

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 20, 2012

NEW ISSUE -- BOOK-ENTRY ONLY

Rating: See "RATING" herein

In the opinion of Georgeadis Setley, Wyomissing, Pennsylvania, Bond Counsel, assuming continuing compliance by the Township with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") and any applicable regulations thereunder, interest on the Bonds is not includable in gross income under Section 103(a) of the Code and interest on the Bonds is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, except as set forth under the heading "TAX MATTERS" in this Official Statement. Other provisions of the Code may affect the purchasers and holders of the Bonds. See "TAX MATTERS" herein for a brief description of these provisions. Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from the Commonwealth of Pennsylvania personal income tax.

The Bonds have been designated "qualified tax-exempt obligations" for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

\$7,805,000*

**Township of Exeter
Berks County, Pennsylvania
General Obligation Bonds, Series of 2013**

Dated: Date of Delivery

Principal Due: July 15, as shown herein

Interest Due: January 15 and July 15

First Interest Payment: July 15, 2013

The Township of Exeter, Berks County, Pennsylvania (the "Township"), will issue its General Obligation Bonds, Series of 2013 (the "Bonds") in registered form, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of the Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. "See "BOOK-ENTRY ONLY SYSTEM" herein." If, under the circumstances described herein, Bonds are ever issued in certificated form, they will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon surrender of the Bonds at the designated corporate trust office of U.S. Bank National Association, located in Philadelphia, Pennsylvania (the "Paying Agent"), acting as paying agent and sinking fund depository. Semiannual interest on the Bonds when due will be paid by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "THE BONDS" herein).

The Bonds are subject to redemption prior to maturity as set forth herein.

The proceeds of the Bonds will be used for and towards: (i) the advance refunding of a portion of the Township's General Obligation Bonds, Series of 2009; and (ii) the payment of the costs of issuance on the Bonds.

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, AND PRICES
ARE DISPLAYED INSIDE THE FRONT COVER**

THE BONDS ARE GENERAL OBLIGATIONS OF THE TOWNSHIP AND ARE PAYABLE FROM THE TAXES AND OTHER GENERAL REVENUES OF THE TOWNSHIP. THE TOWNSHIP HAS COVENANTED THAT IT WILL INCLUDE THE AMOUNT OF DEBT SERVICE FOR THE BONDS IN ITS BUDGET FOR EACH FISCAL YEAR, THAT IT WILL APPROPRIATE SUCH AMOUNTS FROM ITS GENERAL REVENUES FOR THE PAYMENT OF SUCH DEBT SERVICE IN EACH SUCH FISCAL YEAR AND THAT IT WILL DULY AND PUNCTUALLY PAY OR CAUSE TO BE PAID THE PRINCIPAL OF EVERY BOND AND THE INTEREST THEREON AT THE DATES AND PLACE AND IN THE MANNER STATED ON THE BONDS. WITH REGARD TO SUCH BUDGETING, APPROPRIATION AND PAYMENT, THE TOWNSHIP IRREVOCABLY HAS PLEDGED ITS FULL FAITH, CREDIT AND TAXING POWER.

The Bonds are offered for delivery when, as and if issued by the Township and received by the Underwriter subject to the approving legal opinion of Georgeadis Setley, Bond Counsel, of Wyomissing, Pennsylvania. Certain legal matters will be passed upon for the Township by its Solicitor, Siana Bellwoar & McAndrew LLP, Chester Springs, Pennsylvania. Concord Public Financial Advisors, Inc., Reading, Pennsylvania, has acted as financial advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available to DTC on or about _____, 2013.

Dated: _____, 2012



*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time of the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

TOWNSHIP OF EXETER
Berks County, Pennsylvania

BOARD OF SUPERVISORS

Donald R. Wilson	Chairperson
Kenneth A. Smith	Vice-Chairperson
Dona L. Starr	Supervisor
Gary E. Lloyd	Supervisor
Jeffrey D. Bukowski	Supervisor

TOWNSHIP OFFICIALS

Troy S. Bingaman	Township Manager/Secretary/Treasurer
Siana Bellwoar & McAndrew LLP	Township Solicitor
Great Valley Consultants.....	Township Engineer

BOND COUNSEL

GEORGEADIS SETLEY
Wyomissing, Pennsylvania

PAYING AGENT

U.S. BANK NATIONAL ASSOCIATION
Philadelphia, Pennsylvania

FINANCIAL ADVISOR

CONCORD PUBLIC FINANCIAL ADVISORS, INC.
Reading, Pennsylvania

UNDERWRITER

TOWNSHIP ADDRESS

4975 DeMoss Road
Reading, PA 19606

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT, INCLUDING THE COVER PAGE HEREOF AND THE APPENDICES ATTACHED HERETO, DOES NOT CONSTITUTE AN OFFERING ON ANY SECURITY OTHER THAN THE BONDS SPECIFICALLY OFFERED HEREBY. NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE TOWNSHIP OF EXETER, BERKS COUNTY, PENNSYLVANIA (THE "TOWNSHIP") OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE TOWNSHIP, AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. SUCH INFORMATION, HOWEVER, IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OR WARRANTY OF, THE TOWNSHIP OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TOWNSHIP SINCE THE DATE HEREOF.

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or matters of opinion and not as representations of fact. The cover page hereof and any Appendices attached hereto are part of this Official Statement.

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The Table of Contents does not list all of the subjects in this Official Statement and in all instances reference should be made to the complete Official Statement to determine the subjects set forth herein.

OFFICIAL STATEMENT
\$7,805,000*
Township of Exeter
Berks County, Pennsylvania
General Obligation Bonds, Series of 2013

INTRODUCTORY STATEMENT

This Official Statement, including the cover page hereof, is furnished by the Township of Exeter, Berks County, Pennsylvania (the "Township") in connection with the offering of \$7,805,000* principal amount of its General Obligation Bonds, Series of 2013 (the "Bonds"). The Bonds are dated _____, 2013 (the "Date of Delivery"), and are being issued pursuant to an Ordinance of the Board of Supervisors of the Township enacted on October 8, 2012 (the "Ordinance"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), Act of December 19, 1996, P.L. 1158, No. 177 (the "Debt Act"), as amended.

Neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs of the Township or the communities or areas located near the Township since the date of this Official Statement or the earliest date as of which certain information contained herein is given.

PLAN OF FINANCE

The proceeds of the Bonds will be used for and towards: (i) the advance refunding of a portion of the Township's General Obligation Bonds, Series of 2009 (the "Refunded Bonds"); and (ii) the payment of the costs of issuance on the Bonds. See "SOURCES AND USES OF FUNDS" herein.

Refunding Project

Upon delivery of the Bonds, the Township will deposit a portion of the proceeds of the Bonds in a segregated account established with U.S. Bank National Association (the "Escrow Agent"), as escrow agent under an Escrow Agreement between the Township and the Escrow Agent (the "Escrow Agreement"). Such proceeds will be used by the Escrow Agent to purchase United States Treasury Securities, State and Local Government Series (the "Securities") which will mature and bear interest payable in the amounts and at the times necessary to pay, when due, the principal and interest on the Refunded Bonds to and including July 15, 2014 and to redeem all the remaining Refunded Bonds on July 15, 2014.

Verification of Bonds Escrow by Independent Firm

Arbitrage Rebate Counselors, of Ardmore, Pennsylvania, will deliver to the Township and the Escrow Agent its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Township and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash and the maturing principal of, and interest on, the Securities deposited

under the Escrow Agreement to pay, when due at maturity or upon earlier redemption, as applicable, the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

SOURCES AND USES OF FUNDS

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Sources of Funds

Principal Amount of the Bonds.....	\$
Original Issue Premium/(Discount)	
Total Sources	\$

Uses of Funds

Redemption of 2009 Bonds	\$
Cost of Issuance ¹	
Total Uses	\$

¹Includes underwriter's discount, legal, printing, rating, financial advisor, paying agent, escrow agent and miscellaneous fees.

THE BONDS

General Description

The Bonds will be issued only as fully registered bonds, without coupons, in the denominations of \$5,000 and integral multiples thereof. The Bonds will be dated as of Date of Delivery, and will mature, subject to prior redemption as hereinafter described, in the principal amounts and on the dates, and will bear interest at the rates, set forth on the inside cover of this Official Statement. Interest on the Bonds is payable semiannually on January 15 and July 15 of each year, commencing July 15, 2013.

The Bonds are available for purchase only in book-entry form. Beneficial ownership of the Bonds may be acquired, in denominations of \$5,000 principal amount or any integral multiple thereof, only under the book-entry system maintained by The Depository Trust Company (“DTC”), New York, New York, through brokers and dealers who are, or act through DTC Participants. The purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries maintained by DTC. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of, redemption premium, if any, and interest on the Bonds. See “BOOK - ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the Township with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of a book-entry system for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs.

Principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds to the Paying Agent at its corporate trust office in Philadelphia, Pennsylvania (or to any successor trustee at its designated office(s)).

Interest on any Bond held in physical, certificated form is payable to the registered owner of such Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date; or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date; or (c) such Bond is registered and authenticated on or prior to the Record Date next preceding July 15, 2013, in which event such Bond shall bear interest from the Date of Delivery; or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid semiannually on January 15 and July 15 of each year, beginning July 15, 2013, until the principal sum is paid. Interest on each Bond while held in physical, certificated form is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date, respectively (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the Township shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of the Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for the payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, transfers of ownership interests in the Bond are to be accomplished by entries made on the books of DTC Participants acting on behalf of the Beneficial Owners (the "Book-Entry Only System"). See "BOOK-ENTRY ONLY SYSTEM" herein.

If the use of the Book-Entry Only System is discontinued and bond certificates are issued, any Bond will be transferable or exchangeable by the registered owner thereof upon surrender of such Bond to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of such Bond in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same tenor and maturity for the aggregate amount which the registered owner is entitled to receive.

If and when use of the Book-Entry Only System has been discontinued, the Township and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Also, Bonds may then be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Redemption Provisions

Optional Redemption

Bonds stated to mature on or after _____ are subject to redemption prior to maturity, at the option of the Township, as a whole or in part, and if in part, in any order of maturity and any principal amount within a maturity, on _____ or on any date thereafter, upon payment of the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption. If less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent. Any such redemption shall be upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption. In the event any Bonds are in a denomination greater than

\$5,000, a portion of such Bonds may be redeemed, but portions of Bonds shall be redeemed only in the principal amount of \$5,000 or any whole multiple thereof.

Manner of Redemption

Bonds subject to redemption and issued in denominations larger than \$5,000 may be redeemed in part. For the purposes of redemption, such Bonds shall be treated as representing that number of Bonds which is obtained by dividing the denomination thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of Bonds (when the book-entry only system is not in effect), payment of the redemption price shall be made only upon surrender of the Bond in exchange for Bonds of like form, series and maturity, of authorized denominations in aggregate amount equal to the unredeemed portion thereof.

Notice of Redemption

Any redemption of Bonds shall be made after notice by mailing by first class mail a notice thereof to the registered owners of all Bonds to be redeemed, not less than thirty (30) days but not more than forty five (45) days prior to the date fixed for redemption, or after waivers of such notice executed by the registered owners of all Bonds to be redeemed shall have been filed with the Paying Agent. However, failure to mail any notice or any defect therein or in the mailing thereof, with respect to the Bonds shall not affect the validity of the proceedings for redemption of any other Bond. Any notice of redemption mailed in accordance with these requirements shall be conclusively presumed to have been duly given, whether or not such registered holder actually receives the notice. Notice having been so given or waived, and provision having been made for redemption from funds on deposit with the Paying Agent, all interest on the Bonds called for redemption accruing after the date fixed for redemption shall cease, and the registered owners of the Bonds called for redemption shall have no security, benefit or lien under this Ordinance or any right except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of mailing of the notice of redemption the Township shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Paying Agent no later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

SECURITY FOR THE BONDS

General Obligations

The Bonds will be general obligations of the Township, payable from its tax and other general revenues, which taxing power presently includes ad valorem taxes which may be levied on all taxable real property within the Township presently without limitation as to rate or amount for the payment of debt service on the Bonds (but see "TOWNSHIP FINANCES -- Taxing Power" herein). The Township has covenanted in the Ordinance that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the

debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of every maturity of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds. For such budgeting, appropriation and payment the Township irrevocably has pledged its full faith, credit and taxing power.

Sinking Fund

A sinking fund designated Sinking Fund -- Township of Exeter, Berks County, Pennsylvania, General Obligation Bonds, Series of 2013 (the "2013 Bonds Sinking Fund"), created under the Ordinance, shall be held by the Paying Agent as sinking fund depository (the "Sinking Fund Depository"). The Township shall deposit in the 2013 Bonds Sinking Fund not later than each date when interest or principal is to become due on the Bonds, a sum which together with any other available funds on deposit in the 2013 Bonds Sinking Fund shall be sufficient to pay, in full, interest and principal then due and payable on the Bonds.

The 2013 Bonds Sinking Fund shall be secured and may be invested by the Sinking Fund Depository in securities or deposits authorized by the Debt Act, upon direction of the Township. Such deposits and securities, if any, shall be in the name of the Township but subject to withdrawal or collection only by the Sinking Fund Depository, and such deposits and securities, together with interest thereon shall be a part of the 2013 Bonds Sinking Fund.

The Sinking Fund Depository is authorized, without further order from the Township, to pay from the 2013 Bonds Sinking Fund the principal of and interest on the Bonds when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The Township (herein referred to as the "Issuer") and the Underwriter do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Township or the Underwriter.

The Depository Trust Company, ("DTC") New York, New York will act as the securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or in such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues

of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.*

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of

significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township takes no responsibility for the accuracy thereof.

THE TOWNSHIP OF EXETER

The Township of Exeter (the “Township”) is located within the Reading Metropolitan Area in the south central section of Berks County, Pennsylvania, the western boundary line of which lies approximately 1 ½ miles east of the City of Reading. Covering an area of approximately 16,135 acres, the Township is bounded by the Townships of Alsace, Amity, Cumru, Lower Alsace, Oley and Robeson; by the Boroughs of Birdsboro, Mount Penn and St. Lawrence; and by the Schuylkill River. There are a number of unincorporated communities located within the Township principal of which is Reiffton.

TOWNSHIP FINANCES

The Township has not defaulted on the payment of interest or principal on any of the Township’s obligations, or on any lease rental obligations due any authority, nor has the Township, at any time, issued refunding obligations in order to avoid a default on an existing obligation.

