

WEST HEMPFIELD TOWNSHIP

Financial Statements

Year Ended December 31, 2013

WEST HEMPFIELD TOWNSHIP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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BERTZ, HESS & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS AND FINANCIAL CONSULTANTS

36 EAST KING STREET
LANCASTER, PA 17602-2896

3002 HEMPLAND ROAD
LANCASTER, PA 17601

(717) 393-0767
FAX: (717) 293-8560
800-522-9967

(717) 392-2987
FAX: (717) 392-0723

www.bertzhess.com

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors

West Hempfield Township

Lancaster, Pennsylvania

We have audited the accompanying financial statements of West Hempfield Township (the "Township"), Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to or error or fraud.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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.

Board of Supervisors
West Hempfield Township
Lancaster, Pennsylvania

Auditors' Responsibility (Continued)

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, these financial statements are prepared on the modified cash basis of accounting using accounting practices and on a form prescribed or permitted by the Pennsylvania Department of Community and Economic Development (DCED), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013, or changes in financial position for the year then ended. Further, the Township has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fund of the Township as of December 31, 2013, and their respective changes in financial position for the year then ended, in accordance with the basis of the financial reporting provisions as described in Note 2.

Bertz, Hess & Co., LLP

BERTZ, HESS & CO., LLP
Lancaster, Pennsylvania
March 12, 2014

**2013 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

361805 WEST HEMPFIELD TWP, LANCASTER COUNTY



BALANCE SHEET

DCED-CLGS-30 (09-09)

WEST HEMPFIELD TWP, LANCASTER County

BALANCE SHEET

December 31, 2013

| | | Governmental Funds | | | | Proprietary Funds | | Fid. Fund | Account Groups | | Total |
|--------------------------------------|--|--------------------|--|------------------|--------------|-------------------|------------------|------------------|----------------------|------------------------|-----------------|
| | | General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long Term Debt | Memorandum Only |
| Assets and Other Debits | | | | | | | | | | | |
| 100-120 | Cash and Investments | 2,426,573 | 1,209,185 | | | 22,737 | | 6,718,513 | | | 10,377,008 |
| 140-144 | Tax Receivable | 6,199 | | | | | | | | | 6,199 |
| 121-129, 145-149 | Accounts Receivable (excluding taxes) | 26,924 | 27,717 | | | 15,566 | | | | | 70,207 |
| 130.00 | Due From Other Funds | | 6,160 | | | 2,245 | | | | | 8,405 |
| 131-139, 150-159 | Other Current Assets | 507 | | | | | | | | | 507 |
| 160-169 | Fixed Assets | | 1,267 | | | 913,655 | | | 5,240,413 | | 6,155,335 |
| 180-189 | Other Debits | | | | | | | | | | |
| Total Assets and Other Debits | | 2,460,203 | 1,244,329 | | | 954,203 | | 6,718,513 | 5,240,413 | | 16,617,661 |
| Liabilities and Other Credits | | | | | | | | | | | |
| 210-229 | Payroll Taxes and Other Payroll Withholdings | 12,102 | | | | | | | | | 12,102 |
| 200-209, 231-239 | All Other Current Liabilities | 486,841 | 87,176 | | | 13,965 | | | | | 587,982 |
| 230.00 | Due To Other Funds | 8,405 | | | | | | | | | 8,405 |

WEST HEMPFIELD TWP, LANCASTER County

BALANCE SHEET

December 31, 2013

| | | Governmental Funds | | | | Proprietary Funds | | Fid. Fund | Account Groups | | Total |
|--|---|--------------------|--|------------------|--------------|-------------------|------------------|------------------|----------------------|------------------------|-----------------|
| | | General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long Term Debt | Memorandum Only |
| Liabilities and Other Credits | | | | | | | | | | | |
| 260-269 | Long-Term-Liabilities | | | | | | | | | | |
| 240-259 | Current Portion of Long-Term Debt and Other Credits | | | | | | | | | | |
| Total Liabilities and Other Credits | | 507,348 | 87,176 | | | 13,965 | | | | | 608,489 |
| Fund and Account Group Equity | | | | | | | | | | | |
| 281-284 | Contributed Capital | | | | | | | | | | |
| 290.00 | Investment in General Fixed Assets | | | | | 913,655 | | | 5,240,413 | | 6,154,068 |
| 270-289 | Fund Balance / Retained Earnings on 12/31 | 1,952,855 | 1,157,153 | | | 26,583 | | 6,718,513 | | | 9,855,104 |
| 291-299 | Other Equity | | | | | | | | | | |
| Total Fund and Account Group Equity | | 1,952,855 | 1,157,153 | | | 940,238 | | 6,718,513 | 5,240,413 | | 16,009,172 |
| TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY | | | | | | | | | | | 16,617,661 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

REVENUES

| Taxes | | | | | | | | |
|--------------------|--|------------------|--|--|--|--|--|------------------|
| 301.00 | Real Estate Taxes | 687,608 | | | | | | 687,608 |
| 305.00 | Occupation Taxes (levied under municipal code) | | | | | | | |
| 308.00 | Residence Taxes (levied by cities of the 3rd Class) | | | | | | | |
| 309.00 | Regional Asset District Sales Tax (Allegheny County municipalities only) | | | | | | | |
| 310.00 | Per Capita Taxes | | | | | | | |
| 310.10 | Real Estate Transfer Taxes | 226,405 | | | | | | 226,405 |
| 310.20 | Earned Income Taxes / Wage Taxes | 2,008,265 | | | | | | 2,008,265 |
| 310.30 | Business Gross Receipts Taxes | | | | | | | |
| 310.40 | Occupation Taxes (levied under Act 511) | | | | | | | |
| 310.50 | Local Services Tax ** | 300,128 | | | | | | 300,128 |
| 310.60 | Amusement / Admission Taxes | | | | | | | |
| 310.70 | Mechanical Device Taxes | | | | | | | |
| 310.90 | Other Local Tax Enabling Act / Act 511 / Taxes | | | | | | | |
| | Other: _____ | | | | | | | |
| Total Taxes | | 3,222,406 | | | | | | 3,222,406 |

| Licenses and Permits | | | | | | | |
|-----------------------------------|---------------------------------|----------------|--|--|------------|--|----------------|
| 320-322 | All Other Licenses and Permits | 3,360 | | | 745 | | 4,105 |
| 321.80 | Cable Television Franchise Fees | 200,547 | | | | | 200,547 |
| Total Licenses and Permits | | 203,907 | | | 745 | | 204,652 |

| Fines and Forfeits | | | | | | | |
|---------------------------------|--------------------|---------------|--|--|--|--|---------------|
| 330-332 | Fines and Forfeits | 75,843 | | | | | 75,843 |
| Total Fines and Forfeits | | 75,843 | | | | | 75,843 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

