

**REPORT ON
THE BOROUGH OF QUAKERTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

THE BOROUGH OF QUAKERTOWN

Financial Statements

For the Year Ended December 31, 2014

TABLE OF CONTENTS

	<u>Page (s)</u>
Financial Section	
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis	3 -10
Basic Financial Statements	
Governmental-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - All Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Statement of Net Position – All Proprietary Funds.....	17
Statement of Revenues, Expenditures and Changes in Net Position – All Proprietary Funds.....	18
Statement of Cash Flows - Proprietary Funds	19 - 20
Statement of Net Position - Fiduciary Funds.....	21
Statement of Additions, Deductions and Changes in Net Position - Fiduciary Funds	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	23
Notes to Financial Statements	24 – 48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	49 - 50

THE BOROUGH OF QUAKERTOWN

Financial Statements

For the Year Ended December 31, 2014

TABLE OF CONTENTS (CONTINUED)

Page (s)

Required Supplemental Information

Schedules of Funding Progress - Pension Funds..... 51
Modified Approach to Reporting Infrastructure Assets 52 - 53

Other Supplemental Information

Combining Balance Sheet - All Capital Project Funds..... 54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
All Capital Project Funds..... 55
Combining Statement of Net Position - All Pension Trust Funds 56
Combining Statement of Additions, Deductions and Changes in Net Position - All Pension
Trust Funds 57
Combining Statement of Net Assets - All Proprietary Funds 58
Combining Statement of Revenues, Expenses and Changes in Net Position -
All Proprietary Funds 59

Individual Fund Statements and Schedules

Borough of Quakertown

General Fund 60 - 64
Electric Fund..... 65
Water Fund..... 66
Sewer Fund 67
Pool Fund 68
Park Fund 69
Liquid Fuels Fund 70
Capital Projects Fund 70
Equipment Replacement Fund 71
Escrow Fund 71
Police Health Reimbursement Arrangement Fund 72
Defined Compensation Plan Fund 72
Police Pension Trust Fund 73
Non-Uniformed Pension Trust Fund 73

FINANCIAL SECTION



July 31, 2015

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown at December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BOROUGH OF QUAKERTOWN

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report on July 31, 2015, on our consideration of the Borough of Quakertown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Quakertown's internal control over financial reporting and compliance.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

July 31, 2015

BOROUGH OF QUAKERTOWN
Quakertown, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended December 31, 2014

The discussion and analysis of the Borough of Quakertown's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

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

FINANCIAL HIGHLIGHTS

The Borough's overall financial position, as reflected in total net assets, increased by \$2,034,725 including special and extraordinary items. The net assets decreased in the governmental activities and funds by \$510,959 and increased in the business-type activities and funds by \$2,545,684.

During the year, the Borough paid principal of \$469,122 resulting in ending outstanding debt as of December 31, 2014, of \$7,658,972.

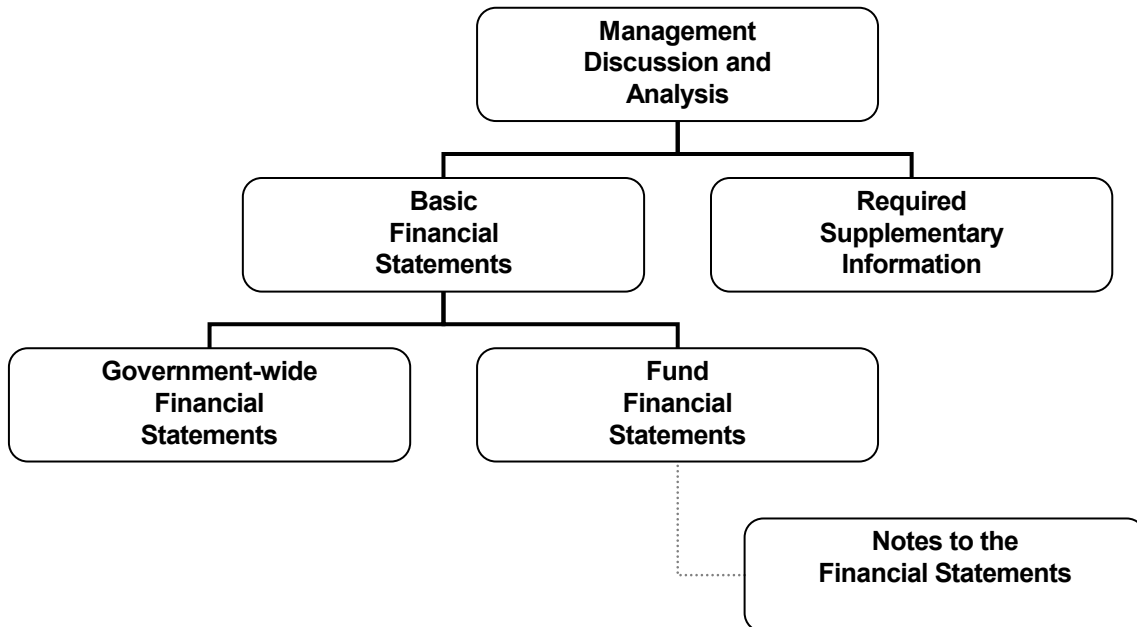
THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

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

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

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

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



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

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

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

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

Fund Financial Statements includes:

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough's total net position was \$56,536,816 at December 31, 2014.

Table A-1
Year Ended December 31, 2014 and 2013
Net Position

	2014			2013		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current and Other Assets	<u>\$ 24,283,096</u>	<u>\$ 44,034,137</u>	<u>\$ 68,022,546</u>	<u>\$ 25,044,096</u>	<u>\$ 41,262,046</u>	<u>\$ 66,306,142</u>
Current and Other Liabilities	<u>\$ 1,852,073</u>	<u>\$ 9,928,344</u>	<u>\$ 11,485,730</u>	<u>\$ 1,936,786</u>	<u>\$ 9,867,265</u>	<u>\$ 11,804,051</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 21,997,798	\$ 22,300,069	\$ 44,297,867	\$ 22,154,603	\$ 21,117,848	\$ 43,272,451
Unrestricted	433,225	11,805,724	12,238,949	952,707	10,276,933	11,229,640
Total Net Position	<u>\$ 22,431,023</u>	<u>\$ 34,105,793</u>	<u>\$ 56,536,816</u>	<u>\$ 23,107,310</u>	<u>\$ 31,394,781</u>	<u>\$ 54,502,091</u>

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

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

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

Table A-2
Year Ended December 31, 2014 and 2013
Changes in Net Position

	2014			2013		
	(Accrual Basis)			(Accrual Basis)		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 588,012	\$ 20,839,860	\$ 21,427,872	\$ 936,927	\$ 20,538,577	\$ 21,475,504
Operating Grants and Contributions	364,254	85,199	449,453	457,941	85,456	543,397
Capital Grants and Contributions	175,371	681,491	856,862	328,050	-	328,050
<i>General Revenues</i>						
Property Taxes	127,924	-	127,924	126,694	-	126,694
Other Taxes	1,461,441	-	1,461,441	1,486,192	-	1,486,192
Grants, Subsidies and Contributions, Unrestricted	32,840	-	32,840	72,400	-	72,400
Investment Earnings	35,526	108,988	144,514	30,968	79,941	110,909
Other Revenue	45,442	27,002	72,444	146,826	24,987	171,813
Total Revenue	2,830,810	21,742,540	24,573,350	3,585,998	20,728,961	24,314,959
Expenses						
<i>Governmental Activities</i>						
General Government	823,047	-	823,047	927,523	-	927,523
Public Safety	2,382,394	-	2,382,394	2,533,496	-	2,533,496
Public Works	1,407,030	-	1,407,030	1,300,749	-	1,300,749
Culture and Recreation	305,309	-	305,309	262,117	-	262,117
Community Development	244,884	-	244,884	158,767	-	158,767
Non-Departmental	1,805,142	-	1,805,142	1,855,115	-	1,855,115
Depreciation	273,206	-	273,206	252,393	-	252,393
Transfers Between Activities	(3,899,243)	3,899,243	-	(3,685,000)	3,685,000	-
<i>Business-Type Activities</i>						
Electric	-	11,070,757	11,070,757	-	10,703,665	10,703,665
Water	-	1,701,966	1,701,966	-	1,874,416	1,874,416
Sewer	-	2,185,537	2,185,537	-	2,260,851	2,260,851
Pool	-	338,426	338,426	-	356,850	356,850
Park	-	927	927	-	-	-
Total Expenses	3,341,769	19,196,856	22,538,625	3,605,160	18,880,782	22,485,942
Increase in Net Position	\$ (510,959)	\$ 2,545,684	\$ 2,034,725	\$ (19,162)	\$ 1,848,179	\$ 1,829,017

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

DEBT ADMINISTRATION

As of January 1, 2014 the Borough had total outstanding debt of \$8,128,094. During the year, the Borough paid principal of \$469,122 resulting in ending outstanding debt as of December 31, 2014, of \$7,658,972.

Table A-3
Outstanding Debt

	2014	2013
2005 General Obligation Note – Water Fund	\$ 238,972	\$ 463,094
2012 General Obligation Bonds	7,420,000	7,665,000

General Fund Budget

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

Table A-4
Budgetary Comparison

2014				
	Budgeted Original	Budget Amounts Final	Actual (Budgetary Basis)	Variances with Final Budget Positive (Negative)
Revenues	\$ 2,771,350	\$ 2,771,350	\$ 2,622,261	\$ (149,089)
Expenditures	8,067,203	8,067,203	7,230,803	836,400
Excess (Deficiency) of Revenues over Expenditures	(5,295,853)	(5,295,853)	(4,608,542)	687,311
Other Financing Sources	3,900,000	3,900,000	3,900,000	-
Net Change in Fund Balance	(1,395,853)	(1,395,853)	(708,542)	687,311
Fund Balance – January 1, 2014	1,395,853	1,395,853	1,066,847	(329,006)
Fund Balance – December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,305</u>	<u>\$ 358,305</u>

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Borough of Quakertown has always been and will continue to be the core of Upper Bucks County. Although the neighboring municipalities continue to expand in population, the Borough of Quakertown remains the center of activity and focus. Quakertown is a "full service community" that provides a comprehensive complement of public services to our residents. Not only do we provide these services, but they are provided in an efficient and cost effective way. Many of the services are subtle, but are not provided by any other municipalities in our larger region. The list includes: police services, water, sewer, electric, leaf collection, brush clipping and branch drop-off, street lights, traffic light maintenance, street maintenance, community swimming pool, and park and recreation facilities. We look forward to our continued focus of Economic Development and the recruitment of new businesses. Creating and retaining jobs for our Borough will help stabilize our local economy as well as assist with maintaining a stable tax rate. Our water, sewer and electric rates are competitive compared to others in our region. Our property tax rate of 1.625 mills equates to the average property owner paying approximately \$40 in real estate taxes per year for the services we provide to residents and non-residents.

