Total Depreciation Expense	$ 1,059,197

6. Long-Term Note

The Township's General Long-Term Note changed during the year as follows:

Balance at January 1, 2013	$ 953,917
Principal Payments	(248,383)
Balance at December 31, 2013	$ 705,534

2002 General Obligation Note

On January 8, 2002, the Township issued a General Obligation Note in the amount of $3,000,000. The interest rate on this note was 3.3% per annum through January 2007. In December 2006, the bank set a new rate of 3.95% for the next five years. The rate was readjusted effective January 15, 2012, to a floating rate of 60% of the bank's base rate, with a ceiling of 5.50% per annum. The adjusted rate at the time of the readjustment was 1.95% per annum. The note was issued for the purpose of refunding the 1999 General Obligation Note and constructing a new public works maintenance building. The note was issued as non-electoral debt. The Township has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year. The debt service requirements are as follows:

Year	Principal	Interest Rate	Interest	Total Debt Service
2014	$ 253,196	1.95%	$ 11,914	$ 265,110
2015	258,170	1.95%	6,940	265,110
2016	194,168	1.95%	1,883	196,051
	$ 705,534		$ 20,737	$ 726,271

Interest expense was $15,969 for the year.

7. Fund Balance Classifications

	General Fund	Open Space Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Open Space Preservation	$ 0	$ 5,135,658	$ 0	$5,135,658
Street Light Costs	0	0	55,327	55,327
Highway Improvements	0	0	32,108	32,108
Parks and Recreation	0	0	91,800	91,800
Fire Protection	0	0	1,940	1,940
Public Works Equipment Acquisition	0	0	289,191	289,191
Debt Service	0	0	2,850	2,850
	0	5,135,658	473,216	5,608,874
Committed for:				
General Operations	151,038	0	0	151,038
Assigned for:				
Open Space Preservation	0	295,173	0	295,173
Capital Acquisition and Construction	0	0	41,455	41,455
Parks and Recreation Improvements	0	0	655,349	655,349
Fire Protection	0	0	4,051	4,051
Public Works Equipment Acquisition	0	0	39,587	39,587
Stormwater System Improvements	0	0	28,010	28,010
Debt Service	0	0	17,896	17,896
	0	295,173	786,348	1,081,521
Unassigned	2,271,186	0	0	2,271,186
Total Fund Balances	$ 2,422,224	$ 5,430,831	$ 1,259,564	$ 9,112,619

8. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due to/from			
Net Funds Advanced for Operating Costs	Street Light	General	$55,165
Interest Income Payable	General	Escrow	$340

9. Defined Benefit Pension Plans

A. Description of Plans

The Township contributes to two public employee retirement systems (PERS), one for its police employees and one for its non-uniformed employees, established in 1980 by resolutions 80-16 and 80-15, respectively. The plans were revised in 2012 by Ordinances 2012-2 and 2012-4, respectively. The plans provide retirement, disability, and death benefits to police officers and non-uniformed employees. Both plans are part of the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employees' retirement system (PERS). It is the responsibility of PMRS to function as the investment and administrative agent for the Township with respect to the plans. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of benefits to members of the plans.

Additional disclosures required by GASB Statement No. 25 are contained in a separate financial report of each of the plans prepared by PMRS. A copy of the plans' financial statements can be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165.

9. Defined Benefit Pension Plans (Continued)

B. Funding Policy

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the entry age normal actuarial funding method. Normal cost is funded on a current basis. Under Act 205 of 1984, the unfunded actuarial accrued liability is amortized as a level dollar amount over the lesser of:

1.
   - 30 years, with respect to the initial liability as of 1/1/85 (or first valuation);
   - 20 years, with respect to changes due to plan provisions and actuarial assumptions;
   - 10 years, with respect to changes in benefits for currently retired members;
   - 15 years, with respect to actuarial gains and losses; or

2. The average assumed working lifetime of active employees as of the date the liability was established.

The Township's covered employees may be required to contribute a percentage of their salary to the employees' PERS as noted above. The Township is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by state statute. The Commonwealth of Pennsylvania also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plans.

