

EAST LAMPETER TOWNSHIP

Financial Statements

December 31, 2014

WEINHOLD, NICKEL & COMPANY, LLP

Certified Public Accountants

Reamstown, PA 17567

EAST LAMPETER TOWNSHIP

Table of Contents

December 31, 2014

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 26
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	27
Statement of Activities – Modified Cash Basis	28 - 29
Balance Sheet – Governmental Funds – Modified Cash Basis	30 – 31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	32
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis	33 - 34
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Modified Cash Basis	35
Statement of Net Position – Proprietary Fund – Modified Cash Basis	36
Statement of Revenue, Expenses and Changes in Net Position – Proprietary Fund – Modified Cash Basis	37 - 38
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis	39 - 40
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis	41
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis	42
Notes to Financial Statements	43 - 73
OTHER INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds – Modified Cash Basis	74 - 77

EAST LAMPETER TOWNSHIP

Financial Statements

December 31, 2014

WEINHOLD, NICKEL & COMPANY, LLP

Certified Public Accountants

Reamstown, PA 17567

EAST LAMPETER TOWNSHIP

Table of Contents

December 31, 2014

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 26
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	27
Statement of Activities – Modified Cash Basis	28 - 29
Balance Sheet – Governmental Funds – Modified Cash Basis	30 – 31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	32
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis	33 - 34
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Modified Cash Basis	35
Statement of Net Position – Proprietary Fund – Modified Cash Basis	36
Statement of Revenue, Expenses and Changes in Net Position – Proprietary Fund – Modified Cash Basis	37 - 38
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis	39 - 40
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis	41
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis	42
Notes to Financial Statements	43 - 73
OTHER INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds – Modified Cash Basis	74 - 77

INDEPENDENT AUDITOR'S REPORT

Supervisors
East Lampeter Township
Lancaster, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Lampeter Township, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic primary government financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion – Reporting Entity

The financial statements referred to above include only the primary government of East Lampeter Township, Pennsylvania, 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 unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government.

Adverse Opinion – Reporting Entity

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion – Reporting Entity paragraph, the primary government financial statements referred to above do not purport to, and do not present fairly, the modified cash basis financial position of the reporting entity of East Lampeter Township, Pennsylvania, as of December 31, 2014, and the changes in modified cash basis financial position and its cash flows, where applicable, for the year then ended in conformity with the modified cash basis of accounting as described in the notes to the financial statements.

Unqualified Opinions – Primary Government

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of East Lampeter Township, Pennsylvania, as of December 31, 2014, and respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting as described in the notes to the financial statements.

Report on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Township's basic primary government financial statements. The budgetary comparison information and management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Basis of Accounting

We draw attention to the notes of the financial statements that describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Weinhold, Nickel + Company, LLP

May 7, 2015

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

INTRODUCTION

The following discussion and analysis of the financial performance of East Lampeter Township provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. This should be read in conjunction with the financial statements and other information that follow this section.

FINANCIAL HIGHLIGHTS

- The Township's total ending net assets decreased from \$4.92 million to \$4.90 million, a less than 1% decrease. Net assets for Business-Type activities (Sewer Services) decreased by 20%, from \$1.36 million to \$1.09 million. Governmental ending net assets increased 7%, from \$3.56 million to \$3.81 million.
- In 2014, Government-wide revenues decreased by 0.8% and corresponding expenditures increased by 4.2%.
- The Township's General Fund ended the year of 2014 with a fund balance of \$2.7 million which represents 31.5% of the 2014 General Fund expenditures.
- The Township has met all of its required debt service payments and pension obligations during 2014. Total debt outstanding (including lease rental obligations) increased by 6% from \$20.2 million in 2013 to \$21.4 million during 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Basic Annual Financial Report includes all activities for which East Lampeter Township is responsible. This report is comprised of the basic financial statements and supplemental disclosures. Supplemental disclosures are presented to facilitate the reader's understanding of the basic financial statements. The basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements
3. Notes to the financial statements

The Basic Annual Financial report contains other information as well as the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide financial information for the government as a whole, except for fiduciary funds. Governmental activities and business-type activities of the township are presented in separate columns and added together to show a total for the entire township.

- Governmental activities include most of the Township's basic services. These include: general government, police services, fire and ambulance, inspection, planning and zoning, highways and streets, culture and recreation, debt service, and miscellaneous expenses. These activities are financed by taxes, charges for services, investment earnings, sale of assets, and state and county grants.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Government-Wide Financial Statements (cont'd)

- The only Business-type activity of the Township consists of providing sewer services. The Township charges a user fee to customers to cover the cost of operations.
- These government-wide financial statements do not include the East Lampeter Sewer Authority, a legally separate component unit.

Fund Financial Statements

Fund financial statements focus on the individual parts of the Township government. These statements report the Township's operations in more detail than the government-wide reports. East Lampeter Township has three types of funds: governmental funds, proprietary funds and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These funds are concerned with the financial resources received and expended during a fiscal period. The Township maintains seven individual governmental funds. Three of these funds are considered major funds – the General Fund, the Capital Reserve Fund, and the Highway Aid Fund. Information on these funds is presented separately on the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. Data from the other four governmental funds are combined into a single column and presented as Non- Major Funds. The four funds included in this column are: Street Light Fund, Police Forfeiture Fund, Debt Service Fund, and Parkland Capital Reserve.
- *Proprietary funds*, sometimes referred to as Enterprise Funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund provides the same type of information as the government-wide financial statements, only in greater detail. East Lampeter Township uses a proprietary fund to account for its Sewer Fund activities and an Insurance Fund to account for medical insurance activities.
- *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the Township's citizens. The Fiduciary funds are used to account for the Township's two Pension Trust Funds – Police Pension, and the Non-Uniform Pension.