The 2015 Budget reflects cautious optimism about the local economy. The 2015 Budget is reflective of the economic situation faced by everyone. It is the universal belief by each department that we must continue to deliver core municipal services foremost. The budget responds to the challenge of balancing the preservation of our infrastructure and maintaining the community's high standards of quality of life. Each Department was instructed to be cautious when developing the 2015 budget, and instructed to:

- Maintain services while adhering to a budget freeze in 2015;
- Postpone or delay, where possible, the hiring or replacement of positions that are vacant;
- Limit unnecessary travel and training;
- Continue to review and implement streamlining and cost savings measures;
- Reduce all non-emergency overtime;

This relative strength allows the Borough of Quakertown to continue to focus resources on building the infrastructure to deliver core services while addressing community priorities. Although there is limited revenue growth, the 2015 budget responds to the challenge of continuing to provide exceptional municipal services.

CONTACTING THE BOROUGH FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
As of December 31, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 813,549	\$ 4,915,595	\$ 5,729,144
Investments	976,882	6,041,856	7,018,738
Taxes Receivable	6,195	-	6,195
Accounts Receivable (Net of Allowance for Doubtful Accounts)	193,700	2,892,645	3,086,345
Intergovernmental Receivable	-	225,000	225,000
Internal Balances	294,687	-	-
Other Receivables	285	-	285
TOTAL CURRENT ASSETS	<u>2,285,298</u>	<u>14,075,096</u>	<u>16,065,707</u>
NON-CURRENT ASSETS:			
Land	1,851,952	-	1,851,952
Buildings (Net of Depreciation)	1,506,383	13,983,248	15,489,631
Improvements other than Buildings (Net of Depreciation)	739,005	972,107	1,711,112
Machinery and Equipment (Net of Depreciation)	1,854,558	1,365,612	3,220,170
Sewer Lines Infrastructure (Net of Depreciation)	-	3,778,272	3,778,272
Water Lines Infrastructure (Net of Depreciation)	-	8,350,169	8,350,169
Infrastructure	16,045,900	-	16,045,900
Construction in Progress	-	1,509,633	1,509,633
TOTAL NON-CURRENT ASSETS	<u>21,997,798</u>	<u>29,959,041</u>	<u>51,956,839</u>
TOTAL ASSETS	<u>\$ 24,283,096</u>	<u>\$ 44,034,137</u>	<u>\$ 68,022,546</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ -	\$ 294,687	\$ -
Sales Tax Payable	-	13,671	13,671
Accounts Payable	51,247	1,309,821	1,361,068
Accrued Salaries and Benefits	108,001	54,235	162,236
Notes Payable	-	738,972	738,972
Accrued Compensated Absences	270,901	-	270,901
Other Payables	-	-	-
TOTAL CURRENT LIABILITIES	<u>430,149</u>	<u>2,411,386</u>	<u>2,546,848</u>
NON-CURRENT LIABILITIES:			
Accrued Compensated Absences	1,354,504	596,958	1,951,462
Notes Payable	-	6,920,000	6,920,000
TOTAL NON-CURRENT LIABILITIES	<u>1,354,504</u>	<u>7,516,958</u>	<u>8,871,462</u>
TOTAL LIABILITIES	<u>\$ 1,784,653</u>	<u>\$ 9,928,344</u>	<u>\$ 11,418,310</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 67,420</u>	<u>\$ -</u>	<u>\$ 67,420</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	21,997,798	22,300,069	44,297,867
Unrestricted	433,225	11,805,724	12,238,949
TOTAL NET POSITION	<u>\$ 22,431,023</u>	<u>\$ 34,105,793</u>	<u>\$ 56,536,816</u>

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

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

THE BOROUGH OF QUAKERTOWN
Statement of Activities
For the Year Ended December 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 823,047	\$ 309,477	\$ -	\$ -	\$ (513,570)	\$ -	\$ (513,570)
Public Safety	2,382,394	230,717	87,837	-	(2,063,840)	-	(2,063,840)
Public Works	1,407,030	-	40,163	175,371	(1,191,496)	-	(1,191,496)
Culture and Recreation	305,309	47,818	-	-	(257,491)	-	(257,491)
Community Development	244,884	-	-	-	(244,884)	-	(244,884)
Non-Departmental	1,805,142	-	236,254	-	(1,568,888)	-	(1,568,888)
Debt Service Payments	-	-	-	-	-	-	-
Depreciation	273,206	-	-	-	(273,206)	-	(273,206)
TOTAL GOVERNMENTAL ACTIVITIES	7,241,012	588,012	364,254	175,371	(6,113,375)	-	(6,113,375)
BUSINESS-TYPE ACTIVITIES:							
Electric	11,070,757	15,332,476	24,527	-	-	4,286,246	4,286,246
Water	1,701,966	2,406,435	24,527	-	-	728,996	728,996
Sewer	2,185,537	2,910,211	36,145	-	-	760,819	760,819
Pool	338,426	190,738	-	-	-	(147,688)	(147,688)
Park	927	-	-	681,491	-	680,564	680,564
TOTAL PRIMARY GOVERNMENT	\$ 22,538,625	\$ 21,427,872	\$ 449,453	\$ 856,862	\$ (6,113,375)	\$ 6,308,937	\$ 195,562
GENERAL REVENUES:							
Property Taxes Levied for General Purposes					\$ 127,924	\$ -	\$ 127,924
Other Taxes Levied for General Purposes					1,461,441	-	1,461,441
Grants, Subsidies, & Contributions Not Restricted					32,840	-	32,840
Investment and Rental Earnings					35,526	108,988	144,514
Miscellaneous Income					43,607	27,002	70,609
Insurance Refunds					1,835	-	1,835
Transfers					3,899,243	(3,899,243)	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					5,602,416	(3,763,253)	1,839,163
CHANGE IN NET POSITION					(510,959)	2,545,684	2,034,725
NET POSITION - BEGINNING (RESTATED)					22,941,982	31,560,109	54,502,091
NET POSITION - ENDING					\$ 22,431,023	\$ 34,105,793	\$ 56,536,816

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

THE BOROUGH OF QUAKERTOWN
Balance Sheet
All Governmental Funds
As of December 31, 2014

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 638,888	\$ 116,125	\$ 58,536	\$ 813,549
Investments	-	976,882	-	976,882
Taxes Receivable	6,195	-	-	6,195
Accounts Receivable	42,666	-	-	42,666
Intergovernmental Receivable	-	-	-	-
Due from Other Funds	160,420	134,267	-	294,687
Other Receivables	285	-	-	285
TOTAL ASSETS	<u>\$ 848,454</u>	<u>\$ 1,227,274</u>	<u>\$ 58,536</u>	<u>\$ 2,134,264</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	51,247	-	-	51,247
Accrued Salaries and Benefits	108,001	-	-	108,001
Accrued Compensated Absences	270,901	-	-	270,901
Deferred Revenue	60,000	7,420	-	67,420
Other Payables	-	-	-	-
TOTAL LIABILITIES	<u>490,149</u>	<u>7,420</u>	<u>-</u>	<u>497,569</u>
<u>FUND BALANCES:</u>				
- Nonspendable	-	-	-	-
- Restricted	-	-	58,536	58,536
- Committed	-	-	-	-
- Assigned	-	1,219,854	-	1,219,854
- Unassigned	358,305	-	-	358,305
TOTAL FUND BALANCES	<u>358,305</u>	<u>1,219,854</u>	<u>58,536</u>	<u>1,636,695</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 848,454</u>	<u>\$ 1,227,274</u>	<u>\$ 58,536</u>	<u>\$ 2,134,264</u>

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

THE BOROUGH OF QUAKERTOWN
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
As of December 31, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,636,695**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$25,184,265 and the accumulated depreciation is \$3,186,467. 21,997,798

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 151,034

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

Notes Payable	\$	-	
Accrued Interest on the Bonds		-	
Compensated Absences		(1,354,504)	
Other Retirement Benefits		-	<u>(1,354,504)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 22,431,023**

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

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Year Ended December 31, 2014

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 1,398,348	\$ -	\$ -	\$ 1,398,348
Licenses and Permits	176,972	-	-	176,972
Fines and Forfeits	86,962	-	-	86,962
Intergovernmental	386,637	3,578	175,371	565,586
Charges for Services	470,299	-	-	470,299
Investment and Rental Earnings	28,481	6,665	379	35,525
Miscellaneous	46,541	-	-	46,541
TOTAL REVENUES	<u>2,594,240</u>	<u>10,243</u>	<u>175,750</u>	<u>2,780,233</u>
EXPENDITURES				
CURRENT:				
General Government	821,622	3,578	-	825,200
Public Safety	2,500,856	-	-	2,500,856
Public Works	1,548,535	-	130,920	1,679,455
Culture and Recreation	323,682	-	-	323,682
Community Development	227,762	17,122	-	244,884
Non-Departmental	1,807,589	-	-	1,807,589
DEBT SERVICE:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	<u>7,230,046</u>	<u>20,700</u>	<u>130,920</u>	<u>7,381,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,635,806)</u>	<u>(10,457)</u>	<u>44,830</u>	<u>(4,601,433)</u>
OTHER FINANCING SOURCES				
Refund of Prior Year Expenditures	28,021	-	-	28,021
Sale of Fixed Assets	-	-	-	-
Interfund Transfers In	3,900,000	-	-	3,900,000
Interfund Transfers Out	(757)	-	-	(757)
TOTAL OTHER FINANCING SOURCES	<u>3,927,264</u>	<u>-</u>	<u>-</u>	<u>3,927,264</u>
NET CHANGE IN FUND BALANCES	(708,542)	(10,457)	44,830	(674,169)
FUND BALANCES - BEGINNING (RESTATED)	<u>1,066,847</u>	<u>1,230,311</u>	<u>13,706</u>	<u>2,310,864</u>
FUND BALANCES - ENDING	<u>\$ 358,305</u>	<u>\$ 1,219,854</u>	<u>\$ 58,536</u>	<u>\$ 1,636,695</u>

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

THE BOROUGH OF QUAKERTOWN
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
To the Statement of Activities
For the Year Ended December 31, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (674,169)

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

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

Depreciation Expense	\$ (273,205)	
Asset Deletions	(8,600)	
Capital Outlays	<u>395,497</u>	113,692

In the statement of activities, certain operating expenses--compensated absences and special termination benefits --are measured by the amounts earned during the year. In the governmental funds; however, expenditures for the for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 16,012