Other significant actuarial assumptions used to compute the actuarially determined contribution requirements are as follows:

1. The present value of future pension payments was computed by using a discount rate of 5.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

2. The estimated long-term rate of return on investments is 5.5%.

3. Future pension payments reflect an average assumption of a 4.1% salary increase (3.0% for inflation, plus age-related scale to reflect merit and promotion).

9. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation

During 1998, the Township adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* This statement sets forth provisions for recognizing annual pension cost, a net pension obligation or asset, and disclosure thereof.

The Township's annual pension cost and change in the net pension asset for the current year were calculated as follows:

	Police	Non-Uniform
Annual Required Contribution	$ 226,341	$ 67,870
Interest on Net Pension Obligation	(1,316)	(1,124)
Adjustment to Annual Required Contribution	2,258	1,928
Annual Pension Cost	227,283	68,674
Contribution Made	226,341	67,870
Decrease in Net Pension Asset	(942)	(804)
Net Pension Asset Beginning of Year	21,934	18,729
End of Year	$ 20,992	$ 17,925

9. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.1%.

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Police Pension Plan			
12/31/11	$210,574	99.5%	$22,919
12/31/12	$200,515	99.5%	$21,934
12/31/13	$227,283	99.6%	$20,992
Non-Uniform Pension Plan			
12/31/11	$78,410	98.9%	$19,570
12/31/12	$75,818	98.9%	$18,729
12/31/13	$68,674	98.8%	$17,925

9. Defined Benefit Pension Plans (Continued)

D. Funded Status and Funding Progress

Valuation January 1st	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (assets in excess of) Actuarial Accrued Liability (2)-(1)	(5) Projected Annual Covered Payroll	(6) Unfunded (assets in excess of) Actuarial Accrued Liability as % of Payroll (4)/(5)
			Police Pension Plan			
2013	$10,450,454	$11,346,573	92.1%	$896,119	$1,826,850	49.1%
			Non-Uniform Pension Plan			
2013	$3,484,390	$3,437,614	101.4%	$(46,776)	$1,081,556	(4.32)%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows.

	Police	Non-Uniform
Valuation Date	1/1/13	1/1/13
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Level Dollar Closed
Amortization Period	11 Years	N/A
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	5.5%	5.5%
Projected Salary Increases	Salary Scale	Salary Scale
Cost of Living Adjustments	3.0%	3.0%

9. Defined Benefit Pension Plans (Continued)

E. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. GAAP requires trend information for ten years to be presented as required supplementary information. Trend information may be found beginning on page 53.

10. Post-Employment Benefits

In addition to the pension benefits described in Note 9, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria outlined in the police collective bargaining agreement.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on the terms in the police collective bargaining agreement. The contribution for the year ended December 31, 2013 was $14,718 . Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, other than direct long-term care expenses, and without regard to any limitations imposed based on the adjusted gross income of an eligible employee. Any plan participant who separates from police employment with the Township prior to retirement shall have his or her medical reimbursement accounts revert back to the Township. The accounts also revert back to the Township upon the death of the participant.

The plan became effective January 1, 2009. Currently, there are no retirees receiving benefits and 17 uniformed employees are receiving contributions in their medical reimbursement account.

11. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of IRC Section 457(g) prescribe that the Township is not the owner of the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the related liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Township's financial statements.

12. Risk Management

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

a. Health Care Coverage
The Township participates in the Delaware Valley Health Insurance Trust (DVHIT). DVHIT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage
The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees. Beginning in 2013, the volunteer firemen's workers' compensation benefits are provided through the state program.

c. Insurance Coverage
The Township participates in the Delaware Valley Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

13. Contingencies

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Township, management feels that any settlement of judgment not covered by insurance would not materially affect the financial condition of the Township.

14. Related Party Transactions

During the year, the Township received $25,920 from the Hilltown Township Water and Sewer Authority for cell tower rentals.

15. Recent Accounting Pronouncements Issued, Not Yet Effective

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the Township for the year ending December 31, 2014. The objective of this statement is to improve financial reporting of governmental pension plans through enhanced note disclosure and required supplementary information. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the Township for the year ending December 31, 2015. The objective of this statement is to require recognition of the entire net pension liability, a more comprehensive measure of pension expense, and to further expand note disclosure and required supplementary information. This statement replaces the requirements of GASB Statement #27, *Accounting for Pensions by State and Local Governmental Employers*.