Notes to the Financial Statements

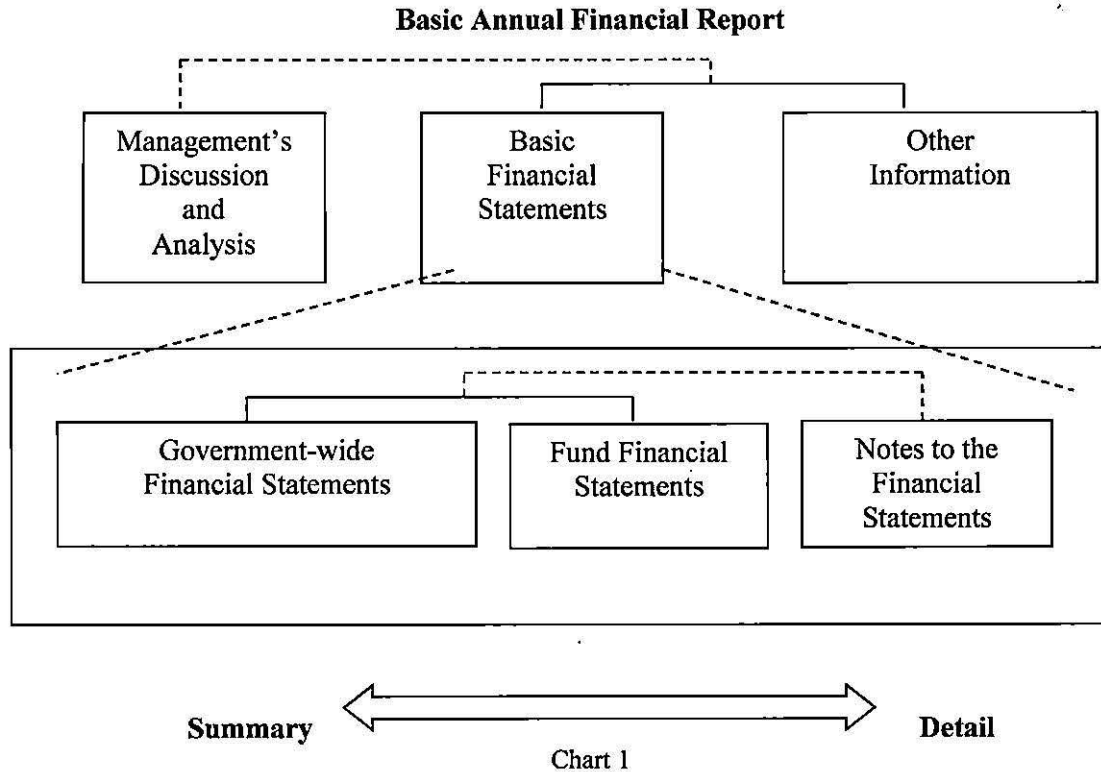
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found later in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain optional other information including this Management's Discussion and Analysis and budgetary comparison schedules for the General Fund and the Highway Aid Fund. Detailed information regarding the pension plans is included in the notes to these financial statements.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

The diagram below illustrates the relationship between all the elements of the Basic Annual Financial Report.



BASIS OF ACCOUNTING

The Township has elected to present its financial statements on a modified cash basis of accounting. As a result of the use of modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, as well as accrued expenses and liabilities) are not recorded in these financial statements. The only assets recorded are cash, investments and inter-fund receivables resulting from cash transactions. The Township has made modifications to the liability accounts to include inter-fund payables resulting from cash transactions, escrow deposits and selected other liabilities. Such modifications are both logical and consistent with Generally Accepted Accounting Principles (GAAP) as to the recording of these liabilities. Neither capital assets and the related depreciation nor long term debt has been recorded in these financial statements.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Net Position - Modified Cash Basis

The Township's combined net position, resulting from modified cash basis transactions, decreased by \$0.27 million (0.5%), remaining at \$4.9 million at the end of 2014.

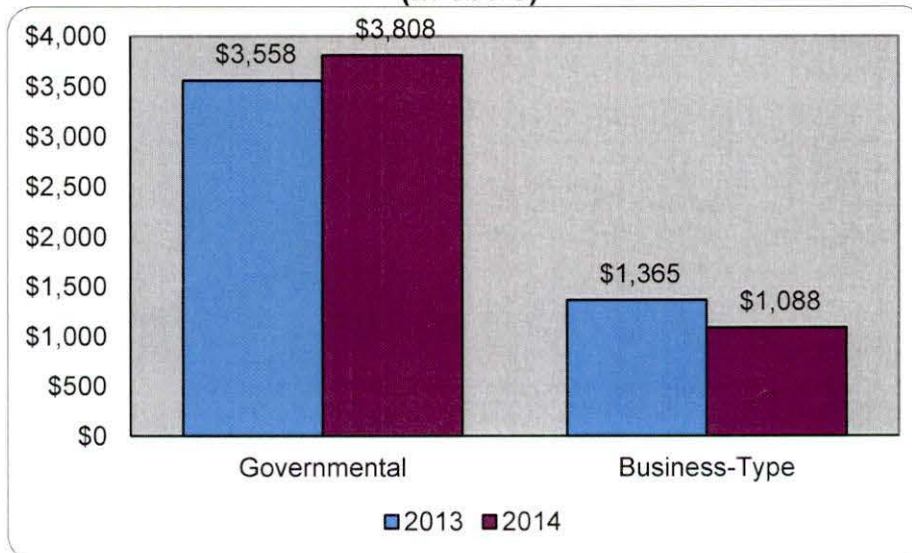
Chart 2

Comparative Statement of Net Position
(000's)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash and Equivalents	\$ 3,913	\$ 3,783	\$ 1,149	\$ 1,340	\$ 5,062	\$ 5,123
Investments	0	0	0	0	0	0
Internal Balances	61	(25)	(61)	25	0	0
Total Assets	\$ 3,974	\$ 3,758	\$ 1,088	\$ 1,365	\$ 5,062	\$ 5,123
Other current liabilities	\$ 166	\$ 200	\$ 0	\$ 0	\$ 166	\$ 200
Unrestricted Net Assets	\$ 3,808	\$ 3,558	\$ 1,088	\$ 1,365	\$ 4,896	\$ 4,923

The graph below illustrates an increase in net position for governmental activities and a decrease in net assets for business-type activities. Governmental revenues increased by \$70 thousand and expenditures increased by \$490 thousand dollars during 2014. Governmental net assets increased 7% compared with a 23% increase in 2013. Net assets of the Township's business-type activities decreased by \$277 thousand or 20%.

Net Position – Modified Cash Basis
(in 000's)