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 33,506

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (510,959)**

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

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
All Proprietary Funds
As of December 31, 2014

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,754,609	\$ 1,239,171	\$ 705,342	\$ 216,473	\$ -	\$ 4,915,595
Investments	3,020,892	-	3,020,964	-	-	6,041,856
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,239,525	360,689	292,431	-	-	2,892,645
Intergovernmental Receivable	-	-	-	-	225,000	225,000
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	8,015,026	1,599,860	4,018,737	216,473	225,000	14,075,096
NON-CURRENT ASSETS:						
Buildings (Net of Depreciation)	5,821,112	2,201,032	5,307,438	653,666	-	13,983,248
Improvements other than Buildings (Net of Depreciation)	4,661	7,640	35,861	923,945	-	972,107
Machinery and Equipment (Net of Depreciation)	436,379	104,596	578,096	-	246,541	1,365,612
Construction in Progress	-	-	422,966	-	1,086,667	1,509,633
Sewer Lines Infrastructure (Net of Depreciation)	-	-	3,778,272	-	-	3,778,272
Water Lines Infrastructure (Net of Depreciation)	-	8,350,169	-	-	-	8,350,169
TOTAL NON-CURRENT ASSETS	6,262,152	10,663,437	10,122,633	1,577,611	1,333,208	29,959,041
TOTAL ASSETS	\$ 14,277,178	\$ 12,263,297	\$ 14,141,370	\$ 1,794,084	\$ 1,558,208	\$ 44,034,137
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES						
CURRENT LIABILITIES:						
Sales Tax Payable	\$ 13,671	\$ -	\$ -	\$ -	\$ -	\$ 13,671
Accounts Payable	775,427	75,117	40,622	1,026	417,629	1,309,821
Accrued Salaries and Benefits	19,457	13,745	21,033	-	-	54,235
Due to Other Funds	-	-	-	-	294,687	294,687
Notes Payable	-	548,972	190,000	-	-	738,972
TOTAL CURRENT LIABILITIES	808,555	637,834	251,655	1,026	712,316	2,411,386
NON-CURRENT LIABILITIES:						
Compensated Absences	229,809	165,128	202,021	-	-	596,958
Notes Payable	-	4,310,000	2,610,000	-	-	6,920,000
TOTAL NON-CURRENT LIABILITIES	229,809	4,475,128	2,812,021	-	-	7,516,958
TOTAL LIABILITIES	1,038,364	5,112,962	3,063,676	1,026	712,316	9,928,344
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION						
Invested in Capital Assets, Net of Related Debt	6,262,152	5,804,465	7,322,633	1,577,611	1,333,208	22,300,069
Restricted	-	-	-	-	-	-
Unrestricted Net Position	6,976,662	1,345,870	3,755,061	215,447	(487,316)	11,805,724
TOTAL NET POSITION	\$ 13,238,814	\$ 7,150,335	\$ 11,077,694	\$ 1,793,058	\$ 845,892	\$ 34,105,793

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

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenses and Changes in Net Position –
All Proprietary Funds
For the Year Ended December 31, 2014

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 14,901,265	\$ 1,636,418	\$ 2,883,718	\$ 190,738	\$ -	\$ 19,612,139
Debt Service Fees	-	708,561	-	-	-	708,561
Permits and Fees	231,324	26,383	-	-	-	257,707
Penalties	199,887	35,073	26,493	-	-	261,453
Rental Income	-	40,568	-	-	-	40,568
Other Income	10,774	3,062	12,286	880	-	27,002
TOTAL OPERATING REVENUES	15,343,250	2,450,065	2,922,497	191,618	-	20,907,430
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	10,533,266	1,039,786	1,394,063	-	-	12,967,115
Costs of Pool Operations	-	-	-	221,996	-	221,996
Employee Benefits	209,782	161,554	202,426	9,298	-	583,060
Employee Pension	50,967	30,507	72,313	-	-	153,787
Insurance	85,176	81,366	104,744	15,314	-	286,600
Debt Service	-	116,609	60,247	-	-	176,856
Depreciation	191,566	272,144	351,744	91,818	927	908,199
TOTAL OPERATING EXPENSES	11,070,757	1,701,966	2,185,537	338,426	927	15,297,613
OPERATING INCOME (LOSS)	4,272,493	748,099	736,960	(146,808)	(927)	5,609,817
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	36,098	2,875	28,751	696	-	68,420
Donations	-	-	-	-	456,491	456,491
DCEd State Grant	-	-	-	-	225,000	225,000
State Aid - Pension	24,527	24,527	36,145	-	-	85,199
Transfers from Other Funds	757	-	-	200,000	-	200,757
Transfers to Other Funds	(3,764,000)	(163,000)	(173,000)	-	-	(4,100,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,702,618)	(135,598)	(108,104)	200,696	681,491	(3,064,133)
CHANGES IN NET POSITION	569,875	612,501	628,856	53,888	680,564	2,545,684
NET POSITION, JANUARY 1, 2014 (RESTATED)	12,668,939	6,537,834	10,448,838	1,739,170	165,328	31,560,109
NET POSITION, DECEMBER 31, 2014	\$ 13,238,814	\$ 7,150,335	\$ 11,077,694	\$ 1,793,058	\$ 845,892	\$ 34,105,793

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

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2014

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash Received from Users	\$ 15,284,253	\$ 2,463,792	\$ 3,022,418	\$ 190,738	\$ -	\$ 20,961,201
Cash Received from Other Operating Revenue	10,774	3,062	12,286	880	-	27,002
Cash Payments to Employees for Services	(835,265)	(590,482)	(847,444)	(107,157)	-	(2,380,348)
Cash Payments to Suppliers for Goods and Services	(10,128,016)	(840,801)	(1,083,278)	(137,441)	-	(12,189,536)
Cash Payments to Other Operating Expenses	-	-	-	(1,645)	-	(1,645)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,331,746	1,035,571	1,103,982	(54,625)	-	6,416,674
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>						
State Sources	24,527	24,527	36,145	-	225,000	310,199
Donations	-	-	-	-	456,491	456,491
Operating Transfers In	757	-	-	200,000	-	200,757
Operating Transfers Out	(3,764,000)	(163,000)	(173,000)	-	-	(4,100,000)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(3,738,716)	(138,473)	(136,855)	200,000	681,491	(3,132,553)
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>						
Loan Principal Payments/Proceeds	-	(374,122)	(95,000)	-	-	(469,122)
Purchase of Fixed Assets	(52,425)	-	(234,738)	-	(681,491)	(968,654)
Sale of Fixed Assets	-	-	-	-	-	-
Interfund Loan Payments	-	-	-	-	-	-
NET CASH PROVIDED (USED) FOR CAPITAL FINANCING ACTIVITIES	(52,425)	(374,122)	(329,738)	-	(681,491)	(1,437,776)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Sale of Investments	-	-	-	-	-	-
Purchase of Investments	(3,020,892)	-	(3,020,964)	-	-	(6,041,856)
Earnings on Investments	36,098	2,875	28,751	696	-	68,420
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,984,794)	2,875	(2,992,213)	696	-	(5,973,436)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,444,189)	525,851	(2,354,824)	146,071	-	(4,127,091)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,198,798	713,320	3,060,166	70,402	-	9,042,686
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,754,609	\$ 1,239,171	\$ 705,342	\$ 216,473	\$ -	\$ 4,915,595

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

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2014

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

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
OPERATING INCOME (LOSS)	\$ 4,272,493	\$ 748,099	\$ 736,960	\$ (146,808)	\$ (927)	\$ 5,609,817
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Depreciation	191,566	272,144	351,744	91,818	927	908,199
CHANGE IN ASSETS AND LIABILITIES:						
(Increase) Decrease in Accounts Receivable	(48,223)	16,789	112,207	-	-	80,773
(Increase) Decrease in Advances from Other Funds	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	(88,639)	(21,460)	(99,484)	365	-	(209,218)
Increase (Decrease) in Accrued Salaries and Benefits	2,774	(592)	2,706	-	-	4,888
Increase (Decrease) in Sales Tax Payable	340	-	-	-	-	340
Increase (Decrease) in Deferred Revenue	-	-	-	-	-	-
Increase (Decrease) in Compensated Absences	1,435	20,591	(151)	-	-	21,875
TOTAL ADJUSTMENTS	<u>59,253</u>	<u>287,472</u>	<u>367,022</u>	<u>92,183</u>	<u>927</u>	<u>806,857</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,331,746</u>	<u>\$ 1,035,571</u>	<u>\$ 1,103,982</u>	<u>\$ (54,625)</u>	<u>\$ -</u>	<u>\$ 6,416,674</u>

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

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
Fiduciary Funds
As of December 31, 2014

	PENSION BENEFIT TRUST FUNDS	AGENCY FUNDS	
		ESCROW FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
ASSETS			
Cash and Cash Equivalents	\$ 543,711	\$ 287,033	\$ 107,693
Investments	14,436,811	-	-
Accrued Investment Income	31,875	-	-
Accounts Receivable	1,353	-	-
TOTAL ASSETS	\$ 15,013,750	\$ 287,033	\$ 107,693
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Escrow Holders	-	287,033	-
Due to Police Officers	-	-	107,693
TOTAL LIABILITIES	-	287,033	107,693
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -
NET POSITION			
Restricted for Employee Benefits	15,013,750	-	-
TOTAL NET POSITION	\$ 15,013,750	\$ -	\$ -

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

THE BOROUGH OF QUAKERTOWN
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	PENSION BENEFIT TRUST FUNDS
ADDITIONS:	
Contributions - Employer	\$ 432,728
Contributions - Employee	40,608
State Aid	321,432
Miscellaneous Income	-
INVESTMENT EARNINGS:	
Interest and Dividends	522,857
Change in Fair Value of Investments	534,314
TOTAL ADDITIONS	1,851,939
 DEDUCTIONS:	
Administrative Charges	12,431
Investment Expenses	44,815
Employee Benefits	565,647
TOTAL DEDUCTIONS	622,893
 CHANGES IN NET POSITION	1,229,046
 NET POSITION - BEGINNING OF YEAR	13,784,704
 NET POSITION - END OF YEAR	\$ 15,013,750