Summary of Fund Revenues, Expenditures and Changes in Fund Balances

The tables appearing on the following pages represent the Township's General Fund Balance Sheet for the period 2007 through 2011, and summary of the General Fund Receipts and Expenditures for the period 2007 through 2011 and the 2012 Budget.

TOWNSHIP OF EXETER GENERAL FUND Balance Sheet, General Fund, Modified Cash Basis December 31,

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS AND OTHER DEBITS					
Cash and Investments	\$2,350,190	\$2,267,703	\$1,880,385	\$2,798,093	\$3,125,658
Other Current Assets	<u>78,590</u>	<u>8,137</u>	<u>8,149</u>	<u>90,950</u>	<u>15,000</u>
Total Assets	<u>\$2,428,780</u>	<u>\$2,275,840</u>	<u>\$1,888,534</u>	<u>\$2,889,043</u>	<u>\$3,140,658</u>
LIABILITIES					
Deposits Held in Escrow	<u>0</u>	<u>8,137</u>	<u>8,149</u>	<u>90,950</u>	<u>37,401</u>
Total Liabilities	0	8,137	8,149	90,950	37,401
EQUITY AND OTHER CREDITS					
Fund balance/Retained Earnings 12/31	78,590	0	31,403	0	0
Unreserved Fund Balance	2,350,190	2,267,703	1,848,982	2,798,093	3,029,445
Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,812</u>
Total Liabilities, Equity and other Credits	<u>\$2,428,780</u>	<u>\$2,275,840</u>	<u>\$1,888,534</u>	<u>\$2,889,043</u>	<u>\$3,140,658</u>

Source: Township audited financial statements.

TOWNSHIP OF EXETER GENERAL FUND
Summary Statement of Revenues and Expenditures

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Budget <u>2012</u>
Revenues:						
Taxes	\$6,164,084	\$5,759,525	\$6,244,719	\$6,676,139	\$6,540,185	\$6,514,500
Licenses and permits	128,970	238,337	294,739	318,020	409,710	333,300
Fines and forfeits	196,719	176,277	179,637	169,971	127,643	122,500
Interest and rents	164,802	61,072	37,496	69,072	71,556	40,800
Intergovernmental revenues	583,321	768,301	775,869	837,517	1,462,309	844,225
Charges for services	1,802,908	1,779,921	1,514,447	1,569,665	1,156,425	1,187,617
Miscellaneous revenues	<u>196,701</u>	<u>516,455</u>	<u>156,363</u>	<u>297,638</u>	<u>280,900</u>	<u>87,000</u>
Total revenues	\$9,237,505	\$9,299,888	\$9,203,270	\$9,938,022	\$10,048,728	\$9,129,942
Expenditures:						
Current:						
General government	\$3,875,872	\$713,786	\$814,887	\$672,051	\$707,375	\$719,874
Public safety	779,891	3,838,738	3,908,803	3,692,047	5,236,047	5,061,924
Health and human services	0	0	0	0	38,797	25,800
Public works	1,660,721	1,670,268	1,572,382	1,633,227	2,011,251	1,872,610
Culture, recreation	573,111	606,870	618,434	457,366	551,542	575,976
Community development	0	0	0	0	39,648	0
Debt Service:						
Principal and retirement	195,212	209,576	217,765	105,513	267,992	444,553
Interest and fiscal charges	269,605	196,859	236,652	184,173	114,784	0
Benefits/Insurance	0	0	0	0	255,569	0
Miscellaneous	1,868,432	1,976,278	2,253,323	2,299,086	290,639	188,160
Capital Outlay	0	0	0	0	163,597	0
Other Financing Uses (Sources)	<u>153,287</u>	<u>170,000</u>	<u>(31,658)</u>	<u>(23,149)</u>	<u>66,323</u>	<u>205,000</u>
Total expenditures	\$9,376,131	\$9,382,375	\$9,590,588	\$9,020,314	\$9,743,564	\$9,093,897
Excess of revenues over (under) expenditures	\$(138,626)	\$(82,487)	\$(387,318)	\$917,708	\$305,164	\$36,045
Fund balance, beginning	\$2,488,816*	\$2,350,190	\$2,267,703	\$1,880,385	\$2,798,093	\$3,103,257
Fund balance, ending	\$2,350,190	\$2,267,703	\$1,880,385	\$2,798,093	\$3,103,257	\$3,139,302

*Restated per auditor

Source: Audited Financial Statements of the Township, the Township Budget and Township Officials

Taxing Power

The Second Class Township Code provides that the Township may levy and collect annually taxes for general purposes on property up to a maximum amount of 14 mills. Other taxes are permitted for specified purposes and in specific amounts or with electoral or court approval. An annual tax assessed on valuation of real estate is permitted to pay interest and principal on any indebtedness in accordance with the provisions of Section 3205 of the Second Class Township Code.

Under the Local Tax Enabling Act, approved December 1, 1966, P.L. 1257, additional taxes may be levied by the Township (subject to division among political subdivisions authorized to levy similar taxes), with the following limitations:

Maximum Allowable Township Taxes

<u>Potential Tax Sources</u>	<u>Legal Limit</u> ¹
GENERAL PURPOSE TAX LEVIES	
Real Estate	14 mills ²
Act 511 Taxes	
Per Capita	\$10 ³
Occupation (Flat Rate) ⁴	\$10 ³
Occupation (Millage) ⁴	no limit
Occupational Privilege	\$10 ³
Earned Income	1 percent ³
Realty Transfer	1 percent ³
Mechanical Devices	10 percent ³
Amusement ⁵	10 percent ³
Business Gross Receipts ⁶	1 mill wholesale ³ 1 ½ mill retail ³
Act 24 Earned Income ⁴	no limit other businesses set by referendum
SPECIAL PURPOSE TAXES	
Municipal Building	½ general rate
Firehouses and Equipment	3 mills ⁷
Recreation	no limit
Debt Service	no limit
Local Services Tax	\$52.00 ¹¹
Permanent Improvement Fund	5 mills
Road Machinery Fund	2 mills
Library	no limit
Ambulance and Rescue Squads	½ mill ⁷
Fire Hydrants for Township	2 mills
Street Lights for Township	5 mills
Debt Payment ⁸	no limit
Open Space (real estate or earned income) ⁹	set by voters ¹⁰
Community Colleges	no limit
Distressed Pension System Recovery Program	no limit
Municipalities Financial Recovery Program ⁸	no limit

1. Home rule townships may set rates higher than the limits provided in state law for property taxes and for personal taxes levied on residents. They may not create new subjects of taxation.
2. Five additional mills available with court approval.
3. Maximum rate subject to sharing with school district.
4. If a municipality raises the rate of the earned income tax through a referendum authorized by Act 24 of 2001, it cannot levy an occupation tax.
5. For taxes first levied after December 31, 1997, maximum rate is 5 percent.
6. Only if enacted before December 1, 1988.
7. Higher rate may be approved by voters in referendum.
8. Levied only on court order.
9. Requires approval of voters in a referendum.
10. Local sponsors may levy any tax permitted by law to support a community college. Revenues from the tax cannot exceed 5 mills of the market value of real estate.
11. The Township is authorized to impose a local services tax of \$52.00 per working adult. It is noteworthy that such tax is subject to sharing with the School District, resulting in the maximum local services tax that can be imposed by the Township set at \$42.00 per working adult.

Source: Department of Community and Economic Development Taxation Manual 2002.

2012 Property Tax Rates

Township.....	2.695 mills
School District*.....	29.982 mills
County.....	6.935 mills
Total.....	39.612 mills

*The School District tax year runs from July 1 to June 30.

The following table indicates the Township's assessed valuation, tax rate, tax levy, current and total real estate collections for the years 2002-2011.

TOWNSHIP REAL ESTATE TAX COLLECTION RECORD

<u>Year</u>	<u>Taxable Valuation of Real Estate</u>	<u>Millage</u>	<u>Current Adjusted Levy</u>	<u>Current Collections</u>	<u>Percent of Year Collections</u>	<u>Prior Years' Taxes</u>	<u>Total Collections</u>	<u>Percent of Adjusted Levy</u>
2002	\$1,084,518,500	0.80	\$867,615	\$852,418	98.2%	\$24,927	\$877,345	102.9%
2003	1,129,460,100	1.30	1,468,298	1,420,725	96.8	30,904	1,451,629	98.9
2004	1,163,859,200	1.30	1,513,017	1,456,863	96.3	39,374	1,496,257	98.9
2005	1,203,513,600	1.30	1,564,568	1,519,376	97.1	63,845	1,583,221	101.2
2006	1,233,362,000	1.30	1,603,370	1,548,340	96.6	57,432	1,605,772	100.1
2007	1,252,590,600	1.30	1,628,368	1,570,125	96.4	55,405	1,625,530	99.8
2008	1,276,932,500	1.14	1,455,703	1,417,046	97.3	50,423	1,467,469	100.8
2009	1,289,134,400	1.44	1,856,354	1,794,739	96.7	78,194	1,872,933	100.9
2010	1,308,870,200	1.64	2,146,547	2,080,004	96.9	95,093	2,175,097	101.3
2011	1,318,590,000	1.64	2,162,488	2,099,776	97.1	124,497	2,224,273	102.9

Source: Township Officials

**TOWNSHIP OF EXETER
PROPERTY TAX RATES (mills)**

<u>Fiscal Year</u>	<u>Township of Exeter</u>	<u>County</u>	<u>School District</u>	<u>Total Combined</u>
2003	1.300	5.185	17.700	24.185
2004	1.300	5.185	20.500	26.985
2005	1.300	6.935	22.000	28.485
2006	1.300	6.935	23.500	31.735
2007	1.300	6.935	25.825	34.060
2008	2.330	6.935	28.618	37.883
2009	2.330	6.935	28.618	37.883
2010	2.430	6.935	29.624	38.989
2011	2.695	6.935	29.982	39.612
2012	2.695	6.935	29.982	39.612

Source: Pennsylvania Department of Community and Economic Development and Township Officials.

Property Assessments

A three-year trend of land use in the Township, as classified by the most recent land assessed valuation of real property by the Pennsylvania State Tax Equalization Board, appears below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential.....	\$1,011,859,500	\$1,018,603,800	\$1,014,318,000
Lots.....	17,225,200	14,748,400	13,796,800
Industrial	19,941,000	19,442,800	19,455,000
Commercial	211,373,300	227,443,700	213,355,100
Agricultural	26,921,300	27,078,100	27,715,400
Land.....	1,814,100	1,553,400	1,517,200
Trailers	0	0	7,504,900
TOTAL.....	\$1,289,134,400	\$1,308,870,200	\$1,297,662,400

Source: Pennsylvania State Tax Equalization Board. Numbers are certified June 30 of the following year.

Trend in Assessed Valuations

Shown below is a seven-year trend of taxable assessed valuations and market values in the Township:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Market Values</u>	<u>Common Level Ratio</u>
2011	\$1,297,662,400	\$1,617,815,636	80.2%
2010	1,308,870,200	1,635,609,823	80.0
2009	1,289,134,400	1,838,993,438	70.1
2008	1,276,932,300	1,886,162,925	67.7
2007	1,252,590,600	1,906,630,594	65.7
2006	1,233,362,000	1,811,104,258	68.1
2005	1,203,513,600	1,604,684,800	75.0

Source: State Tax Equalization Board.

Taxpayers. Shown below are the ten largest real estate taxpayers in the Township and their 2012 assessed valuation of real estate:

EXETER TOWNSHIP 10 Highest Assessments 2012

	<u>Assessment</u>
1. Exeter Commons	\$24,731,200
2. Eastwick at Exeter	15,057,900
3. Boscov's Distribution Center (Exeter Realty)	12,300,500
4. Wal-Mart - Retail Trust II	12,010,800
5. Shelbourne Square	9,786,400
6. Woodgate Apartments	8,000,000
7. Target	7,704,200
8. Berks Nursing Homes	7,237,500
9. Exeter Plaza	6,847,700
10. Exeter Realty (Boscov's Service Center)	6,701,400

Source: Township Officials

Employers in the Township. The largest employers in the Township are as follows:

<u>Employer</u>	<u>Number of Employees</u>
Boscov's	973
Godiva Chocolatier	600
Giant Food	332
Walmart	286
Angio Tech Surgical Specialties	285
Genesis Eldercare, Berkshire Center	164
Golden Living Center	125
Target	122
Home Depot	120
Redners	96

Source: Township Officials

Financial History and Outstanding Financings

The Township has regularly issued and repaid, in a timely manner, short term debt to finance specific, smaller capital improvement projects.

The Township has never defaulted on payment of principal or interest on any of its obligations.

SUMMARY OF DIRECT AND OVERLAPPING DEBT

Residents of the Township are responsible for debt of the Township and a portion of the debt obligations of the County of Berks and the Exeter School District.

TOWNSHIP OF EXETER DEBT STATEMENT* (As of November 3, 2012)

	<u>Gross Outstanding</u>
Nonelectoral Debt	
PennVest Loan, Series of 2005	\$197,813
General Obligation Bonds, Series of 2007	15,390,000
General Obligation Notes, Series of 2007	17,615,000
General Obligation Bonds, Series of 2012	9,670,000
General Obligation Bonds, Series of 2013	<u>10,500,000</u>
Total Nonelectoral Debt	\$53,372,813
Less: Debt deemed to be self-liquidating	(\$31,945,000)
Net Nonelectoral Debt	\$21,427,813
Lease Rental Debt	
2007 Tax Increment Financing	<u>\$5,812,000</u>
Total Lease Rental Debt	\$5,812,000
Total Principal of Direct Debt subject to debt limitations	\$27,239,813
Overlapping Debt	
Berks County, General Obligation(1)	\$16,811,522
Exeter Township School District(2)	<u>86,045,914</u>
Total Overlapping Debt	\$102,857,436
Total Direct and Overlapping Debt	\$130,097,249
Debt Ratios	
Per Capita (25,550)	\$5,092
Assessed Value	10.81%
Market Value	8.11%

*The Department of Community and Economic Development has approved the issuance of the Bonds.

(1) Pro rata 6.40 percent of outstanding general obligation debt in the amount of \$262,680,028 as of 9/1/2012.

(2) Pro rata 94.20 percent of outstanding general obligation debt in the amount of \$91,343,858 as of 9/1/2012.