REVENUES

| Interest, Rents and Royalties | | | | | | | | | |
|--|---------------------|--------|-------|--|--|----|--|---------|---------|
| 341.00 | Interest Earnings | 19,251 | 4,121 | | | 18 | | 754,852 | 778,242 |
| 342.00 | Rents and Royalties | 43,202 | | | | | | | 43,202 |
| Total Interest, Rents and Royalties | | 62,453 | 4,121 | | | 18 | | 754,852 | 821,444 |

| Federal | | | | | | | | | |
|----------------------|---|-------|--|--|--|--|--|--|-------|
| 351.03 | Highways and Streets | 1,700 | | | | | | | 1,700 |
| 351.09 | Community Development | | | | | | | | |
| 351.00 | All Other Federal Capital and Operating Grants | | | | | | | | |
| 352.01 | National Forest | | | | | | | | |
| 352.00 | All Other Federal Shared Revenue and Entitlements | | | | | | | | |
| 353.00 | Federal Payments in Lieu of Taxes | | | | | | | | |
| Total Federal | | 1,700 | | | | | | | 1,700 |

| State | | | | | | | | | |
|---------------|---|---------|---------|--|--|--|--|--|---------|
| 354.03 | Highways and Streets | | | | | | | | |
| 354.09 | Community Development | | | | | | | | |
| 354.15 | Recycling / Act 101 | | | | | | | | |
| 354.00 | All Other State Capital and Operating Grants | | | | | | | | |
| 355.01 | Public Utility Realty Tax (PURTA) | 4,145 | | | | | | | 4,145 |
| 355.02-355.03 | Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback | | 390,033 | | | | | | 390,033 |
| 355.04 | Alcoholic Beverage Licenses | 1,200 | | | | | | | 1,200 |
| 355.05 | General Municipal Pension System State Aid | 217,524 | | | | | | | 217,524 |
| 355.07 | Foreign Fire Insurance Tax Distribution | 119,946 | | | | | | | 119,946 |
| 355.08 | Local Share Assessment/Gaming Proceeds | | | | | | | | |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

REVENUES

| State | | | | | | | | |
|--------------------|--|---------|---------|--|--|--|--|---------|
| 355.09 | Marcellus Shale Impact Fee Distribution | | | | | | | |
| 355.00 | All Other State Shared Revenues and Entitlements | 44,097 | | | | | | 44,097 |
| 356.00 | State Payments in Lieu of Taxes | | | | | | | |
| Total State | | 386,912 | 390,033 | | | | | 776,945 |

| Local Government Units | | | | | | | | |
|-------------------------------------|---|---------|--|--|--|--|--|---------|
| 357.03 | Highways and Streets | | | | | | | |
| 357.00 | All Other Local Governmental Units Capital and Operating Grants | 102,530 | | | | | | 102,530 |
| 358.00 | Local Government Unit Shared Payments for Contracted Intergovernmental Services | | | | | | | |
| 359.00 | Local Governmental Units and Authorities Payments in Lieu of Taxes | | | | | | | |
| Total Local Government Units | | 102,530 | | | | | | 102,530 |

| Charges for Service | | | | | | | | |
|---------------------|--|---------|---------|--|---------|--|--|---------|
| 361.00 | General Government | 4,605 | | | | | | 4,605 |
| 362.00 | Public Safety | 317,645 | | | | | | 317,645 |
| 363.20 | Parking | | | | | | | |
| 363.00 | All Other Charges for Highway & Streets Services | 460 | | | | | | 460 |
| 364.10 | Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.) | | | | 184,356 | | | 184,356 |
| 364.30 | Solid Waste Collection and Disposal Charge (trash) | | 746,779 | | | | | 746,779 |
| 364.60 | Host Municipality Benefit Fee for Solid Waste Facility | | | | | | | |
| 364.00 | All Other Charges for Sanitation Services | | | | | | | |
| 365.00 | Health | | | | | | | |
| 366.00 | Human Services | | | | | | | |
| 367.00 | Culture and Recreation | | | | | | | |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

REVENUES

| Charges for Service | | | | | | | | |
|----------------------------------|-------------------------------|---------|---------|--|---------|--|--|-----------|
| 368.00 | Airports | | | | | | | |
| 369.00 | Bars | | | | | | | |
| 370.00 | Cemeteries | | | | | | | |
| 372.00 | Electric System | | | | | | | |
| 373.00 | Gas System | | | | | | | |
| 374.00 | Housing System | | | | | | | |
| 375.00 | Markets | | | | | | | |
| 377.00 | Transit Systems | | | | | | | |
| 378.00 | Water System | | | | | | | |
| 379.00 | All Other Charges for Service | 426 | 16,375 | | | | | 16,801 |
| Total Charges for Service | | 323,136 | 763,154 | | 184,356 | | | 1,270,646 |

| Unclassified Operating Revenues | | | | | | | | |
|--|--|--------|---------|--|--|---------|--|---------|
| 383.00 | Special Assessments | | 151,251 | | | | | 151,251 |
| 386.00 | Escheats (sale of personal property) | | | | | | | |
| 387.00 | Contributions and Donations from Private Sectors | 37,526 | | | | | | 37,526 |
| 388.00 | Fiduciary Fund Pension Contributions | | | | | 458,665 | | 458,665 |
| 389.00 | All Other Unclassified Operating Revenues | 5,011 | 177 | | | | | 5,188 |
| Total Unclassified Operating Revenues | | 42,537 | 151,428 | | | 458,665 | | 652,630 |

| Other Financing Sources | | | | | | | | |
|-------------------------|---|--------|---------|--|--|--|--|---------|
| 391.00 | Proceeds of General Fixed Asset Disposition | 13,432 | 248,410 | | | | | 261,842 |
| 392.00 | Interfund Operating Transfers | | | | | | | |
| 393.00 | Proceeds of General Long-Term Debt | | | | | | | |
| 394.00 | Proceeds of Short Term-Debt | | | | | | | |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