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

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2014

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
RESOURCES (INFLOW):						
Taxes	\$ 1,389,000	\$ 1,389,000	\$ 1,398,348	\$ 9,348	\$ -	\$ 1,398,348
Licenses and Permits	160,000	160,000	176,972	16,972	-	176,972
Fines and Forfeits	84,700	84,700	86,962	2,262	-	86,962
Intergovernmental	431,750	431,750	386,637	(45,113)	-	386,637
Charges for Services	657,400	657,400	470,299	(187,101)	-	470,299
Miscellaneous	37,500	37,500	44,706	7,206	-	44,706
Insurance Claim Refund	1,000	1,000	1,835	835	-	1,835
Investment and Rental Earnings	10,000	10,000	28,481	18,481	-	28,481
Refund of Prior Year Expenditures	-	-	28,021	28,021	-	28,021
Transfers from Other Funds	3,900,000	3,900,000	3,900,000	-	-	3,900,000
TOTAL RESOURCES	6,671,350	6,671,350	6,522,261	(149,089)	-	6,522,261
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government						
Legal	21,500	21,500	28,093	(6,593)	-	28,093
Mayor, Legislative, Borough Manager	258,100	258,100	283,999	(25,899)	-	283,999
Finance and Accounting	265,650	265,650	246,256	19,394	-	246,256
Tax Collection	7,200	7,200	6,966	234	-	6,966
IT-Networking Services-Data Processing	69,100	69,100	58,331	10,769	-	58,331
Engineering	165,000	165,000	46,110	118,890	-	46,110
Buildings and Plant	375,900	375,900	151,867	224,033	-	151,867
Public Safety						
Police	2,089,550	2,089,550	2,047,969	41,581	-	2,047,969
Fire Department	342,460	342,460	328,782	13,678	-	328,782
Inspections	138,950	138,950	124,105	14,845	-	124,105
Public Works						
Solid Waste and Collection	5,880	5,880	7,185	(1,305)	-	7,185
Street Maintenance and Lighting	1,687,290	1,687,290	1,541,350	145,940	-	1,541,350
Culture and Recreation						
Parks	454,800	454,800	323,682	131,118	-	323,682
Community Development						
Community Development	223,400	223,400	227,762	(4,362)	-	227,762
Non-Departmental						
Employer Paid Benefits and Withholding Items	1,645,673	1,645,673	1,629,928	15,745	-	1,629,928
Insurance	176,750	176,750	160,698	16,052	-	160,698
Miscellaneous	3,000	3,000	16,963	(13,963)	-	16,963
Budgetary Reserve	137,000	137,000	-	137,000	-	-
Transfer to Other Funds	-	-	757	(757)	-	757
TOTAL CHARGES TO APPROPRIATIONS	8,067,203	8,067,203	7,230,803	836,400	-	7,230,803
Excess (Deficiency) of Inflows Over Outflows	(1,395,853)	(1,395,853)	(708,542)	687,311	-	(708,542)
FUND BALANCE - JANUARY 1, 2014 (RESTATED)	1,395,853	1,395,853	1,066,847	(329,006)	-	1,066,847
FUND BALANCE - DECEMBER 31, 2014	\$ -	\$ -	\$ 358,305	\$ 358,305	\$ -	\$ 358,305

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Note 1 - Description of the Borough and Reporting Entity

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

Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

General Fund

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

Capital Projects Fund

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

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

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

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

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

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

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

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

D. Measurement Focus

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

E. Budgets and Budgetary Accounting

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

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

Encumbrances

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

F. Use of Estimates

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

G. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

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

Investments

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

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

Receivables and Payables

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

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

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2014 is \$79,504,100 at a rate of 1.625 mills. Real estate taxes are levied on March 1 and are payable by June 30.

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

Fund Balance Classifications

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

Capital Assets

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

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

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Compensated Absences

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

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

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

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

Long-Term Obligations

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

Reclassification

Certain amounts have been reclassified to conform to the December 31, 2014, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis of accounting.

Net Assets

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

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

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

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

The governmental fund balance sheet includes a reconciliation between "fund balance-total governmental funds" and "net assets – governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds". The cost of the capital assets net of depreciation totals \$21,997,798. Another element of the reconciliation explains that

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

The details of this \$1,354,504 difference are:

Compensated Absences	\$ 1,354,504
Net adjustment to reduce “fund balance – total governmental funds” to arrive at “net assets – governmental activities”	\$ 1,354,504

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

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

	Total Govern- mental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Long-Term Debt Trans- actions	Total for Statement of Activities
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 127,924	\$ -	\$ -	\$ -	\$ 127,924
Other Taxes Levied for General Purposes	1,042,008	16,820	-	-	1,058,828
Franchise Taxes	174,197	-	-	-	174,197
Local Service Taxes	228,416	-	-	-	228,416
Grants, Subsidies & Contributions Not Restricted	25,961	6,879	-	-	32,840
Investment and Rental Earnings	35,525	1	-	-	35,526
Miscellaneous	46,541	(2,934)	-	-	43,607
Charges for Services	560,036	27,976	-	-	588,012
Insurance Refunds	28,021	(26,186)	-	-	1,835
Transfers In	3,900,000	(757)	-	-	3,899,243
STATE SOURCES:					
Operating and Capital Grants & Contributions	539,625	-	-	-	539,625
FEDERAL SOURCES:					
Operating and Capital Grants & Contributions	-	-	-	-	-
TOTAL REVENUES	<u>6,708,254</u>	<u>21,799</u>	<u>-</u>	<u>-</u>	<u>6,730,053</u>
EXPENDITURES/EXPENSES AND OTHER USES					
General Government	825,200	20,198	(22,351)	-	823,047
Public Safety	2,500,856	(34,849)	(83,613)	-	2,382,394
Public Works	1,679,455	(4,841)	(267,584)	-	1,407,030
Culture and Recreation	323,682	3,577	(21,950)	-	305,309
Community Development	244,884	-	-	-	244,884
Non-Departmental	1,807,589	(2,447)	-	-	1,805,142
Debt Service Payments	-	-	-	-	-
Depreciation	-	-	273,206	-	273,206
Transfers Out	757	(757)	-	-	-
TOTAL EXPENDITURES/EXPENSES	<u>7,382,423</u>	<u>(19,119)</u>	<u>(122,292)</u>	<u>-</u>	<u>7,241,012</u>
NET CHANGE FOR THE YEAR	<u>\$ (674,169)</u>	<u>\$ 40,918</u>	<u>\$ 122,292</u>	<u>\$ -</u>	<u>\$ (510,959)</u>

Note 4 - Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2014, \$12,305,454 of the Borough's bank balance of \$13,931,235 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	12,305,454
TOTAL	<u><u>\$ 12,305,454</u></u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 12,305,454
Plus: Insured Amount	1,625,781
Deposits in Transit	267,055
Less: Outstanding Checks	(291,317)
Carrying Amount – Bank Balances	13,906,973
Plus: Petty Cash	550
Deposits in Investment Pools Considered Cash Equivalents	135,918
Deposits in Money Market Mutual Funds Considered Cash Equivalents	542,877
Less: Certificates of Deposit Considered Investments	(7,918,757)
Total Cash per Financial Statements	\$ 6,667,581

Restricted Cash

The cash balance includes \$543,711 held for pension benefits, \$287,033 held as utility escrow funds and \$107,693 held in the Police Health Reimbursement Arrangement Fund. The utility escrow funds are security deposits from renters in the Borough.

Note 5 - Investments

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

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

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

As of December 31, 2014, the Borough had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust		\$ 135,918
Federated Institutional Government Obligation Fund		542,877
Common Stocks		6,328,678
Corporate Bonds	8 mos. – 9 yrs. 10 mos.	1,689,452
U.S. Government Agency Bonds	4 mos. – 9 yrs 11 mos	1,634,566
Certificates of Deposit	1 mos. - 4 yrs. 10 mos.	7,918,737
Mutual Funds		3,884,116
TOTAL		\$ 22,134,344

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Interest Rate Risk

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

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2014, the Borough's investments were rated as:

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

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. More than 5% of the Borough's investments are in certificates of deposit at QNB Bank, TD Bank, and First Savings Bank. These certificates of deposit represent 9.04%, 9.21% and 9.04%, respectively, of the Borough's investments. More than 5% of the Trust and Agency Funds' investments are in the American Funds Europacific Growth Fund and the Vanguard Total International ETF. These investments are 6.10% and 5.95%, respectively of the Trust and Agency Funds investments. Of the Governmental Funds' investments, 87.79% is in a certificate of deposit at QNB Bank. The Capital Projects Funds' investments are in certificates of deposit at QNB Bank. The Proprietary Funds' investments are in certificates of deposit at QNB Bank, TD Bank, and First Savings Bank. These certificates of deposit represent 33.13%, 33.74%, and 33.13%, respectively of the Proprietary Funds' investments.

Custodial Credit Risk

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Foreign Currency Risk

As of December 31, 2014, the Borough had the following investments that were subject to foreign currency risk:

Name	Amount
Corporate Bonds:	
Barclays Bank PCL 4.00% due 4/28/17	\$ 52,176
Barclays Bank PCL 2.35% due 10/18/21	48,700
AstraZeneca PLC 5.90% due 9/15/17	56,062
AstraZeneca PLC 1.95% due 9/18/19	64,867
Mutual Funds:	
American Funds Europacific Growth Fund	913,184
Vanguard Total International ETF	891,003

Reconciliation to Financial Statements

Total Investments Above	\$ 22,134,344
Less: Deposits in Investment Pool Considered Cash Equivalents	(135,918)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	(542,877)
Total Investments per Financial Statements	\$ 21,455,549

Restricted Investments

The investments include \$14,436,811 held for future pension obligation for the uniform and non-uniform pension plans.