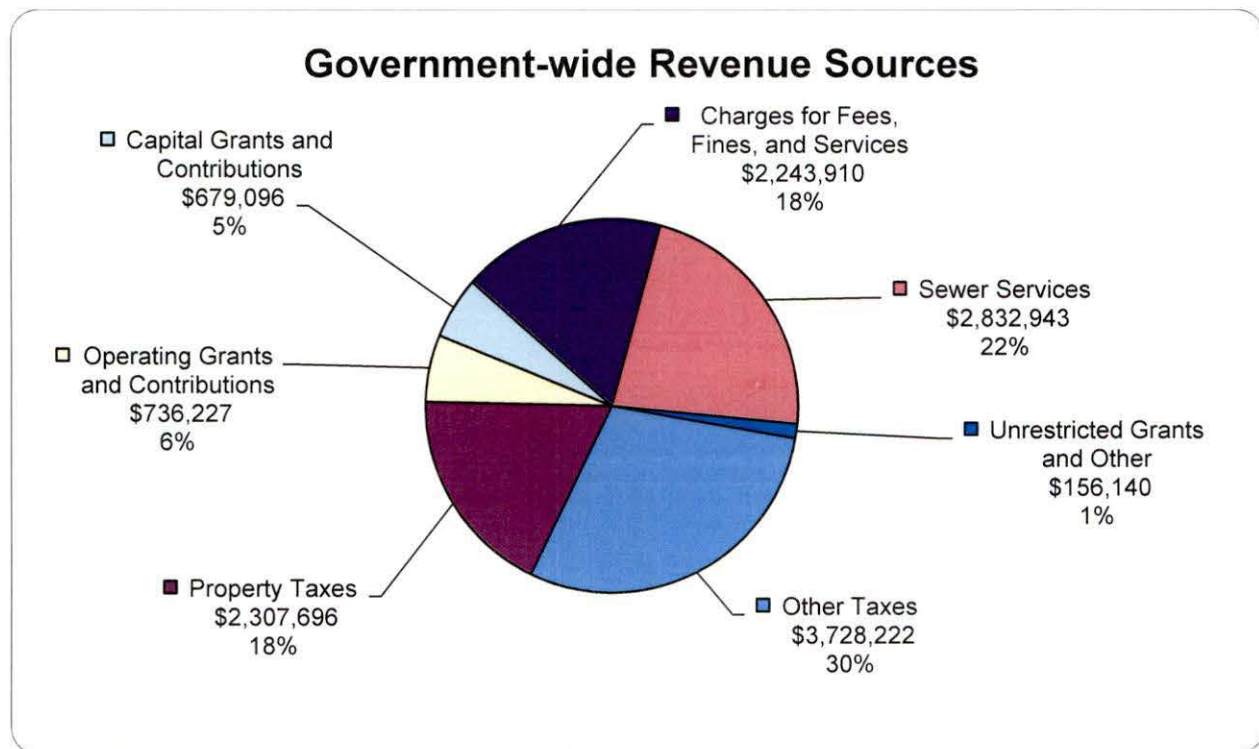
Graph 1

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Statement of Activities—Modified Cash Basis

To aid in the understanding of the Statement of Activities, some additional information is provided. The format is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. The column identified as Direct Expenses shows the direct activity expenses. The column entitled "Indirect Expenses Allocation" lists the applicable internal service costs. The total of these two columns is the expense for each activity. The revenues attributed to each activity are deducted to obtain the net expense of each activity. The column identified as Governmental Activities shows the net expense for each activity.

Government-wide revenues, excluding Fiduciary Funds is \$12.7 million for the year ended December 31, 2014. Graph 2 shows the source of all revenues for both governmental and business-type activities.



Graph 2

The largest type of revenue is General Revenues (revenues not allocable to a specific expense category) of \$6.2 million. Taxes, Unrestricted Contributions, Sale of Assets, and Investment Earnings are considered General Revenues. The other categories are Charges for Sewer Services, Operating Grants and Contributions, Capital Grants and Contributions, and a separate category including Charges for Fees, Fines, and Services. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Statement of Activities—Modified Cash Basis (cont'd)

The following table shows the comparison of revenues received in the years ended December 31, 2014 and December 31, 2013.

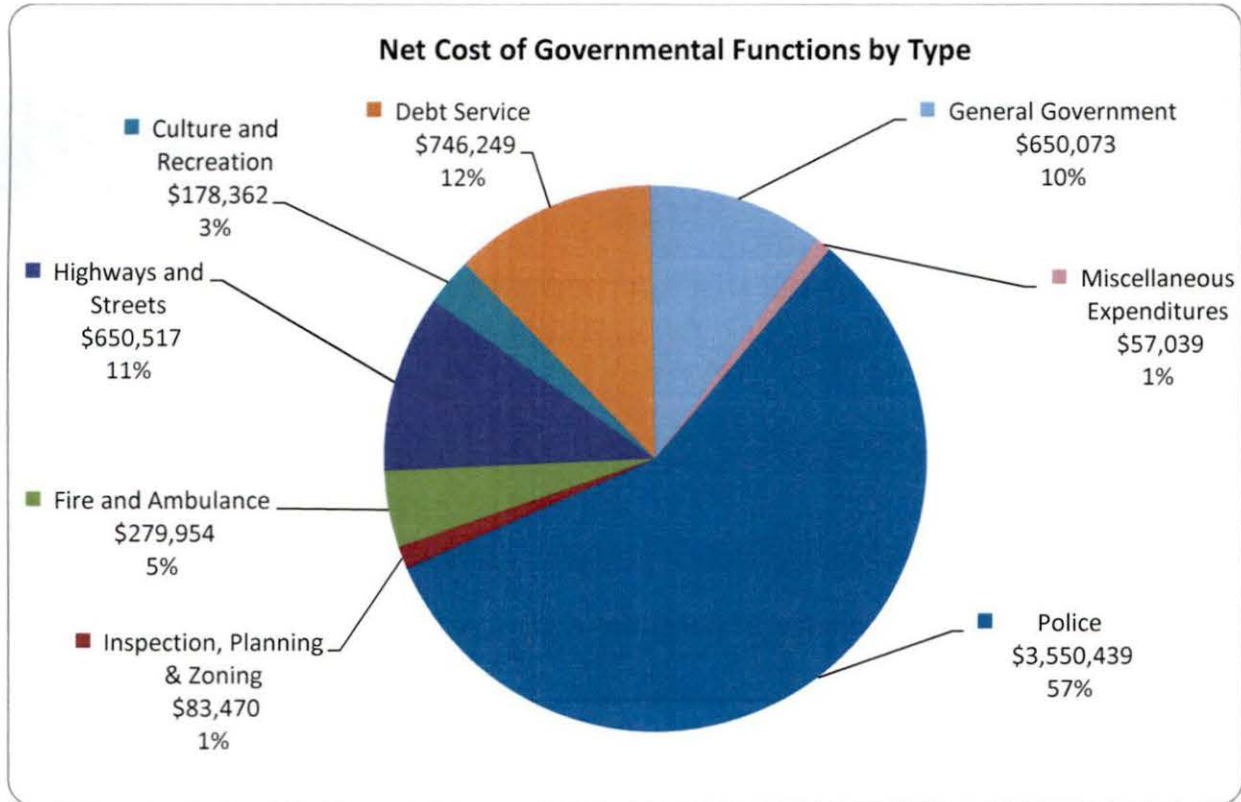
Comparison of Government-Wide Revenue Sources			
Chart 3	2014	2013	Increase (Decrease)
Charges for Fees, Fines & Services	\$ 2,243,910	\$ 2,050,229	\$ 193,681
Sewer Services	2,832,943	2,884,239	(51,296)
Operating Grants and Contributions	736,227	675,723	60,504
Capital Grants and Contributions	679,096	995,812	(316,716)
Unrestricted Grants and Contributions	143,891	154,999	(11,108)
Property Taxes	2,307,696	2,379,516	(71,820)
Other Taxes	3,728,222	3,632,786	95,436
Investment Earnings	6,080	5,654	426
Sale of Assets	6,169	12,224	(6,055)
Total Revenues	<u>\$ 12,684,234</u>	<u>\$ 12,791,182</u>	<u>\$ (106,948)</u>

Total revenues collected in 2014 amounted to \$12.7 million compared to \$12.8 in 2013, a decrease for 2014 of \$0.1 million or 0.8%. The increase in other tax revenues more than offset the decrease in property tax revenues. Increased revenues from charges for services and from operating grants were offset by a greater decrease in capital grants and contributions.