REVENUES

| Other Financing Sources | | | | | | | |
|--------------------------------------|------------------------------------|-----------|-----------|--|---------|-----------|-----------|
| 395.00 | Refunds of Prior Year Expenditures | 37,111 | 5,210 | | | | 42,321 |
| Total Other Financing Sources | | 50,543 | 253,620 | | | | 304,163 |
| TOTAL REVENUES | | 4,471,967 | 1,562,356 | | 185,119 | 1,213,517 | 7,432,959 |

EXPENDITURES

| General Government | | | | | | | |
|---------------------------------|--|---------|-------|--|--|--|---------|
| 400.00 | Legislative (Governing) Body | 23,225 | | | | | 23,225 |
| 401.00 | Executive (Manager or Mayor) | 127,856 | | | | | 127,856 |
| 402.00 | Auditing Services / Financial Administration | 10,965 | | | | | 10,965 |
| 403.00 | Tax Collection | | | | | | |
| 404.00 | Solicitor / Legal Services | 6,696 | | | | | 6,696 |
| 405.00 | Secretary / Clerk | 42,111 | | | | | 42,111 |
| 406.00 | Other General Government Administration | 39,902 | 2,029 | | | | 41,931 |
| 407.00 | IT-Networking Services-Data Processing | 6,388 | | | | | 6,388 |
| 408.00 | Engineering Services | 31,567 | | | | | 31,567 |
| 409.00 | General Government Buildings and Plant | 35,340 | | | | | 35,340 |
| Total General Government | | 324,050 | 2,029 | | | | 326,079 |

| Public Safety | | | | | | | |
|---------------|---|-----------|--|--|--|--|-----------|
| 410.00 | Police | 1,930,798 | | | | | 1,930,798 |
| 411.00 | Fire | 235,946 | | | | | 235,946 |
| 412.00 | Ambulance / Rescue | 15,000 | | | | | 15,000 |
| 413.00 | UCC and Code Enforcement | | | | | | |
| 414.00 | Planning and Zoning | 82,223 | | | | | 82,223 |
| 415.00 | Emergency Management and Communications | | | | | | |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

EXPENDITURES

| Public Safety | | | | | | | | |
|----------------------------|--------------------------------------|-----------|--|--|--|--|--|-----------|
| 416.00 | Militia and Armories | | | | | | | |
| 417.00 | Examination of Licensed Occupations | | | | | | | |
| 418.00 | Public Scales (weights and measures) | | | | | | | |
| 419.00 | Other Public Safety | | | | | | | |
| Total Public Safety | | 2,263,967 | | | | | | 2,263,967 |

| Health and Human Services | | | | | | | | |
|--|---------------------------|-------|--|--|--|--|--|-------|
| 420.00-425.00 | Health and Human Services | 1,930 | | | | | | 1,930 |
| Total Health and Human Services | | 1,930 | | | | | | 1,930 |

| Public Works - Sanitation | | | | | | | | |
|--|---|--|---------|--|---------|--|--|---------|
| 426.00 | Recycling Collection and Disposal | | | | | | | |
| 427.00 | Solid Waste Collection and Disposal (garbage) | | 726,827 | | | | | 726,827 |
| 428.00 | Weed Control | | | | | | | |
| 429.00 | Wastewater / Sewage Treatment and Collection | | | | 228,246 | | | 228,246 |
| Total Public Works - Sanitation | | | 726,827 | | 228,246 | | | 955,073 |

| Public Works - Highways and Streets | | | | | | | | |
|--|-----------------------------------|---------|--------|--|--|--|--|---------|
| 430.00 | General Services - Administration | 368,246 | | | | | | 368,246 |
| 431.00 | Cleaning of Streets and Gutters | | | | | | | |
| 432.00 | Winter Maintenance – Snow Removal | | 46,765 | | | | | 46,765 |
| 433.00 | Traffic Control Devices | | 51,201 | | | | | 51,201 |
| 434.00 | Street Lighting | | 54,790 | | | | | 54,790 |
| 435.00 | Sidewalks and Crosswalks | | | | | | | |
| 436.00 | Storm Sewers and Drains | | 2,451 | | | | | 2,451 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

EXPENDITURES

| Public Works - Highways and Streets | | | | | | | |
|--|--|---------|---------|--|--|--|---------|
| 437.00 | Repairs of Tools and Machinery | 63,720 | 32,841 | | | | 96,561 |
| 438.00 | Maintenance and Repairs of Roads and Bridges | 62,275 | 84,977 | | | | 147,252 |
| 439.00 | Highway Construction and Rebuilding Projects | | 189,164 | | | | 189,164 |
| Total Public Works - Highways and Streets | | 494,241 | 462,189 | | | | 956,430 |

| Other Public Works Enterprises | | | | | | | |
|---|-------------------------------|--|---------|--|--|--|---------|
| 440.00 | Airports | | | | | | |
| 441.00 | Cemeteries | | | | | | |
| 442.00 | Electric System | | | | | | |
| 443.00 | Gas System | | | | | | |
| 444.00 | Markets | | | | | | |
| 445.00 | Parking | | | | | | |
| 446.00 | Storm Water and Flood Control | | | | | | |
| 447.00 | Transit System | | | | | | |
| 448.00 | Water System | | 112,274 | | | | 112,274 |
| 449.00 | Water Transport and Terminals | | | | | | |
| Total Other Public Works Enterprises | | | 112,274 | | | | 112,274 |

| Culture and Recreation | | | | | | | |
|-------------------------------|-----------------------------------|--------|--|--|--|--|--------|
| 451.00 | Culture-Recreation Administration | 71,606 | | | | | 71,606 |
| 452.00 | Participant Recreation | 34,564 | | | | | 34,564 |
| 453.00 | Spectator Recreation | | | | | | |
| 454.00 | Parks | | | | | | |
| 455.00 | Shade Trees | | | | | | |
| 456.00 | Libraries | 27,900 | | | | | 27,900 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