Types of Indebtedness Under the Debt Act

The Debt Act establishes three forms of debt for a local government unit: (i) electoral debt (debt incurred with the approval of the electors for which there is no limitation on the amount that may be so incurred), (ii) nonelectoral debt (debt of a local government unit not being electoral or lease rental debt for which the limitation on all such net debt which may be incurred is 250 percent of the borrowing base for the Township), and (iii) lease rental debt (the principal amount of municipal authority debt or debt of another local government unit to be repaid by the local government unit pursuant to a lease, subsidy contract guarantee or other form of agreement

where such debt is or may be payable out of the tax revenues and other general revenues; the limitation on all such net debt which may be incurred, including any net nonelectoral debt incurred, is 350 percent of the borrowing base for the Township). Any debt which is approved by the Pennsylvania Department of Community and Economic Development as subsidized or self-liquidating may be deducted or excluded from the determination of any such debt incurred in determining the net debt of the local governmental unit to which such limitations are applicable. Certain other deductions are allowed in determining net debt.

Borrowing Capacity

The Debt Act establishes debt limits for local government units. The basis for determining nonelectoral borrowing capacity is related to adjusted revenues received over the most recent three fiscal years. The following is a calculation of the current “borrowing base,” which is the arithmetic average of the total revenues of the Township after adjustments by the exclusion of certain subsidies, reimbursements, pledged revenues and non-recurring items:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues	\$27,999,836	\$30,240,052	\$21,826,598
Deductions			
Section 8002(c)(2) of the Act	0	0	0
Section 8002(c)(2) of the Act	4,188,469	4,729,939	5,309,131
Section 8002(c)(3) of the Act	0	0	0
Section 8002(c)(4) of the Act	0	0	0
Section 8002(c)(5) of the Act	<u>9,649,431</u>	<u>9,221,297</u>	<u>719,011</u>
Total Deductions	13,837,900	13,951,236	6,028,142
Net Revenues	\$14,161,936	\$16,288,816	\$15,798,456
Net Nonelectoral Debt Limit:			
Borrowing Base			\$15,416,402
Multiplier			<u>250%</u>
Net Nonelectoral Debt Limit			\$38,541,005
Less: Nonelectoral Debt			49,244,049
Add: Lease Rental approved as Self-Liquidating			<u>27,720,000</u>
Remaining Nonelectoral Debt Borrowing Capacity			\$17,016,956
Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit:			
Borrowing Base			\$15,416,402
Multiplier			<u>350%</u>
Net Nonelectoral Debt and Lease Rental Debt Limit			\$53,957,407
Less: Nonelectoral Debt and Lease Rental Debt			55,056,049
Add: Lease Rental Debt approved as Self-Liquidating			<u>27,720,000</u>
Remaining Nonelectoral and Lease Rental Debt Capacity			\$26,621,358

Source: Annual Financial Reports

FUTURE FINANCING NEEDS

The Township may access the capital markets in the future for the financing of certain sewer projects.

LABOR RELATIONS

The Township employs 74 permanent full-time employees. Of these employees, the police department, clerical, and public works/sewer employees are organized into collective bargaining units.

These units have never had an official strike and or work stoppage since their creation.

PENSION PLANS

The Township administers and contributes to two defined-benefit pension plans: the Exeter Township Police Pension Plan and the Exeter Township Employees' Pension Plan (the "Plan"). The assets of the Plans are invested separately, and each Plan's assets may be used only for the payment to the members of the Plan, in accordance with the terms of the Plan.

Police Pension Plan

The Township has a pension plan covering all full-time police officers. The Plan provides for retirement, disability and death benefits to plan members and their beneficiaries. The Township is required to contribute amounts necessary to the Plan using the actuarial basis specified by statute. Members contributed 8% of their annual salary to the Plan for 2011. The Total contribution to the Plan for 2011 was \$447,195.

Actuarial valuation as of January 1, 2011 -- Summary of Funding Progress:

Actuarial Value of Assets	\$9,759,266
Entry Age Actuarial Accrued Liability(AAL)	11,371,131
Unfunded AAL(UAAL)	1,611,865
Funded Ratio	85.8%
Covered Payroll	2,552,468
UAAL as a % of Covered Payroll	63.1%

Employees' Pension Plan

The Township has a pension plan covering substantially all full-time nonuniformed and nonunion employees. The Plan provides for retirement, disability and death benefits to plan members and their beneficiaries. The Township is required to contribute amounts necessary to the Plan using the basis specified by the statute. The total contribution to the Plan for 2011 was \$107,469.

Actuarial valuation as of January 1, 2011 -- Summary of Funding Progress:

Actuarial Value of Assets	\$787,611
Entry Age Actuarial Accrued Liability(AAL)	1,320,042
Unfunded AAL(UAAL)	532,431
Funded Ratio	59.7%
Covered Payroll	546,007
UAAL as a % of Covered Payroll	97.5%

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such opinion assumes continuing compliance by the Township with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes.

Applicable federal tax law provides that interest on obligations such as the Bonds is not includable in gross income for federal tax purposes only if certain requirements are met. The Township has covenanted in the Ordinance that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely effect the exclusion from gross income of the holders of the Bonds of the interest on the Bonds under Section 103 of the Code. In the Non-Arbitrage Certificate which the Township will deliver in connection with the issuance of the Bonds, the Township will represent that it expects and intends to be able to comply with, and will, to the extent permitted by law, comply with all requirements with which it must comply in order to assure that, under existing law, interest on the Bonds be and remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements of the Code may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Pennsylvania Income Tax

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from Pennsylvania personal income tax.

Certain Federal Tax Consequences Relating to the Bonds

Although interest on the Bonds is excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the Federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating

branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security benefits and individuals who may be eligible for the earned income tax credit under Section 32 of the Code are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Bonds so as to affect adversely the exclusion from gross income for Federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed Federal tax legislation.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE BONDS.

Original Issue Discount

The initial offering price of certain of the Bonds is less than the principal amount thereof payable at maturity. Such Bonds will be considered to be issued with Original Issue Discount. The difference between the initial offering price of such Bonds (assuming it is the first price at which a substantial amount of such Bonds are sold) and the principal amount payable at maturity of such Bonds will be treated as "Original Issue Discount." With respect to a buyer who purchases any such a Bond at the initial offering price (assuming it is the first price at which a substantial amount of such Bonds are sold) and who holds such Bond to maturity, the full amount of Original Issue Discount with respect to such Bond will constitute interest not includable in the gross income of the owner of such Bond for federal income tax purposes.

The amount of Original Issue Discount accruing each period with respect to a Bond will be added to the owners' tax basis for such Bond. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of such Bond (including sales, redemption or payment at maturity). An owner of such a Bond who disposes of such Bond before maturity should consult his or her tax advisor about the amount of Original Issue Discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Bond before maturity.

The Original Issue Discount on a Bond is treated as accruing daily over the term of such Bond on the basis of a constant rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending at maturity and on earlier redemption (with straight-line interpolation between compounding dates).

A portion of the Original Issue Discount that accrues in each year to an owner of a Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such

portion of the Original Issue Discount will be taken into account in calculating the corporation's alternative minimum tax liability.

Original Issue Premium

Certain of the Bonds are being offered and sold to the public at a price in excess of the principal amount payable at maturity. Under the Code, the difference between the principal amount payable at maturity of such a Bond and the cost basis of such Bond to an owner thereof is "bond premium" which is amortized over the term of such Bond (*i.e.*, to the maturity of such Bond or its earlier call date) for federal income-tax purposes. An owner of a Bond that was issued with "bond premium" is required to decrease his basis in such Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he owns such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant instant rate determined with respect to the yield on such Bond, compounded at the close of each accrual period. Such amortizable bond premium for such taxable year is not deductible for federal income-tax purposes.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the Township by Concord Public Financial Advisors, Inc., Reading, Pennsylvania, in its capacity as Financial Advisor to the Township. The information set forth in this Official Statement has been obtained from the Township and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the Township or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed to be a contract with holders of the Bonds.

LITIGATION

Upon delivery of the Bonds, the Township shall furnish, or cause to be furnished, a certificate, in form satisfactory to Bond Counsel and the Underwriter, to the effect that, among

other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Bonds, or the proceedings of the Township taken in connection therewith, or the application of any moneys provided for their payment, or contesting the powers of the Township with respect to the foregoing or the consummation of the transactions contemplated by this Official Statement.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission, the Township will, in a Continuing Disclosure Certificate (the "Disclosure Agreement") agree to provide, or cause to be provided:

The Disclosure Agreement provides that the Township will file annually, with the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Areas ("EMMA") System and the Dissemination Agent (the "Agent") (if any) not later than 270 days following the end of each fiscal year of the Township, beginning with the fiscal year ending December 31, 2012, certain annual financial information and operating data (the "Annual Information"), including the annual audited financial statements of the Township and certain information located in this Official Statement under the heading: "TOWNSHIP FINANCES," "SUMMARY OF DIRECT AND OVERLAPPING DEBT," "LABOR RELATIONS" and "PENSION PLANS" such other information and data, if any, as may be fully described in the Disclosure Agreement. The Disclosure Agreement also provides that the Township will provide in a timely manner, to the Agent and EMMA: (i) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of a failure to provide annual operating data or financial information on or before the date specified in the Disclosure Agreement; or (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Township and the Agent may amend the Disclosure Agreement, but no such amendment shall be executed and effective unless: (i) the amendment is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Township or

the governmental operations conducted by the Township or a change in identity, nature or status of the Agency; (ii) the Disclosure Agreement, as modified by amendment, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, taking into account any amendments or interpretations of the Rule; and (iii) the amendment does not materially impair the interest of the owners of the Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Agent of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment satisfies the conditions set forth by the Agent with EMMA, and shall be sent to the owners of the Bonds.

In addition to any other remedies available under the Disclosure Agreement, any owner of a Bond shall have the right by mandamus, suit, action or proceeding at law or in equity, to compel the Township or the Agent, as applicable, to adhere to and perform their respective obligations under the Disclosure Agreement.

The Disclosure Agreement will terminate upon payment or provision for payment in full of the Bonds.

As of the date of this Official Statement, the Township has made all filings required by its outstanding continuing disclosure agreements or certificates through and including the fiscal year ending December 31, 2011.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the Township, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Underwriter has agreed to purchase the Bonds for an aggregate purchase price of \$_____, which amount is equal to the principal amount of the Bonds less Underwriter's Discount of \$_____ and Original Issue Discount of \$_____.

RATING

Standard & Poor's has assigned an underlying rating of "___" to the Township. Such a rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, New York, New York. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Certain legal matters pertaining to the authorization and issuance of the Bonds will be passed upon by Georgeadis Setley, Wyomissing, Pennsylvania, acting as Bond Counsel. Certain legal

matters pertaining to the Township will be passed upon by its Solicitor, Siana Bellwoar & McAndrew LLP, Chester Springs, Pennsylvania.

FINANCIAL ADVISOR

The Township has retained Concord Public Financial Advisors, Inc., Reading, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Concord Public Financial Advisors, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

CERTAIN MATTERS

All summaries or descriptions of the provisions of the Bonds set forth in this Official Statement, and all other references in this Official Statement to other documents not purported to be quoted in full, are made subject to all the detailed provisions thereof, to which reference is hereby made for further information. Such summaries or descriptions are only brief outlines of certain of the provisions of such documents and materials, and do not purport to summarize or describe all of the provisions thereof.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reasonable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and are not representations of fact.

The Township has reviewed the portions of this Official Statement describing the Township and the uses of the Bond proceeds, and has certified that they do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This Official Statement has been approved, and its distribution authorized, by the Township.

TOWNSHIP OF EXETER
Berks County, Pennsylvania

By: _____
Chairman, Board of Supervisors

APPENDIX A

Demographic and Economic Information
Relating to the Township of Exeter

Introduction

The Township of Exeter (the “Township”) is located within the Reading Metropolitan Area in the south central section of the County of Berks (the “County”), the western boundary line of which lies approximately 1 ½ miles east of the City of Reading. Covering an area of approximately 16,135 acres, the Township is bounded by the Townships of Alsace, Amity, Cumru, Lower Alsace, Oley and Robeson; by the Boroughs of Birdsboro, Mount Penn and St. Lawrence; and by the Schuylkill River. There are a number of unincorporated communities located within the Township principal of which is Reiffton.

Population

Table A-1 which follows shows recent population trends for the Township, the County, and the Commonwealth of Pennsylvania (the “Commonwealth”). The Township’s population increased from 21,161 to 25,550 between 2000 and 2010, an increase of 4,389 in that period or 20.7 percent. Table A-2 shows 2010 age composition and average number of persons per household in the Township, the County and for the Commonwealth.

TABLE A-1
RECENT POPULATION TRENDS

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	Compound Annual Percentage Change 2000-2010
Township	17,260	21,161	25,550	20.7%
Berks County	336,523	373,638	411,442	10.1
Pennsylvania	11,881,643	12,281,254	12,702,379	3.4

Source: U.S. Census Bureau.

TABLE A-2
**2010
AGE COMPOSITION**

	<u>0-19 Years</u>	<u>20-64 Years</u>	<u>65+ Years</u>	Persons Per Household
Township	25.7	59.1	15.2	2.61
Berks County	27.2	58.3	14.5	2.59
Pennsylvania	25.0	60.0	15.4	2.45

Source: U.S. Census Bureau, Census 2010.

Employment

Table A-3 which follows shows the distribution of employment by type for the Reading Metropolitan Statistical Area for September, 2012 and September, 2011.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT
READING MSA*

	September <u>2012</u>	September <u>2011</u>
Total Nonfarm	174,100	172,100
Total Private	149,300	147,800
Goods Producing	35,500	36,000
Service-Providing	138,600	136,100
Private Service Providing	113,800	111,800
Construction, Natural Resources and Mining	7,300	7,400
Manufacturing	28,200	28,600
Durable Goods	19,900	20,100
Non-Durable Goods	8,300	8,500
Trade	33,500	34,200
Wholesale Trade	7,100	7,100
Retail Trade	19,100	20,000
Transportation	7,300	7,100
Information	1,400	1,400
Financial Activities	6,500	6,500
Professional and Business Services	21,400	20,300
Education and Health Services	28,900	28,200
Leisure and Hospitality	14,300	13,600
Other Services	7,800	7,600
Government	24,800	24,300

Source: Pennsylvania State Employment Service

*Non-Agricultural Wage and Salary Employment; establishment data.

Table A-4 depicts unemployment rates in the County, as compared to the Commonwealth and the United States, from 2002 through September, 2012 (not seasonally adjusted).