Note 6 - Receivables

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

	General Fund	Capital Project Funds	Non- Major Funds	Electric Fund	Water Fund	Sewer Fund	Pool Fund	Park Fund	Fiduciary Funds	Total
Receivables										
Taxes	\$ 6,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,195
Accounts	42,666	-	-	2,311,587	379,672	305,126	-	-	1,353	3,040,404
Intergovernmental	-	-	-	-	-	-	-	225,000	-	225,000
Other	285	-	-	43,517	-	-	-	-	-	43,802
Gross Receivables	49,146	-	-	2,355,104	379,672	305,126	-	225,000	1,353	3,315,401
Less: Allowance for Uncollectibles	-	-	-	(115,579)	(18,983)	(12,695)	-	-	-	(147,257)
Net Receivables	\$ 49,146	\$ -	\$ -	\$ 2,239,525	\$ 360,689	\$ 292,431	\$ -	\$ 225,000	\$ 1,353	\$ 3,168,144

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2014, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Moose Building	298,957	-	-	298,957
Construction in Progress	270,497	-	(270,497)	-
Infrastructure	16,045,900	-	-	16,045,900
Total Capital Assets not being depreciated	18,467,306	-	(270,497)	18,196,809
Capital Assets being depreciated:				
Buildings	2,279,938	-	-	2,279,938
Improvements Other than Buildings	1,392,808	-	-	1,392,808
Machinery and Equipment	3,005,213	395,497	(86,000)	3,314,710
Total Capital Assets Being Depreciated	6,677,959	395,497	(86,000)	6,987,456
Less: Accumulated Depreciation for:				
Buildings	(1,034,756)	(37,756)	-	(1,072,512)
Improvements Other than Buildings	(605,361)	(48,442)	-	(653,803)
Machinery and Equipment	(1,350,545)	(187,007)	77,400	(1,460,152)
Total Accumulated Depreciation	(2,990,662)	(273,205)	77,400	(3,186,467)
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	3,687,297	122,292	(8,600)	3,800,989
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 22,154,603	\$ 122,292	\$ (279,097)	21,997,798
Business-Type Activities:				
Capital Assets not being depreciated:				
Construction-In-Progress	270,088	1,239,545	-	1,509,633
Capital Assets being depreciated:				
Buildings	25,534,199	-	-	25,534,199
Improvements Other than Buildings	2,301,000	-	-	2,301,000
Machinery and Equipment	2,071,352	381,753	-	2,453,105
Sewer Lines Infrastructure	6,256,215	-	-	6,256,215
Water Lines Infrastructure	11,055,947	-	-	11,055,947
Less: Accumulated Depreciation	(18,242,859)	(908,199)	-	(19,151,058)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 29,245,942	\$ 713,099	\$ -	\$ 29,959,041

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated **\$ 273,205**

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

Depreciation – Unallocated **\$ 908,199**

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Long-Term Obligations

The Borough has the following construction commitments:

	Contract Amount	Expended to 12/31/14	Outstanding Commitment
<u>KRUPP PARK</u>			
Land-Tech Enterprises, Inc.	\$ 350,740	\$ 287,027	\$ 63,713
Walter Brucker & Co.	504,200	190,832	313,368
TOTAL	<u>\$ 854,940</u>	<u>\$ 477,859</u>	<u>\$ 377,081</u>

Note 8 – Short-Term Debt

Interfund Receivables and Payables

The following Interfund receivable and payables were in existence as of December 31, 2014.

	Interfund Receivables	Interfund Payables
General Fund	\$ 160,420	\$ -
Capital Projects Fund	134,267	-
Park (Proprietary) Fund	-	294,687
TOTAL	<u>\$ 294,687</u>	<u>\$ 294,687</u>

Interfund Transfers

The Borough also made the following interfund transfers during the year ended December 31, 2014.

	Transfer In	Transfer Out
General Fund	\$ 3,900,000	\$ 757
Enterprise (Electric) Fund	757	3,764,000
Enterprise (Water) Fund	-	163,000
Enterprise (Sewer) Fund	-	173,000
Enterprise (Pool) Fund	200,000	-
TOTAL	<u>\$ 4,100,757</u>	<u>\$ 4,100,757</u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2014, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,644,618	\$ -	\$ 19,213	\$ 1,625,405	\$ 270,901
Total Governmental Activities Long-Term Liabilities	\$ 1,644,618	\$ -	\$ 19,213	\$ 1,625,405	270,901
Business-Type Activities:					
Guaranteed Revenue Notes and Bonds Payable					
Capital Projects	\$ 8,128,094	\$ -	\$ 469,122	\$ 7,658,972	\$ 738,972
Compensated Absences	575,083	21,875	-	596,958	-
Total Business-Type Activities Long-Term Liabilities	\$ 8,703,177	\$ 21,875	\$ 469,122	\$ 8,255,930	\$ 738,972

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

Total interest paid during the year:

Business-Type Activities	Paid
General Obligation Bonds	\$ 163,645
General Obligation Notes	13,211
Total Interest Paid By Business-Type Activities	\$ 176,856

The total interest cost incurred and charged to expense in 2014 was \$176,856.

General Obligation Note – Series of 2005 – Water Fund

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

The future debt service obligations are:

Fiscal Year	Principal	Interest
2015	\$ 238,972	\$ 4,215
Total Outstanding	\$ 238,972	\$ 4,215

General Obligation Bonds – Series of 2012 – Water Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Water Fund totaled \$4,935,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$4,872,385, issued to Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The outstanding debt service requirements at December 31, 2014, are:

Fiscal Year	Principal	Interest
2015	\$ 310,000	\$ 97,275
2016	315,000	91,025
2017	320,000	84,675
2018	330,000	78,175
2019	335,000	71,525
2020-2024	1,775,000	252,160
2025-2028	1,235,000	51,328
Total Outstanding	\$ 4,620,000	\$ 726,163

General Obligation Bonds – Series of 2012 – Sewer Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Sewer Fund totaled \$2,990,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$2,952,936, issued to Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The outstanding debt service requirements at December 31, 2014, are:

Fiscal Year	Principal	Interest
2015	\$ 190,000	\$ 58,920
2016	190,000	55,120
2017	195,000	51,270
2018	200,000	47,320
2019	205,000	43,270
2020-2024	1,075,000	152,518
2025-2028	745,000	30,952
Total Outstanding	\$ 2,800,000	\$ 439,370

Compensated Absences

Vacation, Sick and Personal Days

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Combined Long-Term Debt

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

<u>PRINCIPAL REQUIREMENTS</u>	<u>G.O.B.</u>	<u>G.O.B.</u>	<u>G.O.N.</u>	<u>TOTAL</u>
<u>FISCAL YEAR</u>	<u>SERIES 2012</u> <u>WATER FUND</u>	<u>SERIES 2012</u> <u>SEWER FUND</u>	<u>SERIES 2005</u>	<u>PAYMENTS</u>
2015	\$ 310,000	\$ 190,000	\$ 238,972	\$ 738,972
2016	315,000	190,000	-	505,000
2017	320,000	195,000	-	515,000
2018	330,000	200,000	-	530,000
2019	335,000	205,000	-	540,000
2020-2024	1,775,000	1,075,000	-	2,850,000
2025-2028	<u>1,235,000</u>	<u>745,000</u>	<u>-</u>	<u>1,980,000</u>
TOTAL	4,620,000	2,800,000	238,972	7,658,972
LESS PAYABLE WITHIN ONE YEAR	<u>310,000</u>	<u>190,000</u>	<u>238,972</u>	<u>738,972</u>
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	<u>\$ 4,310,000</u>	<u>\$ 2,610,000</u>	<u>\$ -</u>	<u>\$ 6,920,000</u>

<u>PRINCIPAL AND INTEREST REQUIREMENTS</u>	<u>SERIES 2012</u>	<u>SERIES 2012</u>	<u>G.O.N.</u>	<u>TOTAL</u>
<u>FISCAL YEAR</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>SERIES 2005</u>	<u>PAYMENTS</u>
2015	\$ 407,275	\$ 248,920	\$ 243,187	\$ 899,382
2016	406,025	245,120	-	651,145
2017	404,675	246,270	-	650,945
2018	408,175	247,320	-	655,495
2019	406,525	248,270	-	654,795
2020-2024	2,027,160	1,227,518	-	3,254,678
2025-2028	<u>1,286,328</u>	<u>775,952</u>	<u>-</u>	<u>2,062,280</u>
TOTAL	<u>\$ 5,346,163</u>	<u>\$ 3,239,370</u>	<u>\$ 243,187</u>	<u>\$ 8,828,720</u>

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Note 10 - Pension Plan Obligations

The Borough maintains three pension plans, the Non-Uniformed Defined Benefit Pension Plan and the Police Defined Benefit Pension Plan and a 401(A) Pension Plan. The Non-Uniformed Pension Plan covers substantially all full-time and permanently part-time non-police employees of the Borough and the Police Pension Plan covers the full-time police employees. The financial statements of the plans are part of the Borough's annual financial report which can be obtained from the Borough at 35 North Third St., Quakertown, PA 18951. The authority, under which the benefit provisions have been established or may be amended, remains with the Council of the Borough of Quakertown.

Non-Uniformed Pension Plan

Plan Description

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Plan Membership

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

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

Annual Pension Cost and Net Pension Obligation

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

Annual Pension cost per MMO	\$ 290,013
Contributions Made	290,013

Three-Year Trend Information

THREE YEAR TREND INFORMATION			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension
12/31/2012	\$ 294,984	100.00%	\$ -
12/31/2013	287,384	100.00%	-
12/31/2014	290,013	100.00%	-

The annual contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at January 1, 2013 included (a) 7.5% rate of return, (b) projected salary increases of 5.0% and (c) cost-of-living increases of 2.0%. The assumptions did not include post-retirement benefits. The actuarial value of the plan's assets was determined using market values as determined by the Administrator, using the 4 year smoothing method. The unfunded accrued liability (AAL) is being amortized on the level dollar method on a closed basis over 15-30 years. The remaining amortization periods at December 31, 2014, were 1-20 years.

Funded Status and Funding Progress

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

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Police Pension Plan

Plan Description

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

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

Plan Membership

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

Annual Pension Cost and Net Pension Obligation

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

Annual Pension cost per MMO	\$ 403,613
Contributions Made	403,613

Three-Year Trend Information

THREE YEAR TREND INFORMATION			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension
12/31/2012	\$ 406,593	100.00%	\$ -
12/31/2013	402,008	100.00%	-
12/31/2014	403,613	100.00%	-

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

Funded Status and Funding Progress

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

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

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

Plan for Administrative Improvement

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

Data for Form AG-385

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

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

Review of Actuarial Assumptions

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

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

Member Contributions

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

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

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

Investment Performance

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

Other Voluntary Remedies Elected by the Borough

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

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

Deferred Retirement Option Plan

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

A police officer electing to participate in the DROP must complete and file with the Borough a DROP option form which shall evidence the member's participation in the DROP. The form must be submitted

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

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

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

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

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

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

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

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

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

As of December 31, 2014, no officer had elected to participate in the DROP Plan.

401(a) Pension Plan

All employees of the Borough hired after January 1, 2008, are ineligible for the Borough's Non-Uniformed Defined Benefit Pension Plan. The Borough has started a new 401(a) plan known as the Borough of Quakertown 401(a) Plan. The plan provides retirement benefits for the participants. This plan is in accordance with Internal Revenue Code Section 401(a). This plan provides for employer and employee contribution at the election of the Borough. For 2014, the Borough elected to require both employee and employer contributions. Contributions totaling \$67,799 were contributed to the plan by the Borough and Borough employees.

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

Deferred Compensation Plan

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

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

Note 9 – Deferred Inflows of Resources

The Borough received a Safe School Targeted Grant for School Resource Officer in the amount of \$60,000. As of December 31, 2014, none of these funds have been expended. The Borough also received donations to the Main Street Park renovation project in the amount of \$7,420. As of December 31, 2014, none of these funds have been expended.