Governmental Activity expenses are presented net of applicable revenues. 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, grants or contributions. Graph 3 shows the net amount that the governmental functions draw from General Revenue and reserves.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Statement of Activities—Modified Cash Basis (cont'd)



Graph 3

Chart 4 shows the net amount that these functions draw from General Revenues in 2014 compared to the draw down in 2013.

Net Cost of Township Governmental Activities - Modified Cash Basis

Chart 4

	2014	2013	Increase (Decrease)
General Government	\$ 650,073	\$ 521,492	\$ 128,581
Police	3,550,439	3,063,019	487,420
Fire and Ambulance	279,954	496,708	(216,754)
Inspection, Planning, and Zoning	83,470	101,344	(17,874)
Highways and Streets	650,517	663,766	(13,249)
Culture and Recreation	178,362	147,355	31,007
Debt Service	746,249	724,959	21,290
Miscellaneous Expenditures	57,039	24,187	32,852
Total	\$ 6,196,103	\$ 5,742,830	\$ 453,273

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Statement of Activities—Modified Cash Basis (cont'd)

General Government – net cost increase due to decrease in Cable Franchise fee. Fees covering four quarters were collected in 2014 compared to six quarters collected in 2013.

Police – the self-insurance cost adjustment was less in 2014 than in 2013 and police forfeitures collected were less in 2014. Increased costs were offset by an increase in charges for services.

Fire and Ambulance – Township assisted with the purchase of a fire department vehicle in 2013 but not in 2014.

Inspection, Planning and Zoning – revenues from services increased more than costs.

Highways and Streets – net cost stable as construction costs decreased about the same as grant revenues decreased.

Culture and Recreation – costs for a potential new park were incurred. Two new part-time employees were hired in 2014.

Debt Service – increased principal paid in 2014.

Miscellaneous Expenditures – included refunds of prior years' admissions taxes paid.

The Net Cost of Governmental Activities was funded by General Revenues as shown below for the years of 2014 and 2013.

Chart 5	2014	2013	Increase (Decrease)
Real Estate Taxes	\$ 2,307,696	\$ 2,379,516	\$ (71,820)
Transfer Taxes	294,633	291,447	3,186
Earned Income Taxes	1,958,248	1,928,236	30,012
Earned Income Taxes-Non-resident	144,760	122,547	22,213
Local Services Tax	641,690	629,893	11,797
Admissions Taxes	688,891	660,663	28,228
PURTA Tax	7,612	7,400	212
Recycling Grant	136,279	147,599	(11,320)
Sale of Assets	6,169	12,224	(6,055)
Investment Earnings	3,503	3,728	(225)
Total General Revenues	<u>\$ 6,189,481</u>	<u>\$ 6,183,253</u>	<u>\$ 6,228</u>

Real Estate Taxes – decrease in taxable property assessments and collection rate.

Earned Income Taxes – non-resident and resident earned income tax collections higher than expected.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Statement of Activities—Modified Cash Basis (cont'd)

Local Services Tax – increase in number of employment within the Township.

Admissions Taxes – area attractions had increased attendance in 2014.

FUND FINANCIAL STATEMENT ANALYSIS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Fund Financial Statement allows the presentation of source and uses and budgeting compliance within the specific fund. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The funds of East Lampeter Township can be divided into three categories: Governmental funds, Proprietary funds and Fiduciary funds. Each category can be viewed and analyzed independently. The balances due between the individual funds on December 31, 2014 are presented below.

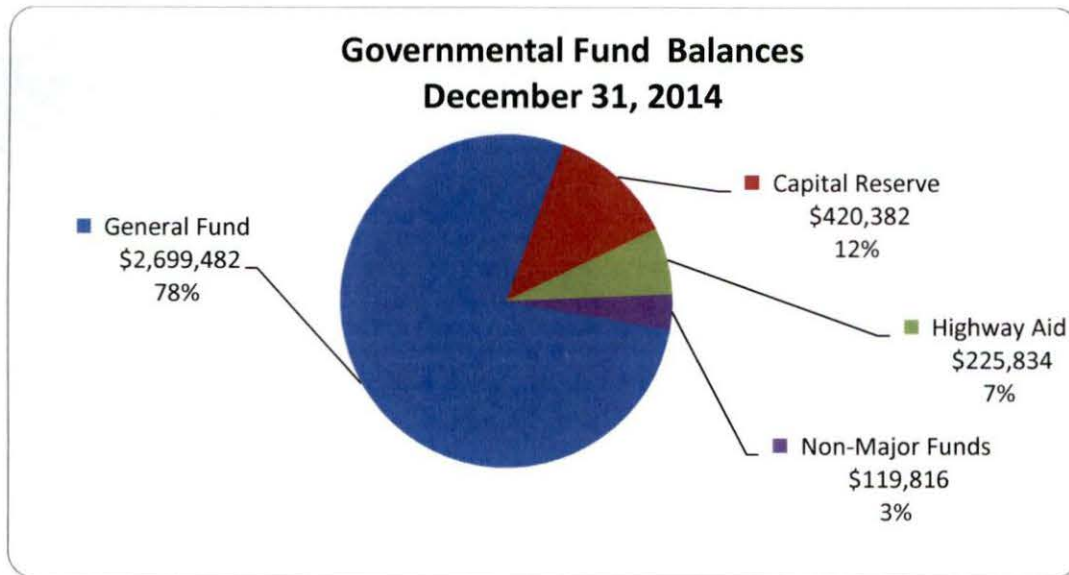
Chart 6	Due to General Fund	Due to Police Forfeiture	Due to Capital Reserve	Total Due From Fund
Due from General Fund	\$ 0	\$ 6,001	\$ 31,567	\$ 37,568
Due from Streetlight Fund	2,297	0	0	2,297
Due from Sewer Fund	60,460	0	0	60,460
Total Due to Fund	<u>\$ 62,757</u>	<u>\$ 6,001</u>	<u>\$ 31,567</u>	<u>\$ 100,325</u>

Governmental Funds

The General Fund is the principal fund that includes all activities except those required to be accounted for in another fund. Thus, it is always considered a major fund. Other funds are established to account for specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Township has established separate funds to isolate project costs, and to control the expenditure of certain grant monies, contributions and assessments. Graph 4 indicates the reserves held by each governmental fund as of December 31, 2014.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Governmental Funds (cont'd)



Graph 4

As of December 31, 2014, the total fund balance of all governmental funds was \$3.5 million. The fund balances equal the available cash balances adjusted by the amounts due to/due from the other funds and certain other liabilities. As of December 31, 2014, the General Fund (the largest governmental fund) had a liability of \$99 thousand for improvement guarantees which are deposited into a separate cash account. In addition, escrows of \$52 thousand are held to cover inspection costs of ongoing permitted projects.