EXPENDITURES

| Culture and Recreation | | | | | | | | |
|-------------------------------------|----------------------------------|---------|--|--|--|--|--|---------|
| 457.00 | Civil and Military Celebrations | | | | | | | |
| 458.00 | Senior Citizens' Centers | | | | | | | |
| 459.00 | All Other Culture and Recreation | | | | | | | |
| Total Culture and Recreation | | 134,070 | | | | | | 134,070 |

| Community Development | | | | | | | | |
|------------------------------------|-----------------------------------|--|--|--|--|--|--|--|
| 461.00 | Conservation of Natural Resources | | | | | | | |
| 462.00 | Community Development and Housing | | | | | | | |
| 463.00 | Economic Development | | | | | | | |
| 464.00 | Economic Opportunity | | | | | | | |
| 465-469 | All Other Community Development | | | | | | | |
| Total Community Development | | | | | | | | |

| Debt Service | | | | | | | | |
|---------------------------|---|--|--|--|--|--|--|--|
| 471.00 | Debt Principal (short-term and long-term) | | | | | | | |
| 472.00 | Debt Interest (short-term and long-term) | | | | | | | |
| 475.00 | Fiscal Agent Fees | | | | | | | |
| Total Debt Service | | | | | | | | |

| Employer Paid Benefits and Withholding Items | | | | | | | | |
|---|---|---------|--|--|--|--|---------|---------|
| 481.00 | Employer Paid Withholding Taxes and Unemployment Compensation | 188,921 | | | | | | 188,921 |
| 482.00 | Judgments and Losses | 14,910 | | | | | 208,369 | 223,279 |
| 483.00 | Pension / Retirement Fund Contributions | 395,535 | | | | | | 395,535 |
| 484.00 | Worker Compensation Insurance | 126,836 | | | | | | 126,836 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2013

| Governmental Funds | | | | Proprietary Funds | | Fiduciary Fund | Total |
|--------------------|---|------------------|--------------|-------------------|------------------|------------------|-----------------|
| General Fund | Special Revenue (Including State Liquid Fuels) | Capital Projects | Debt Service | Enterprise | Internal Service | Trust and Agency | Memorandum Only |

EXPENDITURES

| Employer Paid Benefits and Withholding Items | | | | | | | |
|---|--------------------------------|-----------|--|--|--|---------|-----------|
| 487.00 | Other Group Insurance Benefits | 563,042 | | | | | 563,042 |
| Total Employer Paid Benefits and Withholding Items | | 1,289,244 | | | | 208,369 | 1,497,613 |

| Insurance | | | | | | | |
|------------------------|---------------------------------|--------|--|--|--|--|--------|
| 486.00 | Insurance, Casualty, and Surety | 97,771 | | | | | 97,771 |
| Total Insurance | | 97,771 | | | | | 97,771 |

| Unclassified Operating Expenditures | | | | | | | |
|--|--|--|--|--|--|---------|---------|
| 488.00 | Fiduciary Fund Benefits and Refunds Paid | | | | | 124,358 | 124,358 |
| 489.00 | All Other Unclassified Expenditures | | | | | | |
| Total Unclassified Operating Expenditures | | | | | | 124,358 | 124,358 |

| Other Financing Uses | | | | | | | |
|-----------------------------------|-------------------------------|-------|--|--|--|--|-------|
| 491.00 | Refund of Prior Year Revenues | 3,397 | | | | | 3,397 |
| 492.00 | Interfund Operating Transfers | | | | | | |
| 493.00 | All Other Financing Uses | | | | | | |
| Total Other Financing Uses | | 3,397 | | | | | 3,397 |

| | | | | | | | |
|---------------------------|--|-----------|-----------|--|---------|---------|-----------|
| TOTAL EXPENDITURES | | 4,608,670 | 1,303,319 | | 228,246 | 332,727 | 6,472,962 |
|---------------------------|--|-----------|-----------|--|---------|---------|-----------|

| | | | | | | | |
|---|--|----------|---------|--|---------|---------|---------|
| EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES | | -136,703 | 259,037 | | -43,127 | 880,790 | 959,997 |
|---|--|----------|---------|--|---------|---------|---------|

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY

West Hempfield Township, Lancaster County, Pennsylvania (the "Township"), which was founded in 1818, has an approximate population of 16,153 based on the 2010 census report, living within an area of about 20.9 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Township have been prepared on the modified cash basis of accounting in a form prescribed by the Pennsylvania Department of Community and Economic Development (DCED). The modified cash basis of accounting, which is a comprehensive basis of accounting other than United States generally accepted accounting principles, is similar to the cash basis of accounting except that accounts receivable, accounts payable, accrued wages and accrued benefits are reflected in the financial statements. Under the modified cash basis of accounting, a statement of cash flows is not presented and fair value disclosures are omitted. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

Reporting Entity

The Township is a second class township under the laws of the Commonwealth of Pennsylvania and operates under a board of supervisors-manager form of government. The financial statements present all fund types and account groups of the Township. They do not include volunteer fire companies located within the Township which are considered independent and have their own boards of directors which are not appointed by the Township.

Budgets and Budgetary Accounting

As set forth in the Township Code, the Board of Supervisors is required to adopt an annual budget for the General Fund. The annual budget is prepared in accordance with the basis of accounting utilized by the General Fund. The Township Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total budgeted expenditures must be approved by the Board of Supervisors.

Description of Funds

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Governmental resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and groups of accounts are used by the Township:

Governmental Fund Types

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

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

General Fund

The General Fund is the Township's primary operating fund and is used to account for all financial transactions not accounted for in another fund. It receives financial support from a variety of sources including real estate taxes, earned income tax, licenses and permits, fees for services, interest, and state and federal distributions. It provides for various services including general township government, police protection, and health and welfare programs.

Special Revenue Funds

Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes as follows:

Liquid Fuels Fund

The Liquid Fuels Fund is used to account for state distributions of the proceeds from the state tax on gasoline. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures from this fund are restricted to street construction, maintenance and repairs in accordance with Pennsylvania Department of Transportation regulations.

Street Lighting Fund

The Street Lighting Fund is used to account for all special assessment real estate taxes collected and disbursements made relative to street lighting.

Fire Hydrant Fund

The Fire Hydrant Fund is used to account for all special assessment real estate taxes collected and disbursements made relative to fire hydrant service.