Table A-4

Unemployment Rates - 2002-2012

<u>Year</u>	<u>Berks County</u>	<u>Pennsylvania</u>	<u>United States</u>
2002	6.5	5.7	5.8
2003	5.9	5.7	6.0
2004	4.5	4.7	4.6
2005	4.8	5.0	5.1
2006	5.2	5.4	5.5
2007	4.2	4.4	4.6
2008	4.2	5.4	5.8
2009	8.6	8.0	9.3
2010	9.0	8.5	9.6
2011	8.2	7.9	n/a
2012 *	8.1	8.2	7.8

*As of September, 2012

Source: Pennsylvania Department of Labor & Industry

Income

The data on Table A-5 show recent trends in per capita income for the Township, Berks County, and Pennsylvania over the 1990-2010 (estimated) period. Per capita income in the Township is higher than average per capita income in the Commonwealth and the County, and it increased at a faster rate over this period than per capita income for the County and the Commonwealth.

TABLE A-5

RECENT TRENDS IN PER CAPITA INCOME*

	<u>1990</u>	<u>2000</u>	<u>2010**</u>	<u>Annual Percentage Change 2000-2010</u>
Township	\$17,828	\$25,071	\$31,124	19.44%
Berks County	14,604	21,232	25,387	16.37
Pennsylvania	14,068	20,880	27,004	22.68

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. Township income is the population-weighted average for political subdivisions.

**Estimated

Source: Pennsylvania State Data Center; 2010 U.S. Census Bureau.

Transportation

The Township is strategically located along the U.S. Route 422 corridor between Philadelphia and Reading and is at the western terminus of the Pottstown Bypass. Other major traffic routes servicing the Township are PA Route 662, starting in Douglassville, and diagonally proceeding northwest and PA Route 562 from Boyertown to Reading.

Medical Facilities

The Township and County are served by five medical centers, three medical and dental laboratories, two general hospitals and five medical-like specialized institutions which deal with geriatric patients, mental, tubercular and retarded patients, and the physically handicapped.

Educational Institutions

A variety of institutions of higher learning are located in Reading and Berks County. Included are four degree-granting institutions and a number of business schools. The larger institutions in the area are Penn State Berks-Lehigh Valley College, Albright College and Alvernia College. The County collects a dedicated millage for Reading Area Community College and appoints members to the Board of Trustees. Also within easy access to City residents is the Kutztown University of Pennsylvania, situated in Kutztown which offers Master's degrees in Business Administration, Education, Library Education and various fields of the arts and sciences.

Housing

According to 2010 census figures, housing in the Township, Berks County and the Commonwealth is as follows:

	Total <u>Housing Units</u>	Total Occupied <u>Housing Units</u>	Owner Occupied <u>Housing Units</u>
Exeter Township	10,051	9,666	8,329
Berks County	164,827	154,356	110,653
Pennsylvania	5,567,315	5,018,904	3,491,722

Source: U.S. Census Bureau, Census 2010.

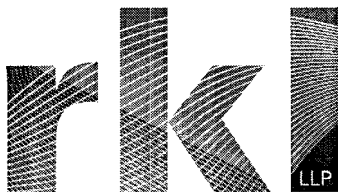
APPENDIX B

Township Audited Financial Statement

EXETER TOWNSHIP, BERKS COUNTY, PENNSYLVANIA

FINANCIAL REPORT

DECEMBER 31, 2011.



REINSEL KUNTZ LESHER
certified public accountants & consultants

FOCUSED. ON YOU.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Exeter Township
Berks County, Pennsylvania**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Exeter Township, Berks County, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Exeter Township's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Exeter Township prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

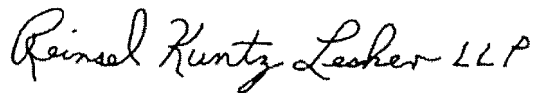
The financial statements referred to above include only the primary government of Exeter Township, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - modified cash basis of the reporting entity of Exeter Township as of December 31, 2011, and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of Exeter Township, Berks County, Pennsylvania, as of December 31, 2011, and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 1, Exeter Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information on pages 3-13 and pages 54-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements, themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Wyomissing, Pennsylvania
July 5, 2012

EXETER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Exeter Township's (the "Township") financial performance provides an overview of the Township's financial activities for the year ended December 31, 2011, within the limitations of the Township's modified cash basis of accounting. Please read it in conjunction with the Township's financial statements that begin on page 14.

Financial Highlights

- The Township's total expenditures exceeded total revenues on the modified cash basis of accounting by \$ 341,106 for the year ended December 31, 2011, compared to an excess of expenditures over revenues of \$ 4,670,342 for the year ended December 31, 2010. This resulted in a decrease of total net assets of 1.7% for the year ended December 31, 2011, compared to a decrease of 18.8% for the year ended December 31, 2010.
- At December 31, 2011, the Township's governmental funds reported combined ending fund balances of \$ 5,848,660; a decrease of \$ 39,880 from the prior year. The ending fund balance of \$ 2,041,272 or 34.9% is *available for spending* at the Township's discretion (*unassigned fund balance*). The General Fund highlights are as follows:
 - The Township's General Fund had an increase in its fund balance of \$ 305,164 to \$ 3,103,257. As part of managing the finances of the Township, a fund balance is maintained in order to provide adequate financial resources to pay for services to the citizens of the Township during periods when tax and other revenue collections are not sufficient to fund daily operating costs. This generally occurs in the first few months of each year. This enables the Township to avoid having to borrow money to cover operating expenses prior to the receipt of tax revenues, which are assessed March 1 of each year. At December 31, 2011, the unassigned fund balance of the General Fund was \$ 2,054,177 or 21.2% of total General Fund expenditures.
- At December 31, 2011, the Township's business-type activities reported net assets of \$ 13,964,046, a decrease of \$ 301,226 from the prior year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The statement of net assets - modified cash basis and the statement of activities - modified cash basis (on pages 14 and 15) provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances. The statement of activities reports revenues and expenditures utilizing the modified cash basis of accounting as described in Note 1 to the financial statements.

Fund Financial Statements: Fund financial statements (starting on page 16) focus on the individual parts of the Township's government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For governmental funds, these statements tell how these services were financed in the short-term as well as what remains for future spending. For the proprietary funds, these statements offer information about the funds the Township operates like a business, such as the sewer system and the country club.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: The management's discussion and analysis (pages 3 through 13), the schedules of funding progress (page 54) and the budgetary comparison schedules (pages 55 through 58) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (on pages 59 and 60) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

Basis of Accounting

The Township has elected to present its financial statements on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. The term "basis of accounting" is a reference to when financial events are recorded. Under the modified cash basis of accounting, only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned and expenditures are generally recognized when paid rather than when the related liability is incurred.

As a result of the use of the modified cash basis of accounting, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The Township's Reporting Entity Presentation

This annual report includes only the primary government of the Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, we have considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township. The following component units meet the requirements for inclusion, under the above criteria, but are not included in the Township's annual report: Exeter Township, Berks County, Authority and Exeter Community Library.

Certain prior year data has been reclassified to be consistent with the current year's presentation.

The Government-Wide Statement of Net Assets and the Statement of Activities

The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse as a result of the year's activities?" The statement of net assets - modified cash basis and the statement of activities - modified cash basis report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include only the Township's assets and the related liabilities referred to above resulting from the use of the modified cash basis of accounting.

These two statements report the Township's net assets and changes in them. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Township, i.e., changes in the Township's tax base, the condition of the Township's roads, etc. In addition, the limitations of the modified cash basis of the accounting should be considered when analyzing the overall financial health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

Governmental activities: Most of the Township's basic services are reported here, including general government services, public safety, public works, and culture and recreation. Charges for services finance a portion of the costs to provide these services. Costs not recovered through charges are financed from grants, contributions and general revenues of the Township, including real estate taxes and income taxes.

Business-type activities: The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer system and country club are reported here.

Reporting the Township's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law or by bond covenants. However, the Township establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Township's two kinds of funds – governmental and proprietary – under the modified cash basis of accounting use the same accounting approaches.

Governmental funds – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as cash disbursements and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

Fiduciary funds – Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity, such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets – Modified Cash Basis

The Township's Primary Government net assets, resulting from modified cash basis transactions, decreased by \$ 341,106 or 1.7%, from fiscal year 2010 to 2011. Combined net assets were \$ 19,812,706 and \$ 20,153,812 at December 31, 2011 and 2010, respectively. Looking at the net assets of governmental and business-type activities separately, governmental activities had a decrease of \$ 39,880 while business-type activities had a decrease of \$ 301,226.

A condensed summary of the Township's Statement of Net Assets at December 31, 2011 and 2010 is presented below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Total Assets (Non-Capital)	<u>\$ 5,886,061</u>	<u>\$ 5,979,490</u>	<u>\$ 13,964,046</u>	<u>\$ 14,265,272</u>	<u>\$ 19,850,107</u>	<u>\$ 20,244,762</u>
Liabilities:						
Deposits held in escrow	<u>\$ 37,401</u>	<u>\$ 90,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,401</u>	<u>\$ 90,950</u>
Net Assets:						
Unrestricted	4,173,533	3,735,309	10,438,751	9,843,852	14,612,284	13,579,161
Restricted	<u>1,675,127</u>	<u>2,153,231</u>	<u>3,525,295</u>	<u>4,421,420</u>	<u>5,200,422</u>	<u>6,574,651</u>
Total Net Assets	<u>\$ 5,848,660</u>	<u>\$ 5,888,540</u>	<u>\$ 13,964,046</u>	<u>\$ 14,265,272</u>	<u>\$ 19,812,706</u>	<u>\$ 20,153,812</u>

Net assets are shown as restricted if they can only be used for a specific purpose. At December 31, 2011 and 2010, net assets of \$ 5,200,422 and \$ 6,574,651, respectively, are restricted, and the remaining net assets are unrestricted at the end of the year.

Changes in Net Assets – Modified Cash Basis

For the year ended December 31, 2011 and 2010, net assets of the Township (resulting from modified cash basis transactions) changed as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 1,713,252	\$ 2,083,580	\$ 8,508,040	\$ 7,702,402	\$ 10,221,292	\$ 9,785,982
Operating grants and contributions	2,152,001	1,632,497	-	1,000,000	2,152,001	2,632,497
General revenues:						
Real estate taxes	3,721,056	3,357,384	-	-	3,721,056	3,357,384
Per capita taxes	71,996	70,546	-	-	71,996	70,546
Real estate transfer taxes	298,519	507,924	-	-	298,519	507,924
Earned income taxes	3,266,915	3,168,652	-	-	3,266,915	3,168,652
Local services tax	311,700	299,465	-	-	311,700	299,465
Business privilege tax	408,517	462,851	-	-	408,517	462,851
Interest and rents	147,219	163,072	460,120	498,308	607,339	661,380
Sale of assets	2,291	6,370	-	-	2,291	6,370
Other income	323,445	352,298	-	1,079	323,445	353,377
Total revenues	\$ 12,416,911	\$ 12,104,639	\$ 8,968,160	\$ 9,201,789	\$ 21,385,071	\$ 21,306,428
Expenditures:						
General government	\$ 709,651	\$ 781,505	\$ -	\$ -	\$ 709,651	\$ 781,505
Public safety	5,828,022	5,756,643	-	-	5,828,022	5,756,643
Health and human services	38,797	34,950	-	-	38,797	34,950
Public works - sanitation	298,987	422,261	-	-	298,987	422,261
Public works - highways and streets	2,049,861	1,806,623	-	-	2,049,861	1,806,623
Culture and recreation	671,817	777,714	-	-	671,817	777,714
Community development	55,121	71,911	-	-	55,121	71,911
Debt service	1,336,720	1,214,202	-	-	1,336,720	1,214,202
Benefits	106,889	94,102	-	-	106,889	94,102
Property and casualty insurance	148,680	147,672	-	-	148,680	147,672
Capital outlay	1,161,284	1,532,376	-	-	1,161,284	1,532,376
Miscellaneous	290,962	179,863	-	-	290,962	179,863
Sewer	-	-	6,371,894	10,613,865	6,371,894	10,613,865
Country club	-	-	2,657,492	2,543,083	2,657,492	2,543,083
Total expenditures	\$ 12,696,791	\$ 12,819,822	\$ 9,029,386	\$ 13,156,948	\$ 21,726,177	\$ 25,976,770
Deficiency of revenues under expenditures	\$ (279,880)	\$ (715,183)	\$ (61,226)	\$ (3,955,159)	\$ (341,106)	\$ (4,670,342)
Transfers:						
Transfers	\$ 240,000	\$ 298,677	\$ (240,000)	\$ (298,677)	\$ -	\$ -
Decrease in net assets	\$ (39,880)	\$ (416,506)	\$ (301,226)	\$ (4,253,836)	\$ (341,106)	\$ (4,670,342)
Net assets, beginning of year	5,888,540	6,305,046	14,265,272	18,519,108	20,153,812	24,824,154
Net assets, end of year	\$ 5,848,660	\$ 5,888,540	\$ 13,964,046	\$ 14,265,272	\$ 19,812,706	\$ 20,153,812

Governmental Activities

To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenditures and changes in fund balance. You will notice that expenditures are listed in the first column, with revenues from that particular program reported to the right. The result is a net revenue or expenditure. This type of format highlights the relative financial burden of each of the functions on the Township's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenues, even if restricted for a specific purpose.

For the years ended December 31, 2011 and 2010, total revenues for governmental activities, resulting from modified cash basis transactions, amounted to \$ 12,416,911 and \$ 12,104,639 respectively.

For the year ended December 31, 2011, total disbursements for governmental activities, resulting from modified cash basis transactions, amounted to \$ 12,696,791. Of these total disbursements, taxpayers and other general revenues funded \$ 8,551,658 while those directly benefiting from the program funded \$ 2,152,001 from operating grants and contributions and \$ 1,713,252 from charges for services.

Some noteworthy events occurred in 2011 that are highlighted as follows:

- The Township real estate tax for 2011 was 1.64 mills for general purposes, .505 mills for the purchase of fire apparatus and making appropriations to fire companies, and .55 mills for the purpose of debt service related to the acquisition of the Reading Country Club.
- Real estate transfer taxes decreased \$ 209,405 to \$ 298,519. This decrease was due to the sale of the Exeter Commons shopping center in 2010. Had this sale not occurred, the Township would have experienced an increase of approximately \$ 50,595.
- Earned income taxes increased \$ 98,263 or 3% from 2010.
- Operating grants and contributions increased \$ 519,504 from 2010. A majority of the increase was due to the \$ 242,370 increase in state aid for the municipal pensions and the \$ 118,535 increase in the state aid passed through to the Exeter Volunteer Fire Relief Association.

Business-Type Activities

In reviewing the business-type activities net revenues/expenditures resulting from modified cash basis transactions, there are certain activities that need to be examined more closely. The business-type activities reported a net loss before transfers of \$ 61,226, transfers to other funds totaled \$ 240,000, resulting in a decrease in net assets of \$ 301,226. The \$ 295,690 net loss before transfers in the Sewer Fund was attributable to the use of 2009 unspent bond proceeds to pay for the 2011 capital expenditures. The Country Club reported net income before transfers of \$ 234,464 which is used to offset the debt service incurred to purchase the property.

A FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

In reviewing individual funds of the Township, certain funds experienced significant changes to be considered in analyzing the Township's funds:

- Golf Acquisition Fund – During 2011, \$ 124,343 was expended for capital improvements to the Country Club including \$ 43,205 for golf course equipment, \$ 9,334 for improvements to the entrance and outdoor lighting, and \$ 71,804 for the outdoor patio, interior carpet and chairs and point of sale computer system.
- Capital Improvement Fund – During 2011, \$ 195,978 was expended for the LED street light retrofit project, offset by the receipt of \$ 32,708 in rebates. \$ 144,192 was expended for the Butter Lane Box Culvert. \$ 46,768 was expended for the traffic signal pre-emption public safety project.
- Capital Expenditure Fund – During 2011, \$ 28,160 was expended toward the replacement of computer equipment in the police department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The acquisition of capital assets by the Township is reported as expenditures in the year of acquisition in the fund acquiring the related assets.

Long-Term Debt

Proceeds from the acquisition of long-term debt are reported as revenues in the respective fund acquiring the debt in the year the proceeds are received. Correspondingly, debt service payments are reported as expenditures in the year payment is made by the fund making the related debt service payments.

As of December 31, 2011, the Township had \$ 21,854,231 and \$ 29,050,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note 7 to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2011:

	Governmental Activities	Business-Type Activities
Beginning Balance at January 1, 2011	\$ 22,423,418	\$ 30,315,000
Additions	-	-
Principal Payments	(569,187)	(1,265,000)
Ending Balance at December 31, 2011	<u>\$ 21,854,231</u>	<u>\$ 29,050,000</u>

Budgetary Highlights

Over the course of the year, the Township's Board of Supervisors monitored actual results with budgeted results. Although actual results and budgeted results may differ due to circumstances that arise during the course of the year, the Township generally does not amend its budget after adoption.

For the year ended December 31, 2011, General Fund expenditures were \$ 185,117 above final appropriations, while actual revenues available for appropriation were \$ 871,482 above the budgeted amount.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several events have occurred in 2011 that will have a positive benefit on Exeter Township. Rite Aid's construction of its new store at the corner of Route 422 and 47th Street is near completion and plans to open in 2012. The Diamond Federal Credit Union opened its doors for business in 2012. The Pottstown Medical Center opened the Priority Care Medical Center and the Coventry Pediatric Center bringing more access to medical services in the Township. The two Bottom Dollar stores that opened in 2010 are continuing to actively conduct business in the Township. The Township received two grants in 2011. A cash, non-matching grant in the amount of \$83,897 was received from the PA Department of Environmental Protection (DEP) for its recycling program; and a Tree Revitalization matching grant from the Department of PA, Department of Conservation and Natural Resources (DCNR) in the amount of \$17,800 for planting 100 trees in areas within the Township. Matching funds came from developers that were required to either replace the trees removed for development or to provide cash to replace trees anywhere in the Township. Also, in order to spur more commercial economic development to broaden the Township's commercial tax base, a nine-member Economic Development Advisory Council (EDAC) was formed. So far, EDAC has published an advertising-supported, 600- listing Business Directory to encourage those living in the Township and those living in communities bordering the Township to shop at Exeter businesses. The Business Directory has also been placed on the Township website at www.exetertownship.com for more exposure. EDAC has become a member of the Greater Berks County Economic Development group in order to expand its efforts, and holds quarterly business breakfasts for Exeter business leaders. The Township's general tax millage for 2012 remained unchanged at 1.64 mills. Due to the overall economic climate, many revenue sources are expected to remain stagnant or decline through 2012; however, the Township is fortunate to have a healthy General Fund balance to bridge any unexpected shortfalls. In addition, the Debt Service millage remained unchanged at .55 mills. The Fire Tax millage remained unchanged at .505 mills. The Street Light Tax and the Fire Hydrant Tax also remained unchanged.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

The Township's current retail and service industry employment base is strong with several large employers already adding to the local economy. Some of the largest employers within the Township are as follows:

Employer	Number of Employees
Boscov's	973
Godiva Chocolatier	600
Giant Food	332
Wal-Mart	286
Angio Tech Surgical Specialties	285
Genesis Eldercare, Berkshire Center	164
Golden Living Center	125
Target	122
Home Depot	120
Lowe's	119
Redner's	96

During 2012, the Township has budgeted to undertake or complete several major infrastructure and capital projects to add to the overall quality of life in the Township. These projects and the estimated costs include the following:

- Construction of Farming Ridge Park \$ 160,000
- Traffic signal pre-emption public safety project 141,250
- Sewer line replacement and engineering 1,803,700

All of these factors were considered in preparing the Township's budget for the 2012 fiscal year. As a result, General Fund revenues are anticipated to decrease 1.2 percent to \$ 9,129,942, while expenditures are budgeted to decrease 4.2 percent to \$ 9,093,897. Other governmental fund revenues for 2012 are budgeted at \$ 2,739,052, while expenditures are budgeted for \$ 6,298,388. The excess of budgeted expenditures over revenues will be covered by the fund balances at December 31, 2011. Proprietary Fund revenues are budgeted at \$ 7,366,181, while expenditures are budgeted for \$ 7,362,687.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact Exeter Township, 4975 DeMoss Road, Reading, PA 19606.

EXETER TOWNSHIP

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
December 31, 2011

ASSETS	----- Primary Government -----		
	Governmental Activities	Business-Type Activities	Total
Cash:			
Unrestricted	\$ 3,800,465	\$ 3,438,751	\$ 7,239,216
Restricted	2,085,596	3,525,295	5,610,891
Investments	-	7,000,000	7,000,000
Total assets	\$ 5,886,061	\$ 13,964,046	\$ 19,850,107
LIABILITIES AND NET ASSETS			
LIABILITIES, deposits held in escrow	\$ 37,401	\$ -	\$ 37,401
Total liabilities	37,401	-	37,401
COMMITMENTS AND CONTINGENCIES	-	-	-
NET ASSETS			
Unrestricted	4,173,533	10,438,751	14,612,284
Restricted	1,675,127	3,525,295	5,200,422
Total net assets	\$ 5,848,660	\$ 13,964,046	\$ 19,812,706

See Notes to Financial Statements.

EXETER TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2011

		----- Program Revenues -----	
	Expenditures	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Government:			
Governmental activities:			
General government	\$ 709,651	\$ 487,035	\$ 394,468
Public safety	5,828,022	347,854	777,928
Health and human services	38,797	-	1,459
Public works - sanitation	298,987	711,617	-
Public works - highways and streets	2,049,861	5,926	90,838
Culture and recreation	671,817	160,820	33,800
Community development	55,121	-	-
Debt service	1,336,720	-	11,855
Benefits	106,889	-	-
Property and casualty insurance	148,680	-	-
Capital outlay	1,161,284	-	552,526
Miscellaneous	290,962	-	289,127
	<hr/>	<hr/>	<hr/>
Total governmental activities	12,696,791	1,713,252	2,152,001
	<hr/>	<hr/>	<hr/>
Business-type activities:			
Sewer	6,371,894	5,623,090	-
Country Club	2,657,492	2,884,950	-
	<hr/>	<hr/>	<hr/>
Total business type activities	9,029,386	8,508,040	-
	<hr/>	<hr/>	<hr/>
Total government	\$ 21,726,177	\$ 10,221,292	\$ 2,152,001
	<hr/>	<hr/>	<hr/>

General revenues:

Taxes:
 Real estate
 Real estate transfer
 Per capita
 Earned income
 Local services
 Business privilege
Interest and rents
Sale of assets
Miscellaneous
Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

Net (Expenditures) Revenue and
 ----- Changes in Net Assets -----

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 171,852	\$ -	\$ 171,852
(4,702,240)	-	(4,702,240)
(37,338)	-	(37,338)
412,630	-	412,630
(1,953,097)	-	(1,953,097)
(477,197)	-	(477,197)
(55,121)	-	(55,121)
(1,324,865)	-	(1,324,865)
(106,889)	-	(106,889)
(148,680)	-	(148,680)
(608,758)	-	(608,758)
(1,835)	-	(1,835)
<u>(8,831,538)</u>	<u>-</u>	<u>(8,831,538)</u>
-	(748,804)	(748,804)
-	227,458	227,458
<u>-</u>	<u>(521,346)</u>	<u>(521,346)</u>
<u>(8,831,538)</u>	<u>(521,346)</u>	<u>(9,352,884)</u>
3,721,056	-	3,721,056
298,519	-	298,519
71,996	-	71,996
3,266,915	-	3,266,915
311,700	-	311,700
408,517	-	408,517
147,219	460,120	607,339
2,291	-	2,291
323,445	-	323,445
240,000	(240,000)	-
<u>8,791,658</u>	<u>220,120</u>	<u>9,011,778</u>
(39,880)	(301,226)	(341,106)
<u>5,888,540</u>	<u>14,265,272</u>	<u>20,153,812</u>
<u>\$ 5,848,660</u>	<u>\$ 13,964,046</u>	<u>\$ 19,812,706</u>

EXETER TOWNSHIP

**STATEMENT OF ASSETS AND FUND BALANCES (DEFICIT) - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2011**

ASSETS	General Fund	Utility Fund
Cash:		
Unrestricted	\$ 3,015,146	\$ 2,095
Restricted	110,512	-
Due (to) from other funds	15,000	(15,000)
Total assets	\$ 3,140,658	\$ (12,905)
LIABILITIES AND FUND BALANCES		
LIABILITIES, deposits held in escrow	\$ 37,401	\$ -
Total liabilities	37,401	-
COMMITMENTS AND CONTINGENCIES	-	-
FUND BALANCES (DEFICIT)		
Restricted	73,812	-
Committed	975,268	-
Unassigned	2,054,177	(12,905)
Total fund balances (deficit)	\$ 3,103,257	\$ (12,905)

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 783,224	\$ 3,800,465
1,975,084	2,085,596
-	-
<u>\$ 2,758,308</u>	<u>\$ 5,886,061</u>

<u>\$ -</u>	<u>\$ 37,401</u>
-	37,401
<u>-</u>	<u>-</u>

1,601,315	1,675,127
1,156,993	2,132,261
-	2,041,272
<u>\$ 2,758,308</u>	<u>\$ 5,848,660</u>

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended December 31, 2011**

	General Fund	Utility Fund
REVENUES		
Taxes:		
Real estate	\$ 2,182,538	\$ 203,050
Real estate transfer	298,519	-
Per capita	71,996	-
Earned income	3,266,915	-
Local services	311,700	-
Business privilege	408,517	-
Licenses and permits	409,710	-
Fines and forfeits	127,643	-
Interest and rents	71,556	637
Intergovernmental revenues	1,462,309	-
Charges for services	1,156,425	-
Miscellaneous	280,900	-
	10,048,728	203,687
Total revenues		
EXPENDITURES		
Current:		
General government	707,375	-
Public safety	5,236,047	89,968
Health and human services	38,797	-
Public works - sanitation	298,987	-
Public works - highways and streets	1,712,264	148,928
Culture and recreation	551,542	-
Community development	39,648	2,176
Debt service:		
Principal	267,992	-
Interest	114,784	-
Benefits	106,889	-
Property and casualty insurance	148,680	-
Capital outlay	163,597	-
Miscellaneous	290,639	-
	9,677,241	241,072
Total expenditures		

Other Governmental Funds	Total Governmental Funds
\$ 1,335,468	\$ 3,721,056
-	298,519
-	71,996
-	3,266,915
-	311,700
-	408,517
-	409,710
-	127,643
75,026	147,219
689,692	2,152,001
19,474	1,175,899
42,545	323,445
<hr/>	<hr/>
2,162,205	12,414,620

2,276	709,651
502,007	5,828,022
-	38,797
-	298,987
188,669	2,049,861
120,275	671,817
13,297	55,121
127,968	395,960
825,976	940,760
-	106,889
-	148,680
997,687	1,161,284
323	290,962
<hr/>	<hr/>
2,778,478	12,696,791

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS (CONTINUED)**

**GOVERNMENTAL FUNDS
Year Ended December 31, 2011**

	General Fund	Utility Fund
Excess (deficiency) of revenues over (under) expenditures	\$ 371,487	\$ (37,385)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,455	-
Transfers out	(70,069)	-
Sale of assets	2,291	-
Total other financing sources (uses)	(66,323)	-
Net change in fund balances	305,164	(37,385)
Fund balances, beginning of year	2,798,093	24,480
Fund balances (deficit), end of year	\$ 3,103,257	\$ (12,905)

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
<u>\$ (616,273)</u>	<u>\$ (282,171)</u>
440,069	441,524
(131,455)	(201,524)
<u>-</u>	<u>2,291</u>
<u>308,614</u>	<u>242,291</u>
(307,659)	(39,880)
<u>3,065,967</u>	<u>5,888,540</u>
<u><u>\$ 2,758,308</u></u>	<u><u>\$ 5,848,660</u></u>

EXETER TOWNSHIP

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2011**

ASSETS	Sewer	Country Club	Total
Cash:			
Unrestricted	\$ 2,865,910	\$ 572,841	\$ 3,438,751
Restricted	3,525,295	-	3,525,295
Investments	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>
Total assets	<u><u>\$ 13,391,205</u></u>	<u><u>\$ 572,841</u></u>	<u><u>\$ 13,964,046</u></u>
LIABILITIES AND NET ASSETS			
COMMITMENTS AND CONTINGENCIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS			
Unrestricted	9,865,910	572,841	10,438,751
Restricted	<u>3,525,295</u>	<u>-</u>	<u>3,525,295</u>
Total net assets	<u><u>\$ 13,391,205</u></u>	<u><u>\$ 572,841</u></u>	<u><u>\$ 13,964,046</u></u>

See Notes to Financial Statements.