Revenues

The revenues reported for all the governmental funds were \$9.3 million in 2014, a decrease of \$0.2 million over 2013. The revenues listed below do not include other financing sources such as asset sales, and refunds on prior years' expenditures. Operating transfers were not included in revenues. Following is a comparison of the revenue changes by type.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Governmental Funds (cont'd)

**Comparison of Revenues Collected by Governmental Funds
(Excluding Other Financing Sources)
December 2014 and 2013**

Chart 7

	2014	2013	Inc. (Dec.)	
Property Taxes	\$ 2,307,696	\$ 2,379,516	\$ (71,820)	-3.0%
Transfer Taxes	294,633	291,447	3,186	1.1%
Earned Income Tax	1,958,248	1,928,236	30,012	1.6%
Earned Income Tax - Non-resident	144,760	122,547	22,213	18.1%
Local Services Tax	641,690	629,893	11,797	1.9%
Admissions Tax	688,891	660,663	28,228	4.3%
License and Permits	245,257	343,437	(98,180)	-28.6%
Fines and Forfeits	240,858	348,755	(107,897)	-30.9%
Interest, Rents and Royalties	3,613	3,838	(225)	-5.9%
Charges for Services	416,589	422,065	(5,476)	-1.3%
Miscellaneous Revenues	219,288	117,908	101,380	86.0%
Intergovernmental Revenues	2,118,184	2,274,071	(155,887)	-6.9%
Total Revenues	\$ 9,279,707	\$ 9,522,376	\$ (242,669)	-2.5%

Real Estate Taxes – lower taxable property assessments, lower collection rate

Earned Income Taxes – increase in residents' earned income

Earned Income Taxes – Non-resident – employees of Township businesses from home districts with no earned income tax is greater than expected

Local Services Tax – fewer employees within the Township

Admissions Taxes – increased attendance at various attractions

Licenses and Permits – six quarters (including two from 2012) of Cable Franchise Fee were collected in 2013, four quarters collected in 2014

Fines and Forfeits – reduced DEA forfeitures collected in 2014

Miscellaneous Revenue – Witmer Fire Company and Lafayette Fire Company debt service payments are recorded as miscellaneous revenue to offset a portion of debt service cost. Lafayette paid additional debt principal in 2014. Debt is guaranteed by Township so it must be presented.

Inter-governmental Revenues – projects with grant funding were completed in 2013

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Governmental Funds (cont'd)

Below is the percentage of revenues applicable to each fund for 2014 and 2013.

Revenue % Collected by Governmental Fund
(Not including other Financing Sources)

Chart 8	2014	2013
General Fund	90.7%	89.4%
Capital Reserve	0.5%	2.3%
Highway Aid	4.2%	3.8%
Non-Major Funds	4.6%	4.5%

The decrease in revenue percentage shown for Capital Reserve Fund is due to the completion of grant funded projects in 2013. No grant funded projects were completed in 2014.

Expenditures

The total expenditures reflected in Governmental Funds for the year ended December 31, 2014 was \$9.6 million, an increase of \$113 thousand or 1.2% from 2013. Refunds of prior year receipts were not included as expenditures.

Comparison of Expenditures by Governmental Funds
(Excluding Other Financing Uses)
December 31, 2014 and 2013

Chart 9	2014	2013	Increase (Decrease)	% Change
General Government	\$ 953,809	\$ 939,056	\$ 14,753	1.6%
Police	5,527,475	5,239,066	288,409	5.5%
Fire and Ambulance	425,129	650,871	(225,742)	-34.7%
Inspection, Planning, and Zoning	250,605	243,477	7,128	2.9%
Public Works - Highways and Streets	1,258,793	1,398,347	(139,554)	-10.0%
Culture and Recreation	215,347	181,966	33,381	18.3%
Debt Service	965,538	842,867	122,671	14.6%
Miscellaneous Expenditures	36,651	24,187	12,464	51.5%
Total Expenditures	<u>\$ 9,633,347</u>	<u>\$ 9,519,837</u>	<u>\$ 113,510</u>	1.2%

Police – police department radios were replaced as part of County-wide system upgrade

Fire and Ambulance – 2013 Township assistance with the purchase of a fire engine tanker. Township did not provide assistance with purchases in 2014.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Governmental Funds (cont'd)

Public Works – Highway and Streets – decrease due to a project completed with Township workers rather than outside contractors

Culture and Recreation – seasonal workers hired to handle grass mowing.

Debt Service – Additional principal payment for loan secured for the Lafayette Fire Company

Below is the percentage of expenditures applicable to each governmental fund for 2014 and 2013.

**Expenditure % Collected by Governmental Fund
(Not including other Financing Uses)**

Chart 10	2014	2013
General Fund	88.8%	86.6%
Capital Reserve	2.2%	5.9%
Highway Aid	3.2%	4.5%
Non-Major Funds	5.8%	3.0%

Capital Reserve - expenditure decreased in 2014 as 2013 expenditures included the purchase of tanker fire engine

Highway Aid – percentage decreased due to a project completed with Township workers rather than outside contractors

Non-Major Funds – percentage increased due to Police radios purchased through the Police Forfeiture Fund and an additional loan payment made by Lafayette Fire Company on a loan secured by the Township

General Fund Budgetary Analysis

The original General Fund budget was not adjusted in 2014.

Revenues

Total General Fund revenues (excluding other financing sources) projected for 2014 were \$8.26 million. The actual revenues were \$8.42 million, \$0.16 million (1.9%) greater than was anticipated.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

General Fund Budgetary Analysis (cont'd)

Chart 11

	Budgeted Amounts <i>Original and Final</i>	Actual (<i>Budgetary Basis</i>)	Variance with Final Budget <i>Positive (Negative)</i>	Percentage Over (Under) budget
REVENUES				
Taxes	\$ 5,966,176	\$ 6,035,918	\$ 69,742	1.2%
Licenses and Permits	232,500	245,257	12,757	5.5%
Fines and Forfeits	140,000	134,810	(5,190)	-3.7%
Interest, Rents, and Royalties	3,110	3,432	322	10.4%
Intergovernmental Revenues	1,650,161	1,678,663	28,502	1.7%
Charges for Services	269,842	320,296	50,454	18.7%
TOTAL REVENUES	\$ 8,261,789	\$ 8,418,376	\$ 156,587	1.9%

Taxes

Earned Income Taxes received more than offset the shortfall in property tax revenues.

Licenses and Permits

Cable Television Franchise fees paid were greater than expected.

Fines and Forfeits

Fines for vehicle code violations were lower than expected.

Intergovernmental Revenues

Fees collected for contracted Police services were greater than projected due to a higher percentage of calls outside of the Township than budgeted.

Charges for Services (Inspection, Planning & Zoning, Public Safety, Highway and Streets, Pavilion Rent)

Zoning and sub-division – fees have returned to 2008 levels after a steep decline

Highway and Streets – higher state reimbursements for the 2013-2014 plowing season due to severe weather. More street sweeping services provided to surrounding townships.