Refuse Fund

The Refuse Fund is used to account for revenues from and expenditures of collection and removal of refuse and recyclable materials.

Transfer Development Rights Fund

The Transfer Development Rights Fund is used to provide financial resources to assist with farmland and open-space preservation.

Proprietary Fund Type

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type (Continued)

Sewer Fund

The Sewer Fund is used to account for the operations of the Township's sewer facilities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent for other funds and/or other governments as follows:

Police Pension Fund

The Police Pension Fund is maintained to cover uniformed employees and is financed by monies from the Commonwealth of Pennsylvania.

Non-uniformed Pension Fund

The Non-uniformed Pension Fund is used to cover non-uniformed employees and is financed by monies received from the Commonwealth of Pennsylvania and West Hempfield Township's general fund.

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in operations. No depreciation is recorded on General Fund fixed assets. Disbursements on public domain ("infrastructure") general fixed assets, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are recorded as expenditures. The cost of normal maintenance and repairs to buildings and equipment that do not materially add to the value of the asset or extend asset lives are not capitalized. Fixed assets that are no longer used in operations are retired.

Investments

The Township is authorized by the Pennsylvania Second Class Township Code (the "Code") to invest its funds. Authorized types of investments for governmental and proprietary funds include the following:

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
4. General obligation bonds of the U.S. Government or any of its agencies, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Shares of mutual funds whose investments are restricted to the above categories.

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

In addition to the investments authorized for governmental and proprietary funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practices.

Cash

The Township considers all demand and time deposit accounts maturing within thirty days, which are not subject to withdrawal restrictions or penalties, to be cash.

Compensated Absences

The Township allows uniformed employees to accumulate unused sick leave up to a maximum of 150 days and non-uniformed employees to accumulate unused sick leave up to a maximum of 90 days. Earned vacation time is generally required to be used within the year in which it is earned. Sick leave is paid upon normal retirement for uniformed employees up to 45 days if hired on or before December 31, 1992, 35 days if hired on or after January 1, 1993. For non-uniformed employees, sick leave is paid only upon illness while in the employment of the Township and is not paid out at retirement. Total compensated absences as of December 31, 2013 are \$63,132 and are included in 'All Other Current Liabilities.'

Real Estate Taxes

Based upon assessments by the County, real estate taxes are billed and collected by the County's tax collector. The Township's tax rate for the year ended December 31, 2013 was .68 mills (\$.68 per \$1,000 of assessed valuation) as levied by the Township Commissioners. Township real estate tax revenues are recognized when received. The schedule for real estate taxes levied for each fiscal year is as follows:

| | |
|-----------------------------------|---------------------|
| January 1 | Levy date |
| February 1 - April 30 | 2% Discount period |
| May 1 - June 30 | Face payment period |
| July 1 - December 31 | 10% Penalty period |
| January 1 following the levy date | Lien date |

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's available cash is invested in demand and time deposit accounts. The Township has not adopted a formal investment policy, but adheres to prudent business practice in relation to cash and the Code in relation to investments.

The carrying amount of the cash and investments at December 31, 2013 consisted of the following:

| | Governmental Funds | Proprietary Funds | Fiduciary Funds | Total |
|-----------------------------------|-----------------------|----------------------|---------------------|----------------------|
| Cash | \$ 1,873,049 | \$ 22,737 | \$ 614,740 | \$ 2,510,526 |
| Investments | 1,762,709 | - | 6,103,773 | 7,866,482 |
| Total cash and investments | \$ 3,635,758 | \$ 22,737 | \$ 6,718,513 | \$ 10,377,008 |

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2013, the Township had the following investments in its governmental and fiduciary funds:

| Investment Type | Governmental Funds | Fiduciary Funds | Total |
|--------------------------|-----------------------|---------------------|---------------------|
| Certificates of Deposit | \$ 1,163,586 | \$ 1,351,923 | \$ 2,515,509 |
| Government Bonds | 487,899 | - | 487,899 |
| Common Stock | - | 2,624,081 | 2,624,081 |
| Money Market Funds | 111,224 | 524,845 | 636,069 |
| Corporate Bonds | - | 357,344 | 357,344 |
| Municipal Bonds | - | 1,095,760 | 1,095,760 |
| Government Notes | - | 149,820 | 149,820 |
| Total investments | \$ 1,762,709 | \$ 6,103,773 | \$ 7,866,482 |

All investments are carried at fair market value. The fair market value of common stock, money market funds and mutual funds are based on quoted market prices. The fair market value of certificates of deposit, governmental notes, governmental bonds, municipal bonds and corporate bonds are based on significant other observable inputs.

Credit Quality Risk

As of December 31, 2013, \$49,211 of Municipal bonds were not rated by Standard & Poor's and the remaining Township investments were rated by Standard & Poor's as follows:

| | |
|--------------------|-----------|
| Corporate Bonds | A- to AA+ |
| Money Market Funds | AAAm |
| Municipal Bonds | AA- to AA |

Concentration of credit risk - investments:

The Township places no limit on the amount the Township may invest in any one issuer. Investments that represent 5% or more of the Governmental Funds' total investments as of December 31, 2013, are as follows:

| | |
|-------------------------|------------|
| Certificates of Deposit | |
| Asia Bank CD | \$ 250,000 |
| Mainstreet Bank CD | 238,565 |
| Tristate Bank CD | 154,053 |
| Goldman Sachs | 116,896 |
| GE Capital Bank | 115,974 |
| Israel Bank of New York | 100,000 |
| Union National Bank CD | 100,000 |

The Fiduciary Funds held no investment in excess of 5% of total Fiduciary Fund investments as of December 31, 2013.

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2013, Governmental Funds cash and investments included \$88,138 of funds in escrow from developers and others to ensure completion of projects within the Township.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to it. The Township has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance. Cash balances of governmental entities are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 as of December 31, 2013. The Township maintains investment accounts where the cash and investment balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2013, the Township had deposits of \$2,331,945 which were exposed to custodial risk because they were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. The Township had uninsured investment balances at December 31, 2013 of \$4,955,548.