EXETER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended December 31, 2011**

	Sewer	Country Club	Total
OPERATING REVENUES			
Sewer charges	\$ 5,309,131	\$ -	\$ 5,309,131
Tapping fees	241,535	-	241,535
Charges for services	-	2,884,950	2,884,950
Miscellaneous	72,424	-	72,424
	<u>5,623,090</u>	<u>2,884,950</u>	<u>\$ 8,508,040</u>
OPERATING EXPENDITURES			
Wastewater collection and treatment	2,731,974	-	2,731,974
Culture and recreation expenses	-	2,655,873	2,655,873
Capital outlay	950,182	1,619	951,801
	<u>3,682,156</u>	<u>2,657,492</u>	<u>6,339,648</u>
Operating income	<u>1,940,934</u>	<u>227,458</u>	<u>2,168,392</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	453,114	7,006	460,120
Fiscal agent fees	(250)	-	(250)
Debt service:			
Principal	(1,265,000)	-	(1,265,000)
Interest	(1,424,488)	-	(1,424,488)
	<u>(2,236,624)</u>	<u>7,006</u>	<u>(2,229,618)</u>
Income (loss) before other financing sources (uses)	<u>(295,690)</u>	<u>234,464</u>	<u>(61,226)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(240,000)	(240,000)
	<u>-</u>	<u>(240,000)</u>	<u>(240,000)</u>
Change in net assets	<u>(295,690)</u>	<u>(5,536)</u>	<u>(301,226)</u>
Net assets, beginning of year	<u>13,686,895</u>	<u>578,377</u>	<u>14,265,272</u>
Net assets, end of year	<u>\$ 13,391,205</u>	<u>\$ 572,841</u>	<u>\$ 13,964,046</u>

See Notes to the Financial Statements.

EXETER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

Exeter Township, Pennsylvania (the "Township"), founded in 1741, has an approximate population of 25,550, based on a 2010 census report, living within an area of 24.1 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Berks County.

A summary of the Township's significant accounting policies follows:

These financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. THE FINANCIAL REPORTING ENTITY

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include the government, organizations for which the government is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The component units, as determined under the above criteria and as discussed below, are not included in the Township's reporting entity as these financial statements include only the modified cash activities of the primary government.

Exeter Township, Berks County, Authority:

Exeter Township, Berks County, Authority (the "Authority") is governed by a five-member board appointed by the Township Board of Supervisors. Although it is legally separate from the Township, the Authority is a component unit and its primary purpose is to provide sewer utilities to the Township.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

A. THE FINANCIAL REPORTING ENTITY (CONTINUED)

Exeter Community Library:

The Exeter Community Library (the "Library") is governed by a nine-member self-appointed board. Although it is legally separate from the Township, the Library is a component unit and its primary purpose is to provide library services to the Township.

B. BASIS OF PRESENTATION

Government-wide financial statements:

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

Fund financial statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or types, and total assets, liabilities, revenues or expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

The funds of the financial reporting entity are described below:

Governmental funds:

Governmental funds are those through which most governmental functions of the Township 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 funds:

General Fund - is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for or reported in another fund.

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted, committed or assigned revenues should be the foundation for a special revenue fund. The reporting entity includes the following special revenue fund, which is reported as a major fund:

Utility Fund - is used to account for the assessment received from property owners benefiting from public street lighting and fire hydrant service and the expenditures incurred by the Township to provide these services.

The reporting entity includes the following special revenue funds, which are reported as nonmajor funds:

Fire Fund - is used to account for revenues generated from the .505 mill assessment received from Township residents for the purpose of providing support for the Township's volunteer fire department.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Detention Pond/Storm Water Fund - is used to account for monies received from developers for the acceptance of Deeds of Dedication for detention or retention ponds within the Township.

K-9 Fund - is used to account for contributions to be used specifically for the improvement and continuation of the police K-9 program.

Park Improvement Fund - is used to account for monies received from developers to be used in the acquisition, improvement and/or maintenance of public open space areas.

State Liquid Fuels Highway Aid Fund - is used to account for the proceeds from the State Motor License Fund. 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 are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Capital Project Funds - are used to account for and report financial resources that are restricted, committed or assigned expenditures for capital outlays, including the acquisition or construction of major capital improvements. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. The reporting entity includes the following capital project funds, which are reported as nonmajor funds:

Capital Expenditure Fund - is used to account for the financial resources to be used for the acquisition of assets.

Capital Improvement Fund - is used to account for the financial resources to be used primarily for storm sewer improvements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Golf Acquisition Fund - is used to account for the financial resources to be used to acquire and make improvements to a municipal golf course and banquet facility within the Township.

Apparatus Fund - is used to account for the financial resources to assist the fire company in purchasing equipment.

Traffic Improvement Fund - is used to account for the collection of transportation impact assessments against new developments that adversely affect the transportation facilities within the Township.

Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest (debt service) resources. This Fund includes financial resources that are being accumulated for principal and interest maturing in future years, and also includes financial resources that are legally mandated to be accounted for and reported in a debt service fund.

Proprietary funds:

Enterprise Funds - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds, which are reported as major funds:

Sewer Fund - is used to account for the operation of the sewer system, which is operated as a public utility.

Country Club Fund - is used to account for the operation of the Reading Country Club.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the primary government financial statements.

Modified cash basis:

The Township's policy is to prepare its financial statements on the modified cash basis under which only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation, which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present the financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Measurement focus:

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITY ACCOUNTING POLICY DISCLOSURES

Cash:

The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash.

For the purpose of financial reporting, cash includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments:

The Board of Supervisors is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments 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 federal government, 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.

Investments are carried at cost.

Due to and from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITY ACCOUNTING POLICY DISCLOSURES (CONTINUED)

Capital assets:

Purchased capital assets are recorded as expenditures in the governmental fund types. Proprietary fund type capital assets are recorded as expenditures in the fund in which they are utilized. Infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are recorded as expenditures in the fund types expending the funds.

Long-term debt:

Debt proceeds from issuance of long-term debt are reported as other financing sources, and the payment of principal and interest is reported as expenditures in the fund financial statements and government-wide statements. Debt service expenditures are recognized in the period paid.

Compensated absences:

Compensated absences for vacation and sick leave are recorded when paid.

E. EQUITY

Government-wide statements:

GASB Statement No. 34 requires the classification of net assets into the following three components:

Invested in capital assets, net of related debt - This component of net assets consists of the cost of capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

Restricted - This component of net assets consists of constraints placed on net asset use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

E. EQUITY (CONTINUED)

Government-wide statements (continued):

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements:

The Township adopted GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. GASB 54 establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically designed classifications and clarifies definitions as follows:

Nonspendable - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted - This classification consists of amounts that are restricted to specific purposes either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

Committed - This classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end; however, the amount may be determined subsequent to year-end.

Assigned - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted nor committed.

Unassigned - This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

E. EQUITY (CONTINUED)

Fund financial statements (continued):

Fund balances of the Township's governmental funds at January 1, 2011 have been restated to reflect the above classifications as follows:

	Restricted	Committed	Unassigned	Total Fund Balance
General Fund	\$ 81,775	\$ 455,772	\$ 2,260,546	\$ 2,798,093
Utility Fund	-	24,480	-	24,480
Other governmental funds	<u>2,071,456</u>	<u>994,511</u>	<u>-</u>	<u>3,065,967</u>
	<u>\$ 2,153,231</u>	<u>\$ 1,474,763</u>	<u>\$ 2,260,546</u>	<u>\$ 5,888,540</u>

F. REVENUES AND EXPENDITURE POLICY DISCLOSURES

Program revenues:

All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (1) charges to customers or applicants for goods and services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUES AND EXPENDITURE POLICY DISCLOSURES (CONTINUED)

Program revenues (continued):

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are sewer usage charges. The Township also recognizes as operating revenues, the portion of tapping fees intended to recover the cost of connecting new customers to the system. Operating expenditures of the sewer and Country Club funds include the cost of the services. All revenues and expenditures not meeting this definition are reported as nonoperating revenues and expenditures. The principal nonoperating revenues of the Township's proprietary fund are interest income and transfers in and transfers out. The principal operating revenues of the Country Club Fund are charges for services at the Country Club.

Property taxes:

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2011 was 2.695 mills, consisting of 1.64 mills for general purposes, .505 mills for purchase of fire apparatus and .55 mills for debt service, as established by the Board of Supervisors. Current tax collections for the Township were approximately 97% of the total tax levy.

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The taxes are collected by elected local tax collectors. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after June 30. The County of Berks Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the County Tax Claim Bureau is made by January 15 of the subsequent year.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUES AND EXPENDITURE POLICY DISCLOSURES (CONTINUED)

Intergovernmental revenues:

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies and local governmental units, generally to fund specific programs and are recognized when received.

Expenditures/expenses:

Expenditures and expenses are recognized when paid.

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

Fund financial statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund services:

Sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund reimbursements:

Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

Interfund transfers:

Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

NOTES TO FINANCIAL STATEMENTS

Note 2. Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2010 and the cash received for the year ended December 31, 2011. Expenditures exceeded appropriations at the legal level of control in the following funds:

General Fund	\$ 185,117
Utility Fund	49,072

A nonbudgeted pass-through grant amount of \$ 339,442 was included in the expenditures of the General Fund. Both the grant revenue and expenditure were recorded in 2011, resulting in no net effect on fund balance. In the Utility Fund, cost savings from replacing street lights with LED lights were not realized until later in the year than was planned.

Note 3. Stewardship, Compliance and Accountability

Compliance with finance-related legal and contractual provisions:

The Township had no material violations of finance-related legal and contractual provisions.

Note 4. Deposits and Investments

The Township's available cash is invested in demand deposit accounts and a certificate of deposit. The carrying amount of cash and investments at December 31, 2011 consist of the following:

Demand deposits	\$ 12,847,905
Time deposit	7,000,000
Petty cash	<u>2,202</u>
	<u>\$ 19,850,107</u>

Reconciliation to statement of net assets/balance sheet:

Cash:	
Unrestricted	\$ 7,239,216
Restricted	<u>5,610,891</u>
	12,850,107
Investments, business-type activities	<u>7,000,000</u>
	<u>\$ 19,850,107</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Deposits and Investments (Continued)

Custodial credit risk - deposits:

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. At December 31, 2011, the carrying amount of the Township's bank deposits was \$ 19,847,905 and the corresponding bank balances were \$ 20,123,556, of which \$ 500,000 was covered by Federal Depository Insurance. The remaining \$ 19,623,556 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Note 5. Restricted Assets

Cash and investments whose use is limited to a specific purpose have been classified as "restricted" in the financial statements. Restricted assets at December 31, 2011 consist of the following:

Governmental activities:

General Fund:

Police equipment	\$ 69,405
Fire police	1,378
Developer escrows	36,701
Police National Night Out committee	2,915
Berks County Emergency Response Team	113
K-9 Fund	3,677
Park Improvement Fund, grant funds	10,852
State Liquid Fuels Highway Aid Fund	174,437
Capital Improvement Fund	361,585
Golf Acquisition Fund	845,879
Traffic Improvement Fund	204,885
Debt Service Fund	<u>373,769</u>

Total governmental activities	<u>2,085,596</u>
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Business-type activities:

Sewer Fund, unspent note proceeds, Series A of 2009	<u>3,525,295</u>
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Total business-type activities	<u>3,525,295</u>
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	<u>\$ 5,610,891</u>
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NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2011 were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,455	\$ 70,069
Fire Fund	-	130,000
K-9 Fund	-	1,455
Capital Expenditure Fund	70,069	-
Apparatus Fund	130,000	-
Debt Service Fund	<u>240,000</u>	<u>-</u>
Total Governmental Funds	441,524	201,524
Proprietary Fund, Country Club Fund	<u>-</u>	<u>240,000</u>
	<u>\$ 441,524</u>	<u>\$ 441,524</u>

The composition of interfund balances as of December 31, 2011 is as follows:

	Due To	Due From
General Fund	\$ -	\$ 15,000
Utility Fund	<u>15,000</u>	<u>-</u>
	<u>\$ 15,000</u>	<u>\$ 15,000</u>

Note 7. Long-Term Debt

At December 31, 2011, long-term debt consists of the following:

	Balance Outstanding December 31, 2010	Additions	Payments	Balance Outstanding December 31, 2011
Governmental activities:				
Pennsylvania Infrastructure Investment Authority Loan, initial issue of \$ 299,193, interest due monthly at 1.387%, principal payments due monthly through February 2026	\$ 237,224	\$ -	\$ 12,993	\$ 224,231

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

	Balance Outstanding December 31, 2010	Additions	Payments	Balance Outstanding December 31, 2011
Governmental activities (continued):				
General Obligation Notes, Series of 2007, in the initial amount of \$ 17,810,000, interest due semiannually at rates ranging from 4.200% to 4.700%, principal due annually through August 2046	\$ 17,700,000	\$ -	\$ 40,000	\$ 17,660,000
General Obligation Notes, Series 01 of 2008, in the initial amount of \$ 500,000, principal and interest due monthly at 3.730%, principal through July 2013. Of the total payment of \$ 261,194, \$ 173,226 was paid directly by the fire company	261,194	-	261,194	-
General Obligation Notes, Series A of 2009, in the initial amount of \$ 4,316,556, interest due semiannually at rates ranging from 1.000% to 4.100%, principal due annually through July 2024	<u>4,225,000</u>	<u>-</u>	<u>255,000</u>	<u>3,970,000</u>
Total governmental activities	<u>22,423,418</u>	<u>-</u>	<u>569,187</u>	<u>21,854,231</u>
Business-type activities:				
General Obligation Notes, Series of 2007, in the initial amount of \$ 21,380,000, interest due semiannually at rates ranging from 4.750% to 5.300%, principal due annually through July 2021	17,960,000	-	1,255,000	16,705,000

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

	Balance Outstanding December 31, 2010	Additions	Payments	Balance Outstanding December 31, 2011
Business-type activities (continued):				
General Obligation Notes, Series A of 2009, in the initial amount of \$ 12,358,444, interest due semiannually at rates ranging from 1.000% to 4.100%, principal due annually through July 2026	<u>\$ 12,355,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 12,345,000</u>
Total business-type activities	<u>30,315,000</u>	<u>-</u>	<u>1,265,000</u>	<u>29,050,000</u>
Total debt	<u>\$ 52,738,418</u>	<u>\$ -</u>	<u>\$ 1,834,187</u>	<u>\$ 50,904,231</u>

Aggregate maturities required on long-term debt at December 31, 2011 are as follows:

Governmental activities:

	Principal	Interest	Total Debt Service
2012	\$ 318,105	\$ 948,894	\$ 1,266,999
2013	323,473	941,414	1,264,887
2014	333,852	933,822	1,267,674
2015	339,241	924,558	1,263,799
2016	344,641	915,846	1,260,487
2017-2021	1,924,611	4,406,056	6,330,667
2022-2026	2,295,308	4,019,108	6,314,416
2027-2031	2,750,000	3,485,862	6,235,862
2032-2036	3,450,000	2,790,915	6,240,915
2037-2041	4,330,000	1,908,040	6,238,040
2042-2046	<u>5,445,000</u>	<u>791,245</u>	<u>6,236,245</u>
	<u>\$ 21,854,231</u>	<u>\$ 22,065,760</u>	<u>\$ 43,919,991</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Business-type activities:

	Principal	Interest	Total Debt Service
2012	\$ 1,330,000	\$ 1,361,537	\$ 2,691,537
2013	1,405,000	3,054,830	4,459,830
2014	1,475,000	1,223,795	2,698,795
2015	1,550,000	1,148,341	2,698,341
2016	1,630,000	1,067,587	2,697,587
2017-2021	9,590,000	4,043,325	13,633,325
2022-2026	<u>12,070,000</u>	<u>1,517,540</u>	<u>13,587,540</u>
	<u>\$ 29,050,000</u>	<u>\$ 13,416,955</u>	<u>\$ 42,466,955</u>

Substantially all of the Township's assets are pledged as collateral to the long-term debt.