Police Services – higher reimbursement for additional contracted services

EXPENDITURES

Total expenditures were budgeted at \$8.69 million. Actual expenditures were \$8.56 million which is under budget by \$134 thousand or 1.5%. A comparison of the budgeted amounts to actual expenditures incurred follows.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

General Fund Budgetary Analysis (cont'd)

Chart 12

	Budgeted Amounts (Original and Final)	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Percentage (Over)Under budget
EXPENDITURES				
General Government	\$ 987,039	\$ 927,394	\$ 59,645	6.0%
Police	5,288,597	5,276,410	12,187	0.2%
Fire and Ambulance	433,938	415,129	18,809	4.3%
Inspection, Planning, Zoning, and other Public Safety	250,097	250,605	(508)	-0.2%
Public Works - Highway and Streets	787,952	742,876	45,076	5.7%
Culture and Recreation	211,742	203,207	8,535	4.0%
Debt Service	708,830	707,143	1,687	0.2%
Miscellaneous Expenditures	25,700	36,651	(10,951)	-42.6%
TOTAL EXPENDITURES	\$ 8,693,895	\$ 8,559,415	\$ 134,480	1.5%

General Government

Positive variance created by savings in medical and dental insurance costs. Software costs were prepaid in 2013 to take advantage of substantial discounts. A fulltime custodian was budgeted but worked part-time for part of the year.

Police

Positive variance created by related savings in health insurance was partially offset by higher overtime costs.

Public Works – Highway and Streets

Positive variance created by related savings in health insurance and a new employee that was budgeted for the entire year but not hired until June.

As of December 31, 2014, the General Fund balance was \$2.7 million, an increase of \$0.5 million over the expected balance of \$2.2 million. The December 31, 2014 General Fund balance is 29% of projected General Fund 2015 expenditures.

Highway Aid Fund Budgetary Analysis

Highway Aid Fund Budgeted Revenues were exceeded by 12%. The state allocation was increased to reflect higher taxes and fees collected at the state level.

Expenditures for 2014 were less than the budgeted amount by \$173 thousand (36%) as shown on the next chart.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Highway Aid Fund Budgetary Analysis (cont'd)

Chart 13	Budgeted Amounts <i>Original and Final</i>	Actual <i>(Budgetary Basis)</i>	Variance with Final Budget <i>Positive (Negative)</i>	Percentage (Over) Under Budget
EXPENDITURES				
Equipment Purchases	\$ 40,160	\$ 41,495	\$ (1,335)	-3.3%
Salt	30,000	90,851	(60,851)	-202.8%
Signals, Signs, and Markings	20,000	16,500	3,500	17.5%
Highway and Bridge Construction	353,276	120,658	232,618	65.8%
Debt Service	38,915	38,916	(1)	0.0%
TOTAL EXPENDITURES	\$ 482,351	\$ 308,420	\$ 173,931	36.1%

The budgeted expenditures for 2014 were \$482,351 compares with actual expenditures of \$308,420, a decrease of \$173,931.

Equipment Purchases

Equipment purchases include a belt loader for cleaning gutters and a truck bed for an existing dump truck.

Salt

Supplies were replenished after the 2013-2014 severe winter depleted stock on hand.

Signals, Signs, and Markings

Budgeted expenditures for the engineering study of sign reflectivity were not fully utilized.

Highway and Bridge Construction

Pennsylvania Department of Transportation did not bill the Township for the required ADA ramps connected with construction on Old Philadelphia Pike. This amount is carried over to the 2015 budget. The Bowman Road Culvert project will be completed in 2015. The project required more work than anticipated. The work on the 2014 paving project was done by Township employees rather than a contractor resulting in considerable savings.

Proprietary Funds

East Lampeter Township maintains two Proprietary Funds. The *Sewer Fund* accounts for the operating activities of the sewer distribution system within the Township. The Township has an agreement with Lancaster City for final processing. The *Insurance Fund* accounts for Township self-funded employee health insurance plans managed by the IIC, an inter-municipal cooperative comprised of over forty local municipalities. If Township deposits to the fund are less than benefits paid, funds are paid by other coop members to cover the short fall. If Township deposits to the fund are more than coop requirements, any remaining funds are returned to the Township.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Proprietary Funds (cont'd)

Sewer Fund

As of December 2014, the Sewer Fund maintained a net position of \$1.05 million. Below is a comparison of 2014 and 2013 sewer activity. Operating Net income decreased by 18%. Revenues decreased by 1.8%. A 7.7% rate increase was more than offset by an increase of \$110 thousand in unpaid past due accounts.

Debt service expense offset the operating net income creating decrease in net position of \$280,101 to \$1,054,825.

Sewer Fund Revenues and Expenses - 2014 and 2013

Chart 14

	2014	2013	Increase (Decrease)
Operating Revenues	\$ 2,832,943	\$ 2,884,239	\$ (51,296)
Operating Expenses	<u>(1,864,736)</u>	<u>(1,704,046)</u>	<u>160,690</u>
Operating Net Income	968,207	1,180,193	(211,986)
Earnings of Investments	2,577	1,926	651
State Pension Aid Act 205	17,427	17,479	(52)
Capital Contributions	124,700	223,600	(98,900)
(Tapping Fees)			
Debt Service Expense	(1,136,374)	(1,298,670)	162,296
Transfers Out	<u>(256,638)</u>	<u>(228,968)</u>	<u>(27,670)</u>
Change in Net Position	<u>\$ (280,101)</u>	<u>\$ (104,440)</u>	<u>\$ (175,661)</u>

Insurance Fund

As of December 31, 2014, the Insurance Fund's net position was \$375,797, representing the surplus from medical claims deposits. Operating Revenues consists of deposits from the General fund and the Sewer Fund and third party insurance reimbursements. Township deposits are adequate to pay the claims in 2014. Operating Expenses consist of claims paid for employee medical coverage. Excess funds are held in an unrestricted cash account maintained by the Insurance Cooperative to be distributed to the Township in 2015.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Proprietary Funds (cont'd)

Comparison of 2014 and 2013 activity is presented below.