Note 10 - Contingencies

Litigation

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

Note 11 – Risk Management

The Borough is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Borough lowers these risks through the purchase of commercial insurance. The Borough workers' compensation policy is a retrospectively rated policy. The final premium is based on

THE BOROUGH OF QUAKERTOWN
Notes To Financial Statements
Year Ended December 31, 2014

actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Borough or its employees did not exceed insurance coverage in the last three years.

Note 12 – Fund Balances

Detailed information about aggregated fund balances;

Assigned Fund Balances

Capital Projects Fund	\$ 1,181,161
Equipment Replacement Fund	<u>38,693</u>
TOTAL	<u>\$ 1,219,854</u>

Restricted Fund Balances

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

State Liquid Fuels Fund	\$ 58,536
TOTAL	<u>\$ 58,536</u>

Note 13 – Restated Fund Balance

During the current year, the Borough of Quakertown created a new Park Fund which resulted in a restatement of the fund balance. The adjustment was to record prior year Krupp Park transactions that were paid from the General Fund into the newly created Park (Proprietary) Fund.

Fund	Original Fund Balances/ Net Position Jan. 1, 2014	Fund Balance/ Net Position Change	Restated Fund Balance/ Net Position Jan. 1, 2014
Park (Proprietary) Fund	\$ -	\$ 165,328	\$ 165,328
General Fund	961,679	105,168	1,066,847
	<u>\$ 961,679</u>	<u>\$ 270,496</u>	<u>\$ 1,232,175</u>
Governmental Activities	\$ 23,107,310	\$ (165,328)	\$ 22,941,982
Business-Type Activities	31,394,781	165,328	31,560,109
TOTAL	<u>\$ 54,502,091</u>	<u>\$ -</u>	<u>\$ 54,502,091</u>

Note 14 – Subsequent Events

During the fall of 2015, the Borough will begin construction on a sewer interceptor project at a cost of approximately \$6.3 million. The Borough will be responsible for payment of the project cost, however, under the terms and conditions of the project, Bucks County Water and Sewer Authority will reimburse the Borough the full amount for those project costs. The project is expected to be completed by the fall of 2016.

The subsequent events have been evaluated through July 31, 2015, which is the date of the financial statements were available to be issued.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Quakertown, Bucks County, PA, as of and for the year ended December 31, 2014, which collectively comprise the Borough of Quakertown's basic financial statements, and have issued our report thereon dated July 31, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

BOROUGH COUNCIL

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Quakertown in a separate letter dated July 31, 2015.

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

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

July 31, 2015

REQUIRED SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Pension Funds
Required Supplemental Information
December 31, 2014

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUATION OF ASSETS	ACTUARIAL ACCRUED LIABILITY ENTRY AGE PENSION	UNFUNDED AAL	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
<u>NON-UNIFORMED PENSION PLAN</u>						
1/1/2005	\$ 4,342,242	\$ 6,131,689	\$ 1,789,147	70.82%	\$ 2,323,849	76.99%
1/1/2007	5,126,573	6,368,201	1,241,628	80.50%	2,375,605	52.27%
1/1/2009	5,732,547	7,403,418	1,670,871	77.43%	2,407,792	69.39%
1/1/2011	6,078,785	7,886,686	1,807,901	77.08%	2,151,885	84.01%
1/1/2013	6,812,059	8,852,010	2,039,951	76.95%	1,918,292	106.34%
<u>POLICE PENSION FUND</u>						
1/1/2005	\$ 2,525,257	\$ 3,929,023	\$ 1,403,766	64.27%	\$ 927,123	151.41%
1/1/2007	2,859,924	4,584,888	1,724,964	62.38%	1,121,934	153.75%
1/1/2009	3,332,507	5,645,512	2,313,005	59.03%	1,387,429	166.71%
1/1/2011	3,883,347	6,506,558	2,623,211	59.68%	1,473,176	178.07%
1/1/2013	4,707,286	7,536,885	2,829,599	62.46%	1,528,038	185.18%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

<u>NON-UNIFORMED PENSION PLAN</u>				<u>POLICE PENSION PLAN</u>		
YEAR ENDED DECEMBER 31	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTIONS FROM EMPLOYER	PERCENTAGE CONTRIBUTED
2005	\$ 277,117	\$ 277,117	100.00%	\$ 149,186	\$ 149,186	100.00%
2006	287,837	287,837	100.00%	163,571	163,571	100.00%
2007	370,635	370,635	100.00%	246,697	246,697	100.00%
2008	274,607	274,607	100.00%	320,583	320,583	100.00%
2009	274,607	274,607	100.00%	349,600	349,600	100.00%
2010	269,428	269,428	100.00%	354,154	354,154	100.00%
2011	307,724	307,724	100.00%	347,966	347,966	100.00%
2012	294,984	294,984	100.00%	406,593	406,593	100.00%
2013	287,384	287,384	100.00%	402,008	402,008	100.00%
2014	290,013	290,013	100.00%	403,613	403,613	100.00%

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2014

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

The modified approach requires that the Borough:

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

Condition Assessments

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

Assessed Conditions

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

Fiscal Year	Condition Assessment (Minimum 80%)
2014	82%
2013	78%
2012	74%
2011	74%
2010	70%

Estimated and Actual Costs for Maintenance

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

	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
Estimate	\$ 919,057	\$ 1,142,093	\$ 744,528	\$ 913,674	\$ 1,064,558
Actual	279,792	337,757	53,214	211,433	300,359

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2014

Factors Affecting Condition Assessments

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

OTHER SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Combining Balance Sheet
All Capital Project Funds
For the Year Ended December 31, 2014

	CAPITAL PROJECTS FUND	EQUIPMENT REPLACEMENT FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 77,432	\$ 38,693	\$ 116,125
Investments	976,882	-	976,882
Due from Other Funds	134,267	-	134,267
TOTAL ASSETS	\$ 1,188,581	\$ 38,693	\$ 1,227,274
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Deferred Revenue	7,420	-	7,420
Accounts Payable	-	-	-
TOTAL LIABILITIES	7,420	-	7,420
 FUND BALANCES:			
Restricted for Capital Projects	1,181,161	38,693	1,219,854
TOTAL FUND BALANCES	1,181,161	38,693	1,219,854
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,188,581	\$ 38,693	\$ 1,227,274

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Project Funds
For the Year Ended December 31, 2014

	CAPITAL PROJECTS FUND	EQUIPMENT REPLACEMENT FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Donations	\$ -	\$ -	\$ -
Main Street Park Donations	3,578	-	3,578
Investment Earnings	6,531	134	6,665
TOTAL REVENUES	<u>10,109</u>	<u>134</u>	<u>10,243</u>
EXPENDITURES			
General Government	3,578	-	3,578
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community Development	17,122	-	17,122
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>20,700</u>	<u>-</u>	<u>20,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,591)</u>	<u>134</u>	<u>(10,457)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Fixed Assets	-	-	-
Refund of Prior Year Revenues	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>(10,591)</u>	<u>134</u>	<u>(10,457)</u>
FUND BALANCES - BEGINNING	<u>1,191,752</u>	<u>38,559</u>	<u>1,230,311</u>
FUND BALANCES - ENDING	<u>\$ 1,181,161</u>	<u>\$ 38,693</u>	<u>\$ 1,219,854</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Pension Trust Funds
As December 31, 2014

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 263,531	\$ 279,399	\$ 781	\$ 543,711
Investments	6,024,815	8,181,214	230,782	14,436,811
Accrued Investment Income	12,433	19,442	-	31,875
Due from Other Funds	-	-	-	-
Accounts Receivable	-	-	1,353	1,353
TOTAL ASSETS	\$ 6,300,779	\$ 8,480,055	\$ 232,916	\$ 15,013,750
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Due to Police Officers	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -
<u>NET POSITION</u>				
Restricted for Employee Benefits	6,300,779	8,480,055	232,916	15,013,750
TOTAL NET POSITION	\$ 6,300,779	\$ 8,480,055	\$ 232,916	\$ 15,013,750

THE BOROUGH OF QUAKERTOWN
Combining Statement of Additions, Deductions and Changes in Net Position
All Pension Trust Funds
For the Year Ended December 31, 2014

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
ADDITIONS:				
Contributions - Employer	\$ 264,197	\$ 162,524	\$ 6,007	\$ 432,728
Contributions - Employee	14,072	18,962	7,574	40,608
State Aid	139,416	127,798	54,218	321,432
Miscellaneous	-	-	-	-
INVESTMENT EARNINGS:				
Interest and Dividends	221,115	299,600	2,142	522,857
Change in Fair Value of Investments	218,358	309,344	6,612	534,314
TOTAL ADDITIONS	<u>857,158</u>	<u>918,228</u>	<u>76,553</u>	<u>1,851,939</u>
DEDUCTIONS:				
Administrative Charges	3,550	5,100	3,781	12,431
Investment Expenses	18,134	25,219	1,462	44,815
Employee Benefits	217,041	348,606	-	565,647
TOTAL DEDUCTIONS	<u>238,725</u>	<u>378,925</u>	<u>5,243</u>	<u>622,893</u>
CHANGES IN NET POSITION	618,433	539,303	71,310	1,229,046
NET POSITION - BEGINNING OF YEAR	<u>5,682,346</u>	<u>7,940,752</u>	<u>161,606</u>	<u>13,784,704</u>
NET POSITION - END OF YEAR	<u>\$ 6,300,779</u>	<u>\$ 8,480,055</u>	<u>\$ 232,916</u>	<u>\$ 15,013,750</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2014