The Township's Board of Supervisors and management have not yet determined the effect these Statements will have on the Township's financial statements.

16. Subsequent Events

Management has evaluated subsequent events through March 28, 2014, the date which the financial statements were available to be issued.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Funding Progress
December 31, 2013
(Unaudited)

Valuation January 1st	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (assets in excess of) Actuarial Accrued Liability (2)-(1)	(5) Projected Annual Covered Payroll	(6) Unfunded (assets in excess of) Actuarial Accrued Liability as % of Payroll (4)/(5)
POLICE PENSION PLAN						
2005	$6,539,092	$6,951,001	94.1%	$411,909	$1,383,291	29.8%
2007	$6,892,509	$7,450,839	92.5%	$558,330	$1,541,485	36.2%
2009	$8,026,816	$8,275,846	97.0%	$249,030	$1,620,056	15.4%
2011	$9,135,130	$9,746,831	93.7%	$611,701	$1,791,876	34.1%
2013	$10,450,454	$11,346,573	92.1%	$896,119	$1,826,850	49.1%
NON-UNIFORM PENSION PLAN						
2005	$1,911,609	$1,964,333	97.3%	$52,724	$878,957	6.0%
2007	$2,223,801	$2,222,388	100.0%	$(1,413)	$821,673	(0.2)%
2009	$2,614,805	$2,517,650	103.4%	$(97,155)	$959,928	(10.1)%
2011	$3,002,447	$2,953,392	101.7%	$(49,055)	$1,146,662	(4.3)%
2013	$3,484,390	$3,437,614	101.4%	$(46,776)	$1,081,556	(4.32)%

Isolated analysis of the dollar amounts of net position available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net position available for benefits as a percentage of the actuarial accrued liability provides one indication of the Township's police PERS funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Contributions from Employers and Other Contributing Entities
December 31, 2013
(Unaudited)

Year	Annual Required Contribution (ARC)	Employer Contribution	State Aid	Contributions as a % of ARC
		POLICE PENSION PLAN		
2004	$111,146	$9,249	$101,897	100.0%
2005	$162,113	$53,530	$108,583	100.0%
2006	$166,412	$58,314	$108,098	100.0%
2007	$233,208	$110,660	$122,548	100.0%
2008	$244,084	$108,984	$135,100	100.0%
2009	$236,582	$128,959	$127,623	100.0%
2010	$253,733	$130,809	$122,924	100.0%
2011	$209,545	$0	$209,545	100.0%
2012	$199,530	$65,426	$134,104	100.0%
2013	$226,341	$76,793	$149,548	100.0%
		NON-UNIFORM PENSION PLAN		
2004	$48,225	$4,555	$43,670	100.0%
2005	$61,138	$14,602	$46,536	100.0%
2006	$57,261	$10,933	$46,328	100.0%
2007	$64,659	$30,094	$34,565	100.0%
2008	$73,661	$39,886	$33,775	100.0%
2009	$69,011	$37,105	$31,906	100.0%
2010	$77,884	$39,066	$38,818	100.0%
2011	$77,532	$1,659	$75,873	100.0%
2012	$74,977	$30,276	$44,701	100.0%
2013	$67,870	$23,200	$44,670	100.0%

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General and Open Space Funds
Year Ended December 31, 2013

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	$ 3,673,642	$ 4,291,735	$ 618,093
Intergovernmental Revenues	356,654	470,279	113,625
Charges for Services	519,032	737,567	218,535
Fees, Licenses and Permits	380,900	395,830	14,930
Interest Income and Rents	72,850	76,971	4,121
Miscellaneous	26,500	71,012	44,512
Total Revenues	5,029,578	6,043,394	1,013,816
Expenditures			
General Government	733,453	738,855	(5,402)
Public Safety	3,452,802	3,493,825	(41,023)
Highways	969,629	1,028,159	(58,530)
Conservation and Development	10,000	5,000	5,000
Capital Expenditures	0	85,045	(85,045)
Miscellaneous Governmental	55,000	55,059	(59)
Total Expenditures	5,220,884	5,405,943	(185,059)
Excess (Deficiency) of Revenues Over Expenditures	(191,306)	637,451	828,757
Other Financing Sources (Uses)			
Operating Transfers In (Out)	65,000	0	(65,000)
Net Change in Fund Balances	(126,306)	637,451	763,757
Fund Balances			
Beginning of Year	825,938	1,784,773	958,835
End of Year	$ 699,632	$ 2,422,224	$ 1,722,592

See Notes to Financial Statements.