Internal Service Fund Activity - 2014 and 2013

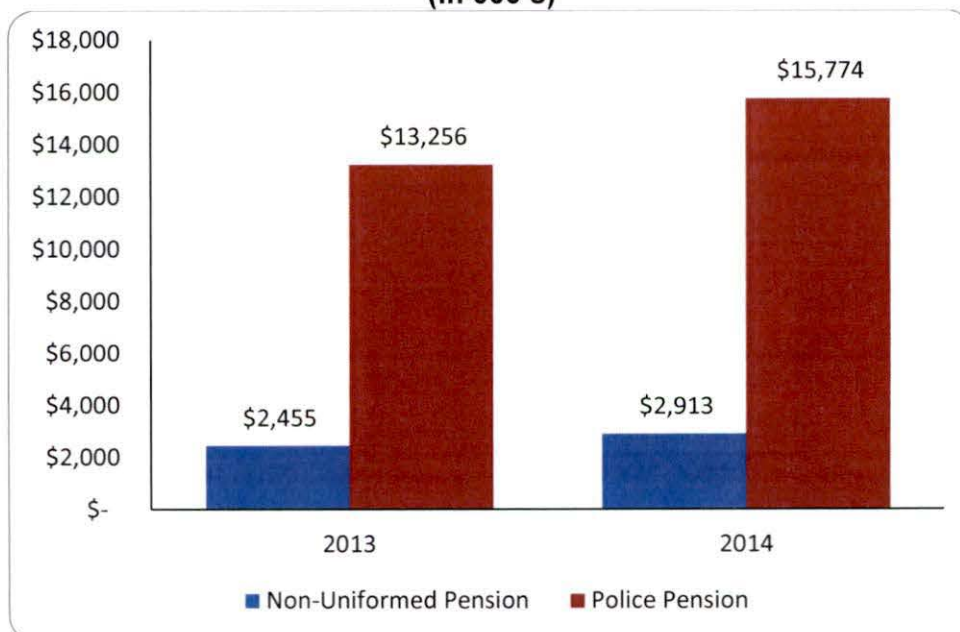
Chart 15

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Operating Revenues	\$ 934,680	\$ 897,012	\$ 37,668
Operating Expenses	560,567	469,408	91,159
Operating Income (Loss)	374,113	427,604	(53,491)
Refund of Prior Year Revenue	(430,619)	(107,156)	323,463
Investment Earnings	0	0	0
Change in Net Assets	<u>\$ (56,506)</u>	<u>\$ 320,448</u>	<u>\$ (376,954)</u>

Fiduciary Funds

The two Pension Trust Funds - Police Pension and Non-Uniformed Pension have a combined net position of \$18.7 million, an increase of \$3.0 million (18.9%) from 2013. Pension fund balances are recorded at cost and do not include cumulative unrealized appreciation on held investments of \$3.0 million and \$4.5 million for the years ended December 31, 2014 and 2013 respectively.

**Fiduciary Fund Balances
December 31, 2013 and 2014
(in 000's)**



Graph 5

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Fiduciary Funds (cont'd)

Chart 16 presents the additions and deductions to the funds for 2014 and 2013.

Chart 16	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Additions			
Interest and Investment Earnings	\$ 2,860,010	\$ 676,678	\$ 2,183,332
State Pension Aid (Act 205)	360,159	372,899	(12,740)
Township Contributions	191,137	198,448	(7,311)
Employee Contributions	<u>183,085</u>	<u>178,765</u>	<u>4,320</u>
Total Additions	<u><u>\$ 3,594,391</u></u>	<u><u>\$ 1,426,790</u></u>	<u><u>\$ 2,167,601</u></u>
These resources were used as shown below:			
Deductions			
Retirement Benefits Paid	\$ 463,616	\$ 402,409	\$ 61,207
Administrative Expenses	<u>154,180</u>	<u>157,467</u>	<u>(3,287)</u>
Total Deductions	<u><u>\$ 617,796</u></u>	<u><u>\$ 559,876</u></u>	<u><u>\$ 57,920</u></u>

There were two additional non-uniformed retirees in 2014 and non-uniformed payout. 2014 was the first year of full retirement payments for the four 2013 retirees.

Transfers Between Funds

1. General administrative costs, IT administrative costs and the administrative building costs are accumulated in the General Fund. A percentage of these costs are determined to be applicable to the Sewer Fund.
2. A portion of the General Fund 2013 excess was transferred to Capital Reserve Fund to cover the cost of future capital projects.
3. A percentage of general administrative costs are determined to be applicable to the Streetlight Fund to cover billing costs.

The chart below summarizes the effect of these transfers.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Transfers Between Funds (cont'd)

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund - Administrative	\$ 203,793	
General Fund - IT Administrative	28,648	
General Fund - Administrative Building	24,197	
Sewer Fund		\$ 256,638
General Fund Administrative costs attributable to the Sewer Fund		
Capital Reserve Fund	\$ 100,000	
General Fund		\$ 100,000
General Fund Reserves transferred for future projects		
General Fund	\$ 2,264	
Streetlight Fund		\$ 2,264
General Fund Administrative costs attributable to the Streetlight Fund		

Chart 17

There were no other transfers between funds.

CAPITAL ASSETS

- An established replacement schedule is followed for vehicle and technology equipment replacements for the Police Department.
- Road equipment purchases include a belt loader for cleaning gutters and a truck bed for an existing dump truck.
- A software upgrade for the HVAC unit in the administrative building was installed.
- Traffic signal installation at Strasburg Pike and Windy Hill has been completed by Penn DOT. West Lampeter Township and a county grant assisted with the financing of the engineering costs. Penn DOT paid for the installation.
- A portion of Coreopsis Drive and Lupine Circle were paved in 2014. The roadway cost was paid through the Highway Aid Fund. Capital Reserve Funds covered the cost of the associated curbs.

LONG-TERM DEBT

Chart 18

	<u>2014</u>	<u>2013</u>
Administrative Building	\$ 6,005,000	\$ 6,530,000
Fire Company Projects	1,607,000	1,796,000
Road Grader	73,813	108,802
Sewer Combination Truck	52,790	103,576
Sewer System Improvements	13,664,500	11,639,500
Total Debt	<u>\$ 21,403,103</u>	<u>\$ 20,177,878</u>

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Long-Term Debt (cont'd)

Long-term Debt

Long-term debt was incurred in previous years to finance the construction of the municipal building. During 2014, the Township paid fiscal fees of \$31,720, interest of \$150,423 and principal payments of \$525,000. Last payment is scheduled in 2028.

A debt of \$275,000 was incurred in 2002 to assist Witmer Fire Company with the purchase of a vehicle. Interest of \$3,083 and principal of \$14,000 were paid in 2014. The balance at the end of 2014 is \$142,000. The fire company is paying the entire cost of this loan.

The construction loan in the amount of \$1,460,000 which was secured to support Lafayette Fire Company in the construction of a new fire hall was converted to a general obligation note in the amount of \$1,710,000. Interest of \$825, fees of \$26,571 and principal of \$175,000 were paid in 2014. The balance at the end of 2014 is \$1,465,000. The fire company is paying the entire cost of this loan

An agreement to purchase a grader through an installment sale was approved on August 2011. The agreement provides for five annual payments. Total payments amount to \$194,092 of which \$175,168 covers the cost of the grader and \$19,410 is interest. Debt service payments for 2014 totaled \$38,916. Payments are made with Highway Aid funds. The last payment is scheduled in 2016.

A sewer combination truck was acquired through a lease purchase agreement in 2008. This truck replaces the truck destroyed in a fire at the end of 2007. Total payments amount to \$378,558 of which \$330,000 covers the cost of the truck and \$48,558 is interest. Debt service requirements for 2014: principal \$50,786 and interest of \$3,294. Payments are made through the sewer fund with the last payment scheduled in 2015.

Lease Rental Debt.