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,754,609	\$ 1,239,171	\$ 705,342	\$ 216,473	\$ -	\$ 4,915,595
Investments	3,020,892	-	3,020,964	-	-	6,041,856
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,239,525	360,689	292,431	-	-	2,892,645
Intergovernmental Receivable	-	-	-	-	225,000	225,000
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	8,015,026	1,599,860	4,018,737	216,473	225,000	14,075,096
NON-CURRENT ASSETS:						
Buildings (Net of Depreciation)	5,821,112	2,201,032	5,307,438	653,666	-	13,983,248
Improvements other than Buildings (Net of Depreciation)	4,661	7,640	35,861	923,945	-	972,107
Machinery and Equipment (Net of Depreciation)	436,379	104,596	578,096	-	246,541	1,365,612
Construction In Progress	-	-	422,966	-	1,086,667	1,509,633
Sewer Lines Infrastructure (Net of Depreciation)	-	-	3,778,272	-	-	3,778,272
Water Lines Infrastructure (Net of Depreciation)	-	8,350,169	-	-	-	8,350,169
TOTAL NON-CURRENT ASSETS	6,262,152	10,663,437	10,122,633	1,577,611	1,333,208	29,959,041
TOTAL ASSETS	\$ 14,277,178	\$ 12,263,297	\$ 14,141,370	\$ 1,794,084	\$ 1,558,208	\$ 44,034,137
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES						
CURRENT LIABILITIES:						
Sales Tax Payable	\$ 13,671	\$ -	\$ -	\$ -	\$ -	\$ 13,671
Accounts Payable	775,427	75,117	40,622	1,026	417,629	1,309,821
Accrued Salaries and Benefits	19,457	13,745	21,033	-	-	54,235
Due to Other Funds	-	-	-	-	294,687	294,687
Notes Payable	-	548,972	190,000	-	-	738,972
TOTAL CURRENT LIABILITIES	808,555	637,834	251,655	1,026	712,316	2,411,386
NON-CURRENT LIABILITIES:						
Compensated Absences	229,809	165,128	202,021	-	-	596,958
Notes Payable	-	4,310,000	2,610,000	-	-	6,920,000
TOTAL NON-CURRENT LIABILITIES	229,809	4,475,128	2,812,021	-	-	7,516,958
TOTAL LIABILITIES	1,038,364	5,112,962	3,063,676	1,026	712,316	9,928,344
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION						
Invested in Capital Assets, Net of Related Debt	6,262,152	5,804,465	7,322,633	1,577,611	1,333,208	22,300,069
Restricted	-	-	-	-	-	-
Unrestricted Net Position	6,976,662	1,345,870	3,755,061	215,447	(487,316)	11,805,724
TOTAL NET POSITION	\$ 13,238,814	\$ 7,150,335	\$ 11,077,694	\$ 1,793,058	\$ 845,892	\$ 34,105,793

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenses and Changes in Net Position
All Proprietary Funds
For the Year Ended December 31, 2014

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
OPERATING REVENUES						
Charges for Services	\$ 14,901,265	\$ 1,636,418	\$ 2,883,718	\$ 190,738	\$ -	\$ 19,612,139
Debt Service Fees	-	708,561	-	-	-	708,561
Permits and Fees	231,324	26,383	-	-	-	257,707
Penalties	199,887	35,073	26,493	-	-	261,453
Rental Income	-	40,568	-	-	-	40,568
Other Income	10,774	3,062	12,286	880	-	27,002
TOTAL OPERATING REVENUES	<u>15,343,250</u>	<u>2,450,065</u>	<u>2,922,497</u>	<u>191,618</u>	<u>-</u>	<u>20,907,430</u>
OPERATING EXPENSES						
Costs of Furnishing Utility	10,533,266	1,039,786	1,394,063	-	-	12,967,115
Costs of Pool Operations	-	-	-	221,996	-	221,996
Employee Benefits	209,782	161,554	202,426	9,298	-	583,060
Employee Pension	50,967	30,507	72,313	-	-	153,787
Insurance	85,176	81,366	104,744	15,314	-	286,600
Debt Service	-	116,609	60,247	-	-	176,856
Depreciation	191,566	272,144	351,744	91,818	927	908,199
TOTAL OPERATING EXPENSES	<u>11,070,757</u>	<u>1,701,966</u>	<u>2,185,537</u>	<u>338,426</u>	<u>927</u>	<u>15,297,613</u>
OPERATING INCOME (LOSS)	<u>4,272,493</u>	<u>748,099</u>	<u>736,960</u>	<u>(146,808)</u>	<u>(927)</u>	<u>5,609,817</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest Earned	36,098	2,875	28,751	696	-	68,420
Donations	-	-	-	-	456,491	456,491
DCED State Grant	-	-	-	-	225,000	225,000
State Aid - Pension	24,527	24,527	36,145	-	-	85,199
Transfers from Other Funds	757	-	-	200,000	-	200,757
Transfers to Other Funds	(3,764,000)	(163,000)	(173,000)	-	-	(4,100,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,702,618)</u>	<u>(135,598)</u>	<u>(108,104)</u>	<u>200,696</u>	<u>681,491</u>	<u>(3,064,133)</u>
CHANGES IN NET POSITION	569,875	612,501	628,856	53,888	680,564	2,545,684
NET POSITION, JANUARY 1, 2014 (RESTATED)	<u>12,668,939</u>	<u>6,537,834</u>	<u>10,448,838</u>	<u>1,739,170</u>	<u>165,328</u>	<u>31,560,109</u>
NET POSITION, DECEMBER 31, 2014	<u>\$ 13,238,814</u>	<u>\$ 7,150,335</u>	<u>\$ 11,077,694</u>	<u>\$ 1,793,058</u>	<u>\$ 845,892</u>	<u>\$ 34,105,793</u>

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

THE BOROUGH OF QUAKERTOWN
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

REVENUES

TAXES:

Real Estate Taxes - Current	\$ 123,797	
Real Estate Taxes - Prior	4,127	
Real Estate Transfer Tax	117,060	
Earned Income Tax	924,948	
Local Services Tax	<u>228,416</u>	\$ 1,398,348

FINES AND FORFEITS:

Motor Vehicle Violations	80,108	
Fines	3,994	
Parking Tickets	<u>2,860</u>	86,962

LICENSES AND PERMITS:

Franchise Fee Cable	174,197	
Permits/Reports	<u>2,775</u>	176,972

INTERGOVERNMENTAL:

Public Utility Realty Tax	1,820	
In Lieu of Taxes	15,000	
Beverage Licenses	1,600	
Pension State Aid	236,254	
Allotment - Fireman's Relief	65,055	
Local Government Units	3,963	
State Grants	<u>62,945</u>	386,637

CHARGES FOR SERVICES:

General Government	173,261	
Public Safety	224,681	
Parking Meters	7,068	
Culture and Recreation	<u>65,289</u>	470,299

INVESTMENT AND RENTAL EARNINGS:

Interest Income	2,881	
Rentals	<u>25,600</u>	28,481

MISCELLANEOUS:

Contributions and Donations	11,791	
Reimbursements	16,601	
Insurance Claim Refund	1,835	
Other	<u>16,314</u>	<u>46,541</u>

TOTAL REVENUES **\$ 2,594,240**

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

EXPENDITURES

GENERAL GOVERNMENT

LEGAL:

Solicitor \$ 28,093

MAYOR, LEGISLATIVE, BOROUGH MANAGER:

Salary 206,092
 Materials and Supplies 4,989
 Contracted Services 2,207
 Association Dues and Conventions 19,575
 Advertising, Printing and Postage 6,634
 Gasoline 2,461
 Telephone 13,781
 Vehicle Purchase 23,095
 Small Tools and Equipment 5,165

FINANCE AND ACCOUNTING:

Salary 194,081
 Auditing 23,650
 Office Supplies 830
 Bonding 1,217
 Association Dues and Conventions 3,055
 Contracted Services 23,423

TAX COLLECTION:

Salary 6,000
 Contracted Services 966

IT-NETWORKING SERVICES-DATA PROCESSING:

Computer Hardware and Software 36,361
 Computer Parts and Supplies 66
 Internet Service 2,059
 Contracted IT Services 19,474
 Web Design and Maintenance 371

ENGINEERING:

Engineering Fees 46,110

BUILDINGS AND PLANT:

Building Supplies 2,670
 Cleaning Supplies 16,583
 Repairs and Maintenance 130,604
 Contracted Services 2,010

TOTAL GENERAL GOVERNMENT \$ 821,622

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

PUBLIC SAFETY

POLICE:

Salaries and Benefits	\$ 1,728,012
Office Supplies	3,480
Postage	256
Fuel and Oil	44,454
Uniforms	23,054
K9	1,932
Vice	9
Ammunition	14,876
National Night Out	1,461
Vehicle Maintenance and Repair	11,300
Small Tools and Equipment	7,134
Telephone	18,439
Towing	20,306
Advertising and Printing	2,528
Asset Forfeiture	11,083
Association Dues and Conventions	26,063
Contracted Services	24,463
Capital Purchases	109,119

FIRE:

Contribution to Fire Co.	65,000
Fireman's Relief	65,055
Fire Marshal	58,711
Insurance	46,977
Telephone	3,825
Gasoline	88,193
Fire Truck Repairs	1,021

INSPECTIONS:

Zoning and Administration	62,344
Salary of Clerical	31,109
Office Supplies	2,176
Fuel and Oil	1,982
Uniforms	437
Small Tools and Equipment	14,328
Advertising and Printing	3,585
Association Dues and Conventions	5,424
Contracted Services	<u>2,720</u>

TOTAL PUBLIC SAFETY \$ 2,500,856

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

PUBLIC WORKS

STREET MAINTENANCE AND LIGHTING:

Salaries - Highways and Streets	\$ 758,589
Sanitation	7,185
Office Supplies	1,684
Fuel and Oil	67,479
Uniforms	4,272
Street and Traffic Signs	21,028
Road Materials	176,355
Vehicle Maintenance and Repairs	96,643
Small Tools and Equipment	30,167
Telephone	7,048
Association Dues and Conventions	1,433
CDL Drug and Alcohol Testing	1,953
Equipment	268,240
Contracted Services	8,725
Snow Removal Materials	<u>97,734</u>

TOTAL PUBLIC WORKS \$ 1,548,535

CULTURE AND RECREATION

PARKS AND POOL:

Salary	93,265
Supplies	1,157
Discount Tickets	17,540
QSAA	2,613
Vehicle Maintenance and Repairs	2,380
Small Tools and Equipment	14,343
Summer Concert Series	3,860
Kids Program	6,776
Events	9,075
Contracted Services	130,719
Field Improvements	1,639
Advertising and Printing	1,987
Capital Maintenance	16,378
Capital Equipment	<u>21,950</u>

TOTAL CULTURE AND RECREATION 323,682

COMMUNITY DEVELOPMENT

Salary	39,231
Quakertown Alive	70,000
Senior Center	8,400
Historical Society Barn	40,000
Equipment	11,934
Small Tools and Equipment	2,640
Contracted Services	54,307
Office Supplies	<u>1,250</u>

TOTAL COMMUNITY DEVELOPMENT 227,762

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

EMPLOYER BENEFITS AND WITHHOLDING ITEMS

Police Pension	\$	403,613	
Non-Uniformed Pension		136,226	
Employee Benefits		<u>1,090,089</u>	

TOTAL EMPLOYER BENEFITS AND WITHHOLDING ITEMS \$ 1,629,928

INSURANCE

Insurance, Casualty, and Surety	160,698
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UNCLASSIFIED EXPENDITURES 16,963

TOTAL EXPENDITURES 7,230,046

DEFICIENCY OF REVENUES OVER EXPENDITURES (4,635,806)

OTHER FINANCING SOURCES AND OTHER FINANCING USES

Refund of Prior Year Expenditures	28,021	
Interfund Transfers In	3,900,000	
Interfund Transfers Out	<u>(757)</u>	<u>3,927,264</u>