Derivative financial instrument:

In 2005, the Township entered into a forward interest rate basis swap agreement with a financial institution in conjunction with its General Obligation Notes, Series of 2005. The financial institution is a floating rate payer based upon 67% of USD-LIBOR-BBA plus 20 basis points. The Township is a floating rate payer based upon the BMA Municipal Bond Index as published by Municipal Market Data (or its successor). The interest rate basis swap was transferred to the Township's General Obligation Note, Series of 2007.

The swap is an investment derivative. The fair value (liability) as of December 31, 2011 was as follows:

Notional Amount	Effective Date	Maturity Date	January 1, 2011, Beginning	Increase (Decrease)	December 31, 2011, Ending
\$ 16,705,000	February 15, 2005	July 15, 2021	\$ (278,694)	\$ (164,150)	\$ (114,544)

Through the use of derivatives, the Township is exposed to a variety of risks, including credit risk and interest rate risk.

Credit risk:

As of December 31, 2011, the Township was not exposed to credit risk because the swap had a negative fair value; however, should interest rates change and the fair value of the swap become positive, the Township would be exposed to credit risk in the amount of the derivative's fair value. As of December 31, 2011, the counterparty was rated Aa2 by Moody's Investors service and AA- by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Derivative financial instrument (continued):

Basis risk:

The Township is exposed to basis risk under the 2007 basis swap to the extent that SIFMA trades at a greater than expected percentage of LIBOR for an extended period of time and/or in a high interest rate environment.

Termination risk:

The swap was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Township or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the Township will be responsible for the underlying variable rate bond obligation. Also, if at the time of termination the swap has a negative fair value, the Township would be liable to the counterparty for a payment equal to the swap's fair value.

Tax risk:

The Township is exposed to tax risk under the 2007 basis swap as the Township received a payment equal to 67% of LIBOR plus a Fixed Spread and makes a payment equal to 100% of SIFMA. As the relationship of SIFMA to LIBOR is based primarily on the benefit received by holders of tax-exempt debt, any change in the benefit of tax-exemption will result in a concurrent change of the benefit of the 2007 basis swap. Any decrease in marginal tax rates, or similar tax law changes, will negatively impact the cash flow benefit resulting from the 2007 basis swap. Alternatively, any increase in marginal tax rates will positively impact the cash flow benefit. There can be no assurances that marginal tax rates or the benefit of tax exemption on municipal bonds will not change during the life of the 2007 basis swap. In addition, as was discussed previously, tax risk and basis risk are increased as the level of interest rates rises, resulting in the possibility of larger negative (or positive) cash flows from the 2007 basis swap. Although no representation can be made in regards to future tax changes, the overall risk to the Township is reduced as the underlying Series 2007 Bonds amortize (and resulting amortization of the 2007 basis swap occurs) and is also mitigated as time elapses the present value cost of any negative tax changes is less in the future.

NOTES TO FINANCIAL STATEMENTS

Note 8. Fund Balance

Fund balances of the Township's governmental funds at December 31, 2011 consist of the following:

	Restricted	Committed	Unassigned	Total Fund Balance
Reported in:				
General Fund	<u>\$ 73,812</u>	<u>\$ 975,268</u>	<u>\$ 2,054,177</u>	<u>\$ 3,103,257</u>
Utility Fund	<u>-</u>	<u>-</u>	<u>(12,905)</u>	<u>(12,905)</u>
Other governmental funds:				
Fire protection	-	66,046	-	66,046
Detention pond/storm water maintenance	-	74,996	-	74,996
K-9 program	3,677	-	-	3,677
Parks	10,852	251,097	-	261,949
Public works, highways and streets	174,437	-	-	174,437
Debt service	-	373,769	-	373,769
Capital projects	<u>1,412,349</u>	<u>391,085</u>	<u>-</u>	<u>1,803,434</u>
	<u>1,601,315</u>	<u>1,156,993</u>	<u>-</u>	<u>2,758,308</u>
	<u>\$ 1,675,127</u>	<u>\$ 2,132,261</u>	<u>\$ 2,041,272</u>	<u>\$ 5,848,660</u>

Fund balance policy:

The Township established and will maintain reservations of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This policy applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs or enhance the financial position of the Township in accordance with policies established by the Board of Supervisors.

Spending policy:

The Township's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

NOTES TO FINANCIAL STATEMENTS

Note 8. Fund Balance (Continued)

Spending policy (continued):

The Township's policy is to use unrestricted fund balance in the following order, committed, assigned and unassigned, when expenditure is incurred for purposes for which each of these fund balance classifications is available.

Minimum fund balance policy:

The Township has not formally adopted a minimum fund balance policy.

Committed fund balance:

The Board of Supervisors is the Township's highest level of decision-making authority. The Township has not formally adopted a policy as to the formal action that is required to be taken to establish, modify or rescind a fund balance commitment.

Assigned fund balance:

The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose and the policy established by the governing body pursuant to which that authorization is given.

Reservations of fund balance:

Restricted - General Fund:

The Township's restricted fund balance in the General Fund consists of contributions from third parties and funds held which are restricted to be used on specific expenditures.

Restricted - Other governmental funds:

The Township hereby establishes the following restricted fund balance reserves in the other governmental funds:

K-9 Program Reserve - The Township's restricted fund balance in the K-9 Fund consists of contributions from third parties which are restricted for Exeter Police K-9 Unit expenses.

Park Improvement Reserve - The Township's restricted fund balance in the Park Improvement Fund consists of unspent grant funds which are restricted for park improvements.

NOTES TO FINANCIAL STATEMENTS

Note 8. Fund Balance (Continued)

Reservations of fund balance (continued):

Restricted - Other governmental funds (continued):

Highways and Streets Reserve - the Township's restricted fund balance in the State Highway Aid Fund consists of proceeds from the State Motor License Fund accounted for in the State Liquid Fuels Highway Aid Fund. Expenditure of these funds is legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

Capital Project Reserves - the Township's restricted fund balances in the Capital Improvement Fund and the Golf Acquisition Fund consist of unspent bond proceeds which are restricted for specific capital projects. The Township's restricted fund balance in the Traffic Improvement Fund consists of unspent grant funds and contributions from third parties restricted for expenditures for traffic improvements.

Committed - General Fund:

The Township's committed fund balance in the General Fund consists of an amount to be used for tree replacement as approved by the Board of Supervisors, a balance to be held for Rate Stabilization related to the Township's swap, as set forth by Township Ordinance and contract commitments.

Committed - Utility Fund:

The Township's committed fund balance in the Utility Fund, as set forth by Township ordinance, consists of funds to be used for public street lighting and fire hydrant services. Revenues are generated from assessments collected from Township residents. At December 31, 2011, this fund balance is a deficit; therefore, the amount is reported as unassigned fund balance.

Committed - Other governmental funds:

The Township hereby establishes the following committed fund balance reserves in the other governmental funds:

Fire Protection Reserve - is committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for support of the volunteer fire department and is generated from the .505 mill assessment received from Township residents.

Detention Pond/Storm Water Reserve - is committed by the Township Board of Supervisors, as set forth by Township Ordinance, to provide funds for the maintenance of detention ponds and storm water systems within the Township.

NOTES TO FINANCIAL STATEMENTS

Note 8. Fund Balance (Continued)

Reservations of fund balance (continued):

Committed - Other governmental funds (continued):

Park Improvement Reserve - is committed by the Township Board of Supervisors, as set forth by Township Ordinance, to collect certain fees to be used for park improvement projects within the Township.

Capital Project Reserves - the Township's committed fund balances in the Capital Expenditure Fund and Apparatus Fund are committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for capital projects.

Debt Service Reserve - is committed by the Township Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for the repayment of principal and interest on Township debt.

Disbursement of fund balance reserves:

No formal policy has been adopted by the Township regarding disbursement of funds within the fund balance reserves; however, disbursement is approved by the Board of Supervisors by inclusion in the approved annual budget and amendments thereto.

Annual review and determination of fund balance reserve amounts:

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and the amounts of nonspendable, restricted, committed, assigned and the minimum level of unassigned fund balance shall be determined during this process.

Note 9. Pension Plans

The Township administers and contributes to two defined benefit pension plans: the Exeter Township Police Pension Plan and the Exeter Township Employees' Pension Plan. The assets of the 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.

Valuation of investments:

All investments of the pension plans are reported at fair value based on quoted market values.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Plan description and funding policy:

Exeter Township Police Pension Plan:

Plan description:

The Exeter Township Police Pension Plan (the "Police Plan") provides retirement benefits, as well as death and disability benefits. All benefits vest after 12 years of service. Employees who retire at or after age 50 with 25 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their average monthly pay, plus a service increment equal to \$ 50 per year of service in excess of 25 years of service, up to a maximum service increment of \$ 100 per month. Average monthly pay is based upon the last 36 months of employment. An option for early retirement is available for employees after completion of 20 years of service.

Contributions:

Active, covered employees are required to contribute to the Police Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Police Plan. The current rate is 15.3% of annual covered payroll. Employees currently contribute to the Police Plan at a rate of 8.0% of their compensation for 2011. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Exeter Township Employees' Pension Plan:

Plan description:

The Exeter Township Employees' Pension Plan (the "Employees' Plan") provides retirement benefits, as well as death and disability benefits. All benefits vest at 100% after five years of service. Employees who retire at or after age 62 and completion of five years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.75% of average monthly pay multiplied by the number of years of service. If a member was a participant prior to December 31, 1995, an additional monthly benefit is payable of \$ 10 multiplied by the number of years of service as of December 31, 1995. Average monthly pay is based upon the employee's last 36 months of W-2 earnings excluding unused vacation, sick and personal days. An option for early retirement is available for employees who reach the age of 55 and have completed 15 years of service.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Plan description and funding policy (continued):

Exeter Township Employees' Pension Plan (continued):

Contributions:

Active, covered employees are required to contribute to the Employees' Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Employees' Plan. The current rate is 7.9% of annual covered payroll. Member contributions are currently suspended. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Annual pension cost and net pension obligation (asset):

The Township's annual pension cost and net pension obligation (asset) to the pension plans for the current year are as follows:

	Police Plan	Employees' Plan
Annual required contribution	\$ 447,195	\$ 107,469
Adjustment to annual required contribution	-	-
Annual pension cost	447,195	107,469
Contributions made	447,195	107,469
Change in net pension obligation (asset)	-	-
Net pension obligation (asset), beginning of year	-	-
Net pension obligation (asset), end of year	\$ -	\$ -

Exeter Township Police Pension Plan:

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Annual pension cost and net pension obligation (asset) (continued):

Exeter Township Police Pension Plan (continued):

Three-year trend information:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/09	\$ 254,354	100%	\$ -
12/31/10	\$ 268,564	100%	\$ -
12/31/11	\$ 447,195	100%	\$ -

Exeter Township Employees' Pension Plan:

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

Three-year trend information:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/09	\$ 100,572	100%	\$ -
12/31/10	\$ 102,880	100%	\$ -
12/31/11	\$ 107,469	100%	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Funded status and funding progress:

The funded status of Exeter Township's Police Pension Plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 9,759,266	\$ 11,371,131	\$ 1,611,865	86%	\$ 2,552,468	63%

The funded status of Exeter Township's Employees' Pension Plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 787,611	\$ 1,320,042	\$ 532,431	60%	\$ 546,007	98%

The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of 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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Plan membership:

Membership in the pension plans as of January 1, 2011, the most recent actuarial valuation date, is comprised of the following:

	Police Plan	Employees' Plan
Active employees	29	8
Retirees and beneficiaries currently receiving benefits	11	4
Terminated employees entitled to benefits, but not yet receiving benefits	<u>1</u>	<u>4</u>
	<u>41</u>	<u>16</u>

Note 10. Central Pennsylvania Teamsters Pension Fund

The Township contributes to the Central Pennsylvania Teamsters Pension Fund, a union-sponsored, multi-employer retirement plan in accordance with negotiated labor contracts. The plan covers all of the Township's eligible union employees. Contributions to the plan are based on varying rates for hours worked by the employees. Contributions totaled \$ 177,600 for the year ended December 31, 2011.

Governmental regulations impose certain requirements relative to multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Township has not received information from the plan's administrators to determine its share of unfunded vested benefits. The Township does not anticipate withdrawal from the plan, nor is the Township aware of any expected plan termination.

Note 11. Post-Employment Benefits Other than Pensions

Plan descriptions:

The Township sponsors a post-employment benefits plan that covers health and life insurance benefits for eligible retirees. Groups of retirees that are eligible for these benefits are police, teamsters and management. The plan does not issue a publicly available financial report. Benefit provisions are established and amended through negotiations between the Township and the respective union.

NOTES TO FINANCIAL STATEMENTS

Note 11. Post-Employment Benefits Other than Pensions (Continued)

Funding policy and annual OPEB cost:

The Township currently funds OPEB costs as they occur. For 2011, the Township's estimated contribution to the plan was \$ 69,434 for current premiums, including the implicit rate study.