Open Space Fund

Budget	Actual	Variance Favorable (Unfavorable)
$ 900,000	$ 1,175,930	$ 275,930
0	0	0
0	0	0
0	0	0
15,000	23,099	8,099
0	0	0
915,000	1,199,029	284,029
0	0	0
0	0	0
0	0	0
14,450	18,407	(3,957)
0	0	0
0	0	0
14,450	18,407	(3,957)
900,550	1,180,622	280,072
0	0	0
900,550	1,180,622	280,072
3,863,781	4,250,209	386,428
$ 4,764,331	$ 5,430,831	$ 666,500

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2013

1. Basis of Presentation

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2013 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

2. Differences in Budget Basis versus GAAP Basis

Miscellaneous governmental expenditures are budgeted for as such. Actual expenses have been allocated to activities.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Fire Tax Fund	Street Light Fund	Liquid Fuels Fund	Park and Recreation Fund
Assets				
Cash	$ 4,897	$ 0	$ 45,997	$ 251,839
Taxes Receivable	4,619	976	0	1,299
Other Receivables	0	0	0	0
Due (to) from Other Funds	0	55,165	0	0
Total Assets	$ 9,516	$ 56,141	$ 45,997	$ 253,138
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	$ 0	$ 0	$ 13,889	$ 955
Deferred Inflows of Resources				
Deferred Tax Receipts	3,525	814	0	1,007
Fund Balances				
Restricted	1,940	55,327	32,108	91,800
Assigned	4,051	0	0	159,376
Total Fund Balances	5,991	55,327	32,108	251,176
Total Liabilities and Fund Balances	$ 9,516	$ 56,141	$ 45,997	$ 253,138

Capital Projects Fund	Recreation Capital Reserve	Road Equipment Fund	Stormwater System Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
$ 55,266	$ 495,973	$ 328,049	$ 28,010	$ 22,089	$ 1,232,120
0	0	3,109	0	7,697	17,700
211,175	0	0	0	0	211,175
0	0	0	0	0	55,165
$ 266,441	$ 495,973	$ 331,158	$ 28,010	$ 29,786	$ 1,516,160
$ 224,986	$ 0	$ 0	$ 0	$ 3,166	$ 242,996
0	0	2,380	0	5,874	13,600
0	0	289,191	0	2,850	473,216
41,455	495,973	39,587	28,010	17,896	786,348
41,455	495,973	328,778	28,010	20,746	1,259,564
$ 266,441	$ 495,973	$ 331,158	$ 28,010	$ 29,786	$ 1,516,160

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2013

	Fire Tax Fund	Street Light Fund	Liquid Fuels Fund	Park and Recreation Fund
Revenues				
Taxes	$ 159,302	$ 58,916	$ 0	$ 43,140
Intergovernmental Revenues	0	0	385,597	0
Charges for Services	0	0	0	8,327
Interest Income and Rents	342	0	1,533	1,220
Miscellaneous	0	0	0	0
Total Revenues	159,644	58,916	387,130	52,687
Expenditures				
General Government	2,362	0	0	630
Public Safety	155,000	0	0	0
Highways	0	37,351	485,645	0
Parks and Recreation	0	0	0	24,189
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Capital Expenditures	0	0	0	0
Total Expenditures	157,362	37,351	485,645	24,819
Excess (Deficiency) of Revenues Over Expenditures	2,282	21,565	(98,515)	27,868
Fund Balances				
Beginning of Year	3,709	33,762	130,623	223,308
End of Year	$ 5,991	$ 55,327	$ 32,108	$ 251,176