NOTE 4: FIXED ASSETS

Activity in the General Fixed Assets Account Group for the year ended December 31, 2013 was as follows:

| | Beginning | Additions | Retirements | Ending |
|---|---------------------|-------------------|--------------------|---------------------|
| Buildings/Improvements | \$ 2,727,688 | \$ - | \$ - | \$ 2,727,688 |
| Equipment | 2,417,170 | 149,037 | (53,482) | 2,512,725 |
| Total General Fixed Assets Account Group | \$ 5,144,858 | \$ 149,037 | \$ (53,482) | \$ 5,240,413 |

Activity in the Proprietary Fund as of December 31, 2013 was as follows:

| | Beginning | Additions | Retirements | Accumulated Depreciation | Ending |
|-------------------------------|-------------------|------------------|-------------|-----------------------------|-------------------|
| Sewer Lines | \$ 903,076 | \$ 11,773 | \$ - | \$ (35,936) | \$ 878,913 |
| Equipment | 37,370 | - | - | (13,301) | 24,069 |
| Land | 10,673 | - | - | - | 10,673 |
| Total Proprietary Fund | \$ 951,119 | \$ 11,773 | \$ - | \$ (49,237) | \$ 913,655 |

Activity in the Special Revenue Fund as of December 31, 2013 was as follows:

| | Beginning | Additions | Retirements | Accumulated Depreciation | Ending |
|-----------------------------------|-----------------|-------------|-------------|-----------------------------|-----------------|
| Equipment | \$ 2,534 | \$ - | \$ - | \$ (1,267) | \$ 1,267 |
| Total Special Revenue Fund | \$ 2,534 | \$ - | \$ - | \$ (1,267) | \$ 1,267 |

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 4: FIXED ASSETS (Continued)

Depreciation expense charged to Special Revenue and Proprietary Fund operating expenses totaled \$1,267 and \$49,237 respectively, for the year ended December 31, 2013. Sewer Lines are depreciated on the straight line basis over an estimated useful life of 39 to 50 years. Equipment in both the Proprietary and Special Revenue Funds is depreciated on the straight line basis over estimated useful lives of 5 to 7 years.

NOTE 5: RISK MANAGEMENT

The Township maintains both insurance contracts and self-funded arrangements to deal with the risk of loss arising from the following events: torts; thefts of, damage to, or destruction of assets; business interruptions; errors and omissions; job-related illnesses or injuries to employees; acts of God; and losses resulting from providing medical benefits to employees and their dependents.

Insurance contracts cover public officials, law enforcement, automobile, and umbrella liabilities. The contracts also provide employee, tax collector, treasurer, and employee blanket bonds. There have been no reductions in coverage during 2013. During the year ended December 31, 2013, and the three previous years, no settlements exceeded insurance coverage.

The Township has two self-funded arrangements through risk pools for medical and workers' compensation claims. Both of these arrangements are retrospectively rated policies. In a retrospectively rated policy, the Township pays in the maximum amount per covered employee during the period based on their past loss experience on an actuarially determined formula. Subsequent to the plan year, the premium amount is determined based on actual losses during the plan year. As these are pooled arrangements, any excess of losses over premiums paid in by one member is shared by the remaining members. Any excesses of premiums over losses remaining after cost-sharing are refunded to the members. If losses of the pool exceed premiums paid in by all members of the pool, the pool is allowed to make additional assessments to negate this deficit. During 2013, the Township received \$30,374 of refunds, recognized within the General Fund as 'Refunds of Prior Year Expenditures,' from these two risk pools for the 2012 plan year.

Due to the nature of the self-funding arrangements, as the amount of all insurance claims must be determined prior to any refund or assessment, the amount of any amounts receivable or payable by the Township in regard to these arrangements cannot be determined as of December 31, 2013.

NOTE 6: LITIGATION

The Township is involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined for the year ended December 31, 2013.

NOTE 7: PENSION PLANS

Plan Description

The Township contributes to two defined benefit pension plans, the West Hempfield Township Police Pension Plan and the West Hempfield Township Non-Uniformed Pension Plan. The assets of these two plans are invested separately and each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 7: PENSION PLANS (Continued)

Valuation of Investments

All investments of the pension plans are reported at fair value based on quoted market values. Investments that do not have an established market value are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

Trends

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the accrued liability as a factor.

West Hempfield Township Police Pension Plan

The West Hempfield Township Police Pension Plan (the "P-Plan") is a single-employer defined benefit pension plan administered by Wells Fargo Advisors. The P-Plan covers all full-time, uniformed employees of the Township. The P-Plan provides retirement, disability, and death benefits to P-Plan members and beneficiaries.

Contributions

Act 205 requires that annual contributions to the P-Plan be based upon the P-Plan's Minimum Municipal Obligation (MMO), which in turn is based on the P-Plan's biennial actuarial valuation. Effective January 1, 2011, employees are required to contribute 4.00% of compensation to the P-Plan. The P-Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the Township in accordance with Act 205.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for 2013 was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return and (b) a salary increase of 5.00% per year. Provisions for administrative expenses are added to normal cost. The assumptions included post-retirement mortality, disability and inflation. Retirement is based upon normal retirement age. The amortization method utilized is the level dollar closed basis. The Township's annual pension cost and net obligation to the P-Plan for 2013 were as follows:

| | |
|--|------------------|
| Annual required contribution | \$ 241,277 |
| Adjustment to annual required contribution | <u>100,823</u> |
| Annual pension cost | 342,100 |
| Contributions made by members | (65,505) |
| Contributions made by Township | <u>(276,595)</u> |
| Net pension obligation, end of year | <u>\$ -</u> |

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 7: PENSION PLANS (Continued)

The three-year trend information for the years ended December 31 are as follows:

| | Annual Pension Cost (APC) | Actual Contribution | Percentage of APC Contributed |
|------|---------------------------------|------------------------|-------------------------------------|
| 2013 | \$ 342,100 | \$ 342,100 | 100.0 % |
| 2012 | 268,909 | 268,909 | 100.0 % |
| 2011 | 257,521 | 266,681 | 103.6 % |

The schedule of funding progress, which follows, presents multi-year trend information about whether the actuarial values of P-Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method. The actuarial value of assets is the market value of the assets as determined by the trustee on January 1 of the corresponding years.