The Township's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Township's annual OPEB cost for the current year and the related information for each plan are as follows:

Annual required contribution (ARC)	\$	842,145
Interest on net OPEB obligation		75,862
Adjustment to the annual required contribution		<u>(103,495)</u>
Annual OPEB cost		814,512
Contributions made		<u>(69,434)</u>
Increase in net OPEB obligation		745,078
Net OPEB obligation, beginning of year		<u>1,685,827</u>
Net OPEB obligation, end of year		<u>\$ 2,430,905</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for each of the plans were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 654,473	11%	\$ 1,145,822
12/31/2010	645,145	16	1,685,827
12/31/2011	814,512	9	2,430,905

NOTES TO FINANCIAL STATEMENTS

Note 11. Post-Employment Benefits Other than Pensions (Continued)

Funded status and funding progress:

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation, was as follows:

Actuarial present value at attained age (APVAA):	
Active members	\$ 11,666,727
Retired members	<u>1,100,114</u>
Total APVAA	<u>\$ 12,766,841</u>
Actuarial accrued liability (AAL):	
Active members	\$ 6,107,089
Retired members	<u>1,100,114</u>
Total AAL	<u>\$ 7,207,203</u>
Actuarial value of assets (AVA)	<u>\$ -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 7,207,203</u>
Funded ratio	- %
Covered payroll	<u>\$ 4,995,780</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	144%
Annual required contribution (ARC):	
Normal cost	\$ 399,684
30-year amortization of UAAL	<u>442,461</u>
Total ARC	<u>\$ 842,145</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedules of Funding Progress presented as supplementary information provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 11. Post-Employment Benefits Other than Pensions (Continued)

Actuarial methods and assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar method
Remaining amortization period	30-year closed period
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.50% per annum
Projected salary increases	5.00% per annum
Healthcare inflation rate	Declining scale from 8% in 2011, decreasing by .5% each year to 5.5% in 2016.

Note 12. Exeter Township Tax Increment Financing District

In March 2008, the Township, along with the County of Berks and the Exeter Township School District, entered into a Cooperation Agreement with the Berks County Industrial Development Authority (the "Authority"). The Authority has prepared a Tax Increment Financing (TIF) Plan referred to as the Exeter Township TIF District. The agreement sets forth the terms by which Tax Increment Revenues shall be raised from the Exeter Township TIF District and the means of financing, monitoring and directing the implementation of the TIF plan.

NOTES TO FINANCIAL STATEMENTS

Note 12. Exeter Township Tax Increment Financing District (Continued)

Under the terms of this agreement, the taxing bodies (the Township, the County of Berks and the Exeter Township School District) will remit their respective share of the positive real estate tax increments to the Authority. The Authority will deposit these funds into the Tax Increment Fund established for this project and use these funds for repayment of debt service incurred in connection with the project. The Exeter Township TIF District began on December 1, 2007 and has a term of 20 years.

In 2011, the Township remitted \$ 55,121 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

At December 31, 2011, the outstanding balance was \$ 5,812,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

Note 13. Deficit Fund Equity

The Utility Fund has deficit fund equity of \$ 12,905 as of December 31, 2011. The Fund has incurred the deficit due to expenditures in excess of revenues for street lighting and repairs incurred in that Fund. The Township plans to eliminate this deficit through revenues from assessments.

Note 14. Change in Accounting Method

On January 1, 2011, the Township changed its application of the modified cash basis of accounting to exclude certain deferred charges and liabilities on the entity-wide statements. The January 1, 2011 net assets were restated for this change as follows:

	Governmental Activities	Business-type Activities
Net assets, December 31, 2010, as previously reported	\$ (18,421,155)	\$ (16,400,752)
To remove deferred charges	(479,344)	(462,178)
To remove accrued interest payable	401,100	652,890
To remove bond premium payable	-	160,312
To remove long-term liabilities	<u>24,387,939</u>	<u>30,315,000</u>
 Net assets, December 31, 2010, as adjusted	 <u>\$ 5,888,540</u>	 <u>\$ 14,265,272</u>

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

Commitments:

Capital projects:

The Township is committed to make payments on various capital construction projects in the approximate amount of \$ 942,000 at December 31, 2011.

Sewer system management:

The Township entered into an agreement with Exeter Township, Berks County, Authority for the management of Exeter Township's sewer system. Under the terms of the agreement, payments of up to \$ 60,000 from Exeter Township are due the Authority in semiannual payments of \$ 30,000 for administrative expenses through 2022, when the management agreement dated July 15, 2002 expires. For the year ended December 31, 2011, \$ 40,000 was paid to the Authority under this agreement.

Contingencies:

Litigation:

The Township is a defendant in lawsuits that have been referred to the lawyers who represent the Township's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

Concentration of labor:

The Township entered into a collective bargaining agreement with the Police Officers Association, effective January 1, 2005 through December 31, 2009. The Police Officers Association did not request collective bargaining, so the terms and conditions of the agreement became operative for an additional four-year period commencing January 1, 2010 through December 31, 2013. The Township also entered into a collective bargaining agreement with nonuniform employees, effective January 1, 2010 through December 31, 2012. Of the Township's total workforce, 40% is covered by the agreement with the police officers and 49% is covered by the agreement with the nonuniform employees.

Note 16. Subsequent Events

The Township has evaluated subsequent events through July 5, 2012. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2011 were noted.

EXETER TOWNSHIP

SCHEDULES OF FUNDING PROGRESS

Exeter Township Police Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)
January 1, 2007	\$ 8,255,119	\$ 8,410,658	\$ 155,539	98.2%
January 1, 2009	8,211,475	10,186,585	1,975,110	80.6
January 1, 2011	9,759,266	11,371,131	1,611,865	85.8

Exeter Township Employees' Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)
January 1, 2007	\$ 416,016	\$ 957,043	\$ 541,027	43.5%
January 1, 2009	566,223	1,081,790	515,567	52.3
January 1, 2011	787,611	1,320,042	532,431	59.7

Exeter Township Post-Employment Benefits Other than Pensions:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)
January 1, 2008	\$ -	\$ 5,314,263	\$ 5,314,263	- %
January 1, 2011	-	7,207,203	7,207,203	-

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 2,323,358	6.7%
2,538,835	77.8
2,552,468	63.1

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 468,822	115.4%
535,326	96.3
546,007	97.5

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 4,718,187	113.0%
4,995,780	144.0

EXETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

Year Ended December 31, 2011

	- - - - Budgeted Amounts - - - -		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Real estate	\$ 2,176,000	\$ 2,176,000	\$ 2,182,538	\$ 6,538
Real estate transfer	400,000	400,000	298,519	(101,481)
Per capita	71,500	71,500	71,996	496
Earned income	3,200,000	3,200,000	3,266,915	66,915
Local services	300,000	300,000	311,700	11,700
Business privilege	400,000	400,000	408,517	8,517
Licenses and permits	308,900	308,900	409,710	100,810
Fines and forfeits	182,000	182,000	127,643	(54,357)
Interest and rents	60,000	60,000	71,556	11,556
Intergovernmental revenues	817,926	817,926	1,462,309	644,383
Charges for services	1,185,920	1,185,920	1,156,425	(29,495)
Miscellaneous	75,000	75,000	280,900	205,900
Total revenues	9,177,246	9,177,246	10,048,728	871,482
EXPENDITURES				
Current:				
General government	766,836	766,836	707,375	59,461
Public safety	5,021,682	5,021,682	5,236,047	(214,365)
Health and human services	31,300	31,300	38,797	(7,497)
Public works - sanitation	300,000	300,000	298,987	1,013
Public works - highways and street:	1,721,776	1,721,776	1,712,264	9,512
Culture and recreation	569,685	569,685	551,542	18,143
Community development	50,000	50,000	39,648	10,352
Debt service:				
Principal	-	-	267,992	(267,992)
Interest	403,851	403,851	114,784	289,067
Benefits	94,425	94,425	106,889	(12,464)
Property and casualty insurance	166,800	166,800	148,680	18,120
Capital outlay	205,269	205,269	163,597	41,672
Miscellaneous	160,500	160,500	290,639	(130,139)
Total expenditures	9,492,124	9,492,124	9,677,241	(185,117)
Excess (deficiency) of revenues over (under) expenditures	(314,878)	(314,878)	371,487	686,365

EXETER TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (CONTINUED)
GENERAL FUND
Year Ended December 31, 2011**

	- - - - Budgeted Amounts - - - -		Actual	Variance with
	Original	Final	Amounts	Final Budget
OTHER FINANCING SOURCES				
(USES)				
Transfers in	\$ 56,824	\$ 56,824	\$ 1,455	\$ (55,369)
Transfers out	-	-	(70,069)	(70,069)
Sale of assets	-	-	2,291	2,291
Total other financing sources (uses)	<u>56,824</u>	<u>56,824</u>	<u>(66,323)</u>	<u>(123,147)</u>
Net change in fund balance	<u>\$ (258,054)</u>	<u>\$ (258,054)</u>	<u>305,164</u>	<u>\$ 563,218</u>
 Fund balance, beginning of year			<u>2,798,093</u>	
 Fund balance, end of year			<u>\$ 3,103,257</u>	

See Note to Budgetary Comparison Schedules.

EXETER TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
UTILITY FUND
Year Ended December 31, 2011**

	- - - - Budgeted Amounts - - - -		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes, real estate	\$ 199,300	\$ 199,300	\$ 203,050	\$ 3,750
Interest and rents	750	750	637	(113)
Total revenues	200,050	200,050	203,687	3,637
EXPENDITURES				
Current:				
Public safety	102,000	102,000	89,968	12,032
Public works - highway and streets	90,000	90,000	148,928	(58,928)
Community development	-	-	2,176	(2,176)
Total expenditures	192,000	192,000	241,072	(49,072)
Excess (deficiency) of revenues over (under) expenditures	8,050	8,050	(37,385)	(45,435)
Net change in fund balance	\$ 8,050	\$ 8,050	(37,385)	\$ (45,435)
Fund balance, beginning of year			24,480	
Fund balance (deficit), end of year			\$ (12,905)	

See Note to Budgetary Comparison Schedules.

EXETER TOWNSHIP

NOTE TO BUDGETARY COMPARISON SCHEDULES

Note 1. Budget Matters

The Board of Supervisors annually adopts the budget for the General, Utility, Fire, Park Improvement, State Liquid Fuels Highway Aid, Capital Expenditure, Capital Improvement, Golf Acquisition, Apparatus, Traffic Improvement, Debt Service and Sewer and Country Club Funds. Budgetary control is legally maintained at the fund level.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

Appropriations, except open project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements.

EXETER TOWNSHIP

COMBINING STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
OTHER GOVERNMENTAL FUNDS
December 31, 2011

ASSETS	----- Special Revenue Funds -----					----- Capital Project Funds -----					Debt Service Fund	Total Other Governmental Funds
	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
Cash:												
Unrestricted	\$ 66,046	\$ 74,996	\$ -	\$ 251,097	\$ -	\$ 290,774	\$ -	\$ -	\$ 100,311	\$ -	\$ -	\$ 783,224
Restricted	-	-	3,677	10,852	174,437	-	361,585	845,879	-	204,885	373,769	1,975,064
Total assets	<u>\$ 66,046</u>	<u>\$ 74,996</u>	<u>\$ 3,677</u>	<u>\$ 261,949</u>	<u>\$ 174,437</u>	<u>\$ 290,774</u>	<u>\$ 361,585</u>	<u>\$ 845,879</u>	<u>\$ 100,311</u>	<u>\$ 204,885</u>	<u>\$ 373,769</u>	<u>\$ 2,758,308</u>
FUND BALANCES												
Restricted	\$ -	\$ -	\$ 3,677	\$ 10,852	\$ 174,437	\$ -	\$ 361,585	\$ 845,879	\$ -	\$ 204,885	\$ -	\$ 1,601,315
Committed	66,046	74,996	-	251,097	-	290,774	-	-	100,311	-	373,769	1,156,993
Total fund balances	<u>\$ 66,046</u>	<u>\$ 74,996</u>	<u>\$ 3,677</u>	<u>\$ 261,949</u>	<u>\$ 174,437</u>	<u>\$ 290,774</u>	<u>\$ 361,585</u>	<u>\$ 845,879</u>	<u>\$ 100,311</u>	<u>\$ 204,885</u>	<u>\$ 373,769</u>	<u>\$ 2,758,308</u>

See Notes to Financial Statements.

EXETER TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
OTHER GOVERNMENTAL FUNDS
Year Ended December 31, 2011

	----- Special Revenue Funds -----					----- Capital Project Funds -----					Debt Service Fund	Total Other Governmental Funds
	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
REVENUES												
Taxes, real estate	\$ 637,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,426	\$ 1,335,468
Interest and rents	1,168	970	57	3,695	4,798	40,759	6,948	12,303	509	3,819	-	75,026
Intergovernmental revenues	30,600	-	-	33,800	543,438	-	70,000	-	11,854	-	-	689,692
Charges for services	-	-	-	19,474	-	-	-	-	-	-	-	19,474
Miscellaneous	-	9,157	250	-	-	100	33,038	-	-	-	-	42,545
Total revenues	668,810	10,127	307	56,969	548,236	40,859	109,986	12,303	12,363	3,819	698,426	2,162,205
EXPENDITURES												
Current:												
General government	-	2,276	-	-	-	-	-	-	-	-	-	2,276
Public safety	502,007	-	-	-	-	-	-	-	-	-	-	502,007
Public works - highways and streets	-	-	-	-	79,711	-	-	-	-	108,958	-	188,669
Culture and recreation	-	-	-	120,246	-	-	-	29	-	-	-	120,275
Community development	-	-	-	-	-	-	-	-	-	-	13,267	13,297
Debt service:												
Principal	-	-	-	-	-	-	-	-	87,968	-	40,000	127,968
Interest	-	-	-	-	-	-	-	-	6,328	-	819,648	825,976
Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	453,466	32,196	386,938	125,087	-	-	-	997,687
Miscellaneous	-	-	-	-	-	-	-	-	-	-	323	323
Total expenditures	502,007	2,276	-	120,246	533,177	32,196	386,938	125,116	94,296	108,958	873,268	2,778,478
Excess (deficiency) of revenues over (under) expenditures	166,803	7,851	307	(63,277)	15,059	8,663	(276,952)	(112,813)	(81,933)	(105,139)	(174,842)	(616,273)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	70,069	-	-	130,000	-	240,000	440,069
Transfers out	(130,000)	-	(1,455)	-	-	-	-	-	-	-	-	(131,455)
Total other financing sources (uses)	(130,000)	-	(1,455)	-	-	70,069	-	-	130,000	-	240,000	308,614
Net change in fund balances	36,803	7,851	(1,148)	(63,277)	15,059	78,732	(276,952)	(112,813)	48,067	(105,139)	65,158	(307,659)
Fund balances, beginning of year	29,243	67,145	4,825	325,226	159,378	212,042	638,537	958,692	52,244	310,024	308,611	3,065,967
Fund balances, end of year	\$ 66,046	\$ 74,996	\$ 3,677	\$ 261,949	\$ 174,437	\$ 290,774	\$ 361,585	\$ 845,879	\$ 100,311	\$ 204,885	\$ 373,769	\$ 2,758,308

See Notes to Financial Statements.

APPENDIX C

Debt Service Schedule