NET CHANGE IN FUND BALANCES (708,542)

FUND BALANCE - JANUARY 1, 2014 (RESTATED) 1,066,847

FUND BALANCE - DECEMBER 31, 2014 \$ 358,305

THE BOROUGH OF QUAKERTOWN
Electric Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 15,039,980	\$ 14,901,265
Permits and Fees	80,025	231,324
Penalties	174,000	199,887
Other Income	<u>35,920</u>	<u>10,774</u>
TOTAL OPERATING REVENUES	<u>15,329,925</u>	<u>15,343,250</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	11,818,555	10,533,266
Employee Benefits	217,670	209,782
Employee Pension	51,050	50,967
Insurance	93,500	85,176
Depreciation	-	191,566
Contingency	<u>774,000</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>12,954,775</u>	<u>11,070,757</u>
OPERATING INCOME	<u>2,375,150</u>	<u>4,272,493</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	22,000	36,098
Gain (Loss) on Sale of Fixed Assets	1,000	-
State Aid - Pension	24,529	24,527
Transfers from Other Funds	-	757
Transfers to Other Funds	<u>(3,764,000)</u>	<u>(3,764,000)</u>
TOTAL NON-OPERATING (EXPENSES)	<u>(3,716,471)</u>	<u>(3,702,618)</u>
CHANGES IN NET POSITION	(1,341,321)	569,875
NET POSITION, JANUARY 1, 2014	<u>1,341,321</u>	<u>12,668,939</u>
NET POSITION, DECEMBER 31, 2014	<u>\$ -</u>	<u>\$ 13,238,814</u>

THE BOROUGH OF QUAKERTOWN
Water Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,500,000	\$ 1,636,418
Penalties	33,000	35,073
Debt Service Fee	711,000	708,561
Other Fees	104,000	26,383
Rental Income	37,900	40,568
Other Income	2,000	3,062
TOTAL OPERATING REVENUES	<u>2,387,900</u>	<u>2,450,065</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	2,020,450	1,039,786
Employee Benefits	157,136	161,554
Employee Pension	30,500	30,507
Insurance	80,750	81,366
Debt Service	484,589	116,609
Depreciation	-	272,144
Contingency	126,000	-
TOTAL OPERATING EXPENSES	<u>2,899,425</u>	<u>1,701,966</u>
OPERATING INCOME (LOSS)	<u>(511,525)</u>	<u>748,099</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	2,100	2,875
State Aid - Pension	24,529	24,527
Note Proceeds	420,000	
Gain (Loss) on Sale of Fixed Assets	1,000	-
Transfers from Other Funds	-	-
Transfers to Other Funds	(163,000)	(163,000)
TOTAL NON-OPERATING REVENUES	<u>284,629</u>	<u>(135,598)</u>
CHANGES IN NET POSITION	(226,896)	612,501
NET POSITION, JANUARY 1, 2014	<u>226,896</u>	<u>6,537,834</u>
NET POSITION, DECEMBER 31, 2014	<u>\$ -</u>	<u>\$ 7,150,335</u>

THE BOROUGH OF QUAKERTOWN
Sewer Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2014

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 2,596,000	\$ 2,883,718
Penalties	24,000	26,493
Other Income	8,000	12,286
TOTAL OPERATING REVENUES	2,628,000	2,922,497
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	1,880,585	1,394,063
Employee Benefits	218,810	202,426
Employee Pension	72,400	72,313
Insurance	108,000	104,744
Debt Service	156,770	60,247
Depreciation	-	351,744
Contingency	134,000	-
TOTAL OPERATING EXPENSES	2,570,565	2,185,537
OPERATING INCOME	57,435	736,960
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	11,000	28,751
Gain (Loss) on Sale of Fixed Assets	500	-
State Aid - Pension	36,148	36,145
Sewage Facilities Grant	-	-
Transfers to Other Funds	(173,000)	(173,000)
TOTAL NON-OPERATING (EXPENSES)	(125,352)	(108,104)
CHANGES IN NET POSITION	(67,917)	628,856
NET POSITION, JANUARY 1, 2014	67,917	10,448,838
NET POSITION, DECEMBER 31, 2014	\$ -	\$ 11,077,694

THE BOROUGH OF QUAKERTOWN
Pool Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2014

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 225,500	\$ 190,738
Other Income	1,000	880
TOTAL OPERATING REVENUES	226,500	191,618
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<u>OPERATING EXPENSES</u>		
Costs of Pool Operations	442,500	221,996
Employee Benefits	9,900	9,298
Insurance	17,500	15,314
Debt Service	4,165	-
Depreciation	-	91,818
Contingency	12,000	-
TOTAL OPERATING EXPENSES	486,065	338,426
OPERATING (LOSS)	(259,565)	(146,808)
<u>NON-OPERATING REVENUES</u>		
Interest Earned	1,000	696
Transfers from Other Funds	200,000	200,000
TOTAL NON-OPERATING REVENUES	201,000	200,696
CHANGES IN NET POSITION	(58,565)	53,888
NET POSITION, JANUARY 1, 2014	58,565	1,739,170
NET POSITION, DECEMBER 31, 2014	\$ -	\$ 1,793,058

THE BOROUGH OF QUAKERTOWN
Park Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2014

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ -	\$ -
Other Income	-	-
TOTAL OPERATING REVENUES	-	-
	-----	-----
<u>OPERATING EXPENSES</u>		
Costs of Park Operations	-	-
Employee Benefits	-	-
Insurance	-	-
Debt Service	-	-
Depreciation	-	927
Contingency	-	-
TOTAL OPERATING EXPENSES	-	927
OPERATING (LOSS)	-	(927)
<u>NON-OPERATING REVENUES</u>		
DCED State Grant	-	225,000
Donations	-	456,491
TOTAL NON-OPERATING REVENUES	-	681,491
CHANGES IN NET POSITION	-	680,564
NET POSITION, JANUARY 1, 2014	-	165,328
NET POSITION, DECEMBER 31, 2014	\$ -	\$ 845,892

**The Borough of Quakertown
Liquid Fuels Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014**

FUND BALANCE - JANUARY 1, 2014	\$	13,706
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
INTERGOVERNMENTAL:		
Liquid Fuels Tax	\$	169,891
Highway/Turnback Income		5,480
INVESTMENT EARNINGS:		
Interest Earnings		379
		175,750
 TOTAL FUNDS AVAILABLE		 189,456
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Highway Construction	\$	130,920
OTHER FINANCING USES:		
Transfer To Other Funds		-
		130,920
 FUND BALANCE - DECEMBER 31, 2014	 \$	 58,536

**Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014**

FUND BALANCE - JANUARY 1, 2014	\$	1,191,752
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest Earnings	\$	6,531
Main Street Park Donations		3,578
Donations		-
		10,109
TOTAL FUNDS AVAILABLE		1,201,861
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
CULTURE AND RECREATION:		
Main Street Park	\$	3,578
COMMUNITY DEVELOPMENT:		
Moose Building Taxes		17,122
Construction Costs		-
OTHER FINANCING USES:		
Transfer To Other Funds		-
		20,700
 FUND BALANCE - DECEMBER 31, 2014	 \$	 1,181,161

THE BOROUGH OF QUAKERTOWN
Equipment Replacement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2014

FUND BALANCE - JANUARY 1, 2014	\$	38,559
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest Earnings	\$	134
Miscellaneous		-
Sale of Fixed Assets		-
Refund of Prior Year Expenditures		-
Transfer From Other Funds		-
		134
 TOTAL FUNDS AVAILABLE		 38,693
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
GENERAL GOVERNMENT:		
Equipment	\$	-
PUBLIC SAFETY:		
Equipment		-
PUBLIC WORKS:		
Equipment		-
OTHER FINANCING USES:		
Refund of Prior Year Revenues		-
		-
 FUND BALANCE - DECEMBER 31, 2014	 \$	 <u>38,693</u>

Escrow Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2014

ASSETS		
Escrow Checking	\$	<u>287,033</u>
 TOTAL ASSETS		 \$ <u>287,033</u>
 LIABILITIES		
Due to Escrow Holders	\$	<u>287,033</u>
 TOTAL LIABILITIES		 \$ <u>287,033</u>

THE BOROUGH OF QUAKERTOWN
Police Health Reimbursement Arrangement Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2014

ASSETS		
Cash	\$	<u>107,693</u>
TOTAL ASSETS		\$ <u>107,693</u>
LIABILITIES		
Due to Police Officers	\$	<u>107,693</u>
TOTAL LIABILITIES		\$ <u>107,693</u>

Defined Compensation Plan Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2014

NET POSITION - BEGINNING OF YEAR		\$	161,606
ADDITIONS:			
Contributions - Employer	\$	6,007	
Contributions - Employee		7,574	
State Aid		54,218	
INVESTMENT EARNINGS:			
Interest and Dividends		2,142	
Change in Fair Value of Investments		<u>6,612</u>	
TOTAL ADDITIONS		<u>76,553</u>	

DEDUCTIONS:			
Administrative Charges		3,781	
Investment Expenses		<u>1,462</u>	
TOTAL DEDUCTIONS		<u>5,243</u>	
CHANGE IN NET POSITION			<u>71,310</u>
NET POSITION - END OF YEAR		\$	<u>232,916</u>

**BOROUGH OF QUAKERTOWN
Police Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2014**

NET POSITION - BEGINNING OF YEAR		\$ 5,682,346
ADDITIONS:		
Contributions - Employer	\$ 264,197	
Contributions - Employee	14,072	
State Aid	139,416	
INVESTMENT EARNINGS:		
Interest and Dividends	221,115	
Change in Fair Value of Investments	218,358	
TOTAL ADDITIONS	857,158	
DEDUCTIONS:		
Administrative Charges	3,550	
Investment Expenses	18,134	
Employee Benefits	217,041	
TOTAL DEDUCTIONS	238,725	
CHANGE IN NET POSITION		618,433
NET POSITION - END OF YEAR		\$ 6,300,779

**Non-Uniformed Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2014**

NET POSITION - BEGINNING OF YEAR		\$ 7,940,752
ADDITIONS:		
Contributions - Employer	162,524	
Contributions - Employee	18,962	
State Aid	127,798	
INVESTMENT EARNINGS:		
Interest and Dividends	299,600	
Change in Fair Value of Investments	309,344	
TOTAL ADDITIONS	918,228	
DEDUCTIONS:		
Administrative Charges	5,100	
Investment Expenses	25,219	
Employee Benefits	348,606	
TOTAL DEDUCTIONS	378,925	
CHANGE IN NET POSITION		539,303
NET POSITION - END OF YEAR		\$ 8,480,055