| | Actuarial Valuation Date | | |
|--------------------------------------|--------------------------|--------------|--------------|
| | 2013 | 2011 | 2009 |
| 1. Actuarial Value of Assets | \$ 4,513,537 | \$ 3,949,125 | \$ 3,198,168 |
| 2. Actuarial Accrued Liability (AAL) | \$ 5,747,360 | \$ 4,785,267 | \$ 3,861,960 |
| 3. Unfunded AAL (UAAL) (2) - (1) | \$ 1,233,823 | \$ 836,142 | \$ 663,792 |
| 4. Funded Ratio (1) / (2) | 78.5 % | 82.5 % | 82.8 % |
| 5. Annual Covered Payroll | \$ 1,521,498 | \$ 1,383,252 | \$ 1,234,383 |
| 6. UAAL as a % of Payroll (3) / (5) | 81.1 % | 60.4 % | 53.8 % |

West Hempfield Township Non-Uniformed Pension Plan

The West Hempfield Township Governmental Non-Uniformed Pension Plan (the "NU-Plan") is a single-employer defined benefit pension plan administered by Susquehanna Trust & Investment Company. The NU-Plan covers substantially all full-time, non-uniformed employees of the Township. The NU-Plan provides retirement, disability and death benefits to NU-Plan members and beneficiaries.

Contributions

Act 205 requires that annual contributions to the NU-Plan be based upon the NU-Plan's Minimum Municipal Obligation (MMO), which in turn is based on the NU-Plan's biennial actuarial valuation. In accordance with the NU-Plan's governing document, employees are not required to contribute to the NU-Plan. The NU-Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the Township in accordance with Act 205.

WEST HEMPFIELD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 7: PENSION PLANS (Continued)

Annual pension cost and net pension obligation:

The annual required contribution for 2013 was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return and (b) a salary increase of 5.00% per year. Provisions for administrative expenses are added to normal cost. The assumptions included post-retirement mortality, disability and inflation. Retirement is based upon normal retirement age. The amortization method utilized is the level dollar closed basis. The Township's annual pension cost and net obligation to the NU-Plan for 2013 were as follows:

| | |
|--|------------------|
| Annual required contribution | \$ 77,034 |
| Adjustment to annual required contribution | <u>41,906</u> |
| Annual pension cost | 118,940 |
| Contributions made by the Township | <u>(118,940)</u> |
| Net pension obligation, end of year | <u>\$ -</u> |

The three-year trend information for the years ended December 31 are as follows:

| | Annual Pension Cost (APC) | Actual Contribution | Percentage of APC Contributed |
|------|---------------------------------|------------------------|-------------------------------------|
| 2013 | \$ 118,940 | \$ 118,940 | 100.0 % |
| 2012 | 105,882 | 105,882 | 100.0 % |
| 2011 | 104,971 | 104,971 | 100.0 % |

The schedule of funding progress, which follows, presents multi-year trend information about whether the actuarial values of NU-Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method. The actuarial value of assets is the market value of the assets as determined by the trustee on January 1 of the corresponding years.

| | Actuarial Valuation Date | | |
|--------------------------------------|--------------------------|--------------|--------------|
| | 2013 | 2011 | 2009 |
| 1. Actuarial Value of Assets | \$ 1,326,953 | \$ 1,111,957 | \$ 824,722 |
| 2. Actuarial Accrued Liability (AAL) | \$ 1,604,611 | \$ 1,426,355 | \$ 1,080,362 |
| 3. Unfunded AAL (UAAL) (2) - (1) | \$ 277,658 | \$ 314,398 | \$ 255,640 |
| 4. Funded Ratio (1) / (2) | 82.7 % | 78.0 % | 76.3 % |
| 5. Annual Covered Payroll | \$ 612,299 | \$ 655,611 | \$ 516,116 |
| 6. UAAL as a % of Payroll (3) / (5) | 45.3 % | 48.0 % | 49.5 % |

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 8: POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Township has established the West Hempfield Township Postemployment Benefits Plan (the "OPEB-Plan") to provide Other Post-Employment Benefits (OPEB) including hospitalization, major medical, dental services and prescriptions. The OPEB-Plan is a single-employer OPEB plan which covers all members of the police force who upon retirement have attained the age of 50 and completed 25 years of service. The retiree is responsible for payment of 25% of the premium for coverage. Such benefits are also available to retiree spouses if the retiree pays 25% of the family tier rate. Retirees and spouses may participate in this OPEB-Plan until they reach Medicare eligibility age, at which time they are required to enroll in Medicare.

Contributions

The Township has elected to finance post-employment benefits on a pay-as-you-go basis. The Township recognizes expenditures for post-employment insurance when claims are filed with the plan administrator. No contributions are required of retirees outside of the previously disclosed payments.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution for 2013 was determined as part of the January 1, 2010 actuarial valuation, the last actuarial valuation conducted, using the entry age normal actuarial cost method. The actuarial valuation involves estimates of value of reported amounts and assumptions about the probability of events far into the future and is subject to revision based on actual results. The actuarial assumptions included (a) 4.50% investment rate of return, (b) a salary increase of 5.00% per year and (c) a healthcare cost trend rate of 7.5% in 2010 declining to 5.5% in 2014. The assumptions included post-retirement mortality, 90% percent married, and 100% participation. Retirement is based upon the latest of age 53, age at completion of 28 years of service, or age on the valuation date.

The Township's annual OPEB cost and net obligation to the OPEB-Plan for 2013 were as follows:

| | |
|--|--------------|
| | |
| Annual required contribution | \$ 174,580 |
| Adjustment to annual required contribution | (56,057) |
| Interest | 41,090 |
| Annual OPEB cost | 159,613 |
| Contributions made by the Township | - |
| Increase in net OPEB obligation | 159,613 |
| Net OPEB obligation, beginning of year | 913,111 |
| Net OPEB obligation, end of year | \$ 1,072,724 |

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 8: POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The three-year trend information for the years ended December 31 are as follows:

| | Annual OPEB Cost | Actual Contribution | Percentage Contributed |
|------|------------------------|------------------------|---------------------------|
| 2013 | \$ 159,613 | \$ - | 0.0 % |
| 2012 | 162,273 | - | 0.0 % |
| 2011 | 164,977 | - | 0.0 % |

The schedule of funding progress, which follows, presents multi-year trend information about whether the actuarial values of OPEB-Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method.

| | Actuarial Valuation Date | |
|--------------------------------------|--------------------------|--------------|
| | 2013 | 2010 |
| 1. Actuarial Value of Assets | \$ - | \$ - |
| 2. Actuarial Accrued Liability (AAL) | \$ 1,660,627 | \$ 1,310,130 |
| 3. Unfunded AAL (UAAL) (2) - (1) | \$ 1,660,627 | \$ 1,310,130 |
| 4. Funded Ratio (1) / (2) | 0.0 % | 0.0 % |
| 5. Annual Covered Payroll | \$ 1,521,498 | \$ 1,371,877 |
| 6. UAAL as a % of Payroll (3) / (5) | 109.1 % | 95.5 % |

The cost of the previously mentioned benefits is utilized in the projection of benefits liability and does not incorporate changes in benefits, or potential effects of legal or contractual funding changes. The level dollar open period method was used for the amortization of the UAAL. The actuarial value of the assets equals market value at January 1 of the respective years.

NOTE 9: COMMITMENT

In 2009, West Hempfield Township entered into a contract with Mountville Borough in which the Township will provide police services to Mountville Borough, beginning January 1, 2010 and continuing for a term of five years ending December 31, 2014. Total revenues received under the contract for 2013 were \$225,737.

The total minimum future income commitment under the remaining life of the aforementioned contract as of December 31, 2013 is as follows:

| | |
|------|------------|
| 2014 | \$ 237,023 |
|------|------------|

WEST HEMPFIELD TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013

NOTE 10: DUE TO AND FROM OTHER FUNDS

The composition of interfund balances as of December 31, 2013 was as follows:

| | Due From Other Funds | Due To Other Funds |
|-----------------------|-------------------------|-----------------------|
| General Fund | \$ - | \$ 8,405 |
| Special Revenue Funds | | |
| Fire Hydrant Fund | 1,396 | - |
| Refuse Fund | 3,761 | - |
| Street Light Fund | 1,003 | - |
| Proprietary Funds | | |
| Sewer Fund | 2,245 | - |
| Total all funds | \$ 8,405 | \$ 8,405 |

Amounts due from the General Fund are special assessment revenues received and deposited into the General Fund accounts for the Fire Hydrant, Refuse, Sewer and Street Light Funds.

NOTE 11: ADHERENCE TO GOVERNMENTAL ACCOUNTING STANDARDS

Due to the size of the Township, the Supervisors believe it is not practical or cost effective to conform the financial statements to all Governmental Accounting Standards Board (GASB) standards, and it would not provide meaningful useful information. Thus, the Township has decided not to issue a financial statement which conforms to all GASB standards. As explained in the independent auditors' report and Note 2, they have elected to present the financial statements on an Other Comprehensive Basis of Accounting (OCBOA). Some of the largest variations between these OCBOA financial statements and financial statements which conform to GASB standards are created by GASB standards 34, 54, and 61. Two major items that are required by GASB standards, but are not included in this OCBOA report, are as follows:

1. Financial managers are required to share their insights in a management's discussion and analysis (MD&A) that gives the reader an analysis of the government's overall financial position and results of the previous year's operations.
2. Financial statements would be presented under a dual perspective - a government wide perspective and a fund level perspective.

NOTE 12: SUBSEQUENT EVENTS

Events that occurred subsequent to December 31, 2013 have been evaluated by the Township's management through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BERTZ, HESS & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS AND FINANCIAL CONSULTANTS

36 EAST KING STREET
LANCASTER, PA 17602-2896

3002 HEMPLAND ROAD
LANCASTER, PA 17601

(717) 393-0767
FAX: (717) 293-8560
800-522-9967

(717) 392-2987
FAX: (717) 392-0723

www.bertzhess.com

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Supervisors

West Hempfield Township

Lancaster, Pennsylvania

Our report on our audit of the financial statements of West Hempfield Township for the year ended December 31, 2013 appears on pages 2 and 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The debt statement and statement of capital expenditures and employee compensation are presented for purposes of additional analysis and are a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, in accordance with the basis of financial reporting provisions as described in Note 2.

Bertz, Hess & Co., LLP

BERTZ, HESS & CO., LLP
Lancaster, Pennsylvania
March 12, 2014

WEST HEMPFIELD TWP
December 31, 2013

| DEBT STATEMENT | | | | | | | | | | | |
|---|---|----------------------|----------------------------|--------------------------------|---|------------------------------------|--------------------------------|--|--------------------------------|---|------------------|
| OUTSTANDING BONDS AND NOTES | | | | | | | | | | | |
| Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions. | | | | | | | | | | | |
| Purpose | Bond (B) Capital Lease (C) Lease Rental (L) Note (N) | Issue Year (yyyy) | Maturity Year (yyyy) | Original Amount of Issue | Outstanding Beginning of Year (1) | Principal Incurred This Year | Principal Paid This Year | Current Year Accretion on Compound Interest Bonds | Outstanding at Year End (1) | Plus (less) Unamortized Premium (Discount) | Total Balance |
| General Obligation Bonds and Notes | | | | | | | | | | | |
| | | | | | | | | | | | |
| Revenue Bonds and Notes | | | | | | | | | | | |
| | | | | | | | | | | | |
| Lease Rental Debt | | | | | | | | | | | |
| | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| | | | | | | | | | | | |

(1) - excludes unamortized premium/discount

| | |
|--|---|
| Total bonds and notes outstanding | 0 |
| Capitalized lease obligations | 0 |
| Net debt | 0 |

WEST HEMPFIELD TWP, LANCASTER County
STATEMENT OF CAPITAL EXPENDITURES
 December 31, 2013

| Category | Capital Purchases | Capital Construction | Total |
|-----------------------------------|-------------------|----------------------|----------------|
| Community Development | | | |
| Electric | | | |
| Fire | | | |
| Gas System | | | |
| General Government | 9,956 | | 9,956 |
| Health | | | |
| Housing | | | |
| Libraries | | | |
| Mass Transit | | | |
| Parks | | | |
| Police | 75,241 | | 75,241 |
| Recreation | | | |
| Sewer | 11,773 | | 11,773 |
| Solid Waste | | | |
| Streets / Highways | 63,840 | | 63,840 |
| Water | | | |
| Other: _____ | | | |
| TOTAL CAPITAL EXPENDITURES | 160,810 | | 160,810 |

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

2,271,871