Improvements to the sewer system are financed through the East Lampeter Sewer Authority, which is a legally separate component unit whose activities are not presented in these financial statements. The Township has covenanted to annually appropriate sums sufficient to meet the Authority's debt service if the revenues from sewer operations or other monies of the Authority are not sufficient. The balance owed on these debts (*Lease Rental Debt*) as of the beginning of 2014 was \$11.6 million. The total balance owed on Lease Rental Debt as of December 31, 2014 is \$13.7 million. In 2014, new bonds were issued totaling \$8,910,000. The balance of the 2009 bond series (\$6,065,000) was refunded in 2014 and the balance, after costs, was deposited with a trustee for future construction projects. The revenues and cash reserves of the sewer operations were sufficient to meet the debt service requirement: principal of \$820 thousand, fiscal fees of \$29 thousand and interest of \$234 thousand.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

East Lampeter Township continues to feel some effect of the weak national economy. Taxable property assessments have experienced declines due to assessment appeals and exempt status requests. Total General Fund revenues are expected to remain stable in 2015, while 2015 expenditures are projected to increase by about 4.5%. An 11.5% decrease in General Fund reserves is projected which will result in a balance of \$2.4 million--26% of 2015 budgeted expenditures. With this positive financial position, the Township will continue to be able to provide services with the high level of professionalism that the residents expect.

Arbitration Decision

In 2014, provisions of the 1983 operating agreement with Lancaster City were submitted for arbitration. Lancaster City was awarded about sixty-five percent of the \$3.7 million they had requested. The result is that the Township avoided the payment of \$1.3 million, but must pay \$2.4 million to Lancaster City. The Sewer Fund has budgeted \$900,000 in 2015 toward this payment. Lancaster City will apply \$464,800 that it has been holding toward the balance. The balance will be covered by General Fund Reserves but must be eventually repaid by increases to sewer customers.

Road Improvements Scheduled

- Road projects are selected as specified by the ten-year plan prepared and updated annually by the Township's engineering firm. Road projects are paid through grants, the Liquid Fuels funds received from the State and Capital Reserve Funds set aside for that purpose.
- The Bowman Bridge is scheduled to be replaced in 2015. The project may qualify for grant funding.
- Pavement overlay projects -- Starlite Drive and Sunlight Circle.
- Storm water pipes will be relined or replaced.
- A cooperative Streetscape Plan is in development. A county grant and funds from Penn DOT will finance the project except for a small amount that will be paid through the Capital Reserve Fund. Plans are to be finalized in 2015.
- State funding has been approved for the Automated Red Light Enforcement program along Route 30. Completion of the project is planned for 2015.
- ADA improvements are required as part of the state improvement project of SR340. Cost of these improvements is the responsibility of the Township.
- The railroad crossing on Greenfield Road is scheduled to be up-graded.
- Construction plans will be developed for a sidewalk along Greenland Drive.
- A mobility study is in planning stages for the Bridgeport area. A Smart Transportation Grant will partially fund the study.

Park and Recreation Improvements

- Approval has been granted to obtain land for an additional park near Mill Creek. Funding assistance to purchase the property will be sought from outside sources.

Administration Facilities

- More efficient air conditioning will be installed in the technology room to better protect the equipment.

EAST LAMPETER TOWNSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Municipal Separate Storm Sewer System MS4

- Standards have been developed by the state in order to comply with new Federal mandates.
- During 2015, the Township is required to prepare plans to establish programs and projects to meet these new standards.
- The total cost is substantial but as yet unknown.

Major Equipment Purchases

- A proposed schedule of Township assistance with fire company apparatus purchases through 2029 has been approved by the Board of Supervisors. There is no commitment for assistance with a purchase for 2015. Assistance is scheduled in 2016.
- New radios will be purchased in 2015 for the Public Works department radios as part of a county-wide system upgrade.
- Assistance will be given to the fire companies in 2015 to upgrade their radios as part of a county-wide system upgrade.

A careful analysis is made of all Township equipment purchases to ensure the best utilization of funds. Safety concerns, maintenance costs and manpower efficiency are the main determining factors in making equipment purchases.

- A boom mower will be purchased for the roads and sewer department to assist with mowing behind guardrails and other spaces. The sewer department and highway aid will divide the cost.
- A new pick-up truck will replace a 2003 truck which would require expensive repairs to pass the next inspection.
- Two salt spreaders will be purchased for pick-up trucks to facilitate salting operations.
- A snow blower will be purchased for the skid loader to clear walking paths and to clean intersections.
- An asphalt recycler will be purchased to better utilize material generated by street repairs.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to: Jeanne L. Glick CPA, Finance Director, East Lampeter Township, 2250 Old Philadelphia Pike, Lancaster, PA 17602.

EAST LAMPETER TOWNSHIP
Statement of Net Position - Modified Cash Basis
December 31, 2014

ASSETS

	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 3,812,629	\$ 1,148,731	\$ 4,961,360
Restricted Cash and Cash Equivalents	100,685	0	100,685
Internal Balances	60,460	(60,460)	0
Total Current Assets	<u>3,973,774</u>	<u>1,088,271</u>	<u>5,062,045</u>
TOTAL ASSETS	<u><u>\$ 3,973,774</u></u>	<u><u>\$ 1,088,271</u></u>	<u><u>\$ 5,062,045</u></u>

LIABILITIES

	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Other Current Liabilities	\$ 165,909	\$ 0	\$ 165,909
Total Current Liabilities	<u>165,909</u>	<u>0</u>	<u>165,909</u>
TOTAL LIABILITIES	165,909	0	165,909

NET POSITION

Restricted for:			
State Highway Aid	225,834	0	225,834
Legal Restrictions to Parkland Projects	19,273	0	19,273
Legal Restrictions to Police Forfeiture Funds	62,758	0	62,758
Debt Service	1,955	0	1,955
Unrestricted:			
Unrestricted	<u>3,498,045</u>	<u>1,088,271</u>	<u>4,586,316</u>
TOTAL NET POSITION	<u>3,807,865</u>	<u>1,088,271</u>	<u>4,896,136</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,973,774</u></u>	<u><u>\$ 1,088,271</u></u>	<u><u>\$ 5,062,045</u></u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2014

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Expenses
Governmental activities:			
General Government	\$ 953,809	\$ 7,375	\$ 961,184
Police	5,527,475	42,107	5,569,582
Fire and Ambulance	425,129	0	425,129
Inspection, Planning and Zoning	250,605	2,082	252,687
Public Works - Highways and Streets	1,258,793	6,839	1,265,632
Culture and Recreation	215,347	1,071	216,418
Debt Service	965,538	0	965,538
Miscellaneous Expenditures	57,039	0	57,039
Total Governmental Activities	9,653,735	59,474	9,713,209
Business-type activities:			
Sewer Service	3,001,110	(2,968)	2,998,142
Total	\$ 12,654,845	\$ 56,506	\$ 12,711,351

General revenues:

Taxes:

Property Taxes, Levied for General Purposes, Net

Other Taxes Levied for General Purposes, Net

Grants, Subsidies, and Contributions Not Restricted

Investment Earnings

Gain on Sale of Assets

Transfers - Internal Activity

**Total General Revenues, Special Items,
Extraordinary Items and Transfers**

Change in Net Position

Net Position—Beginning

Net Position—Ending

See Notes to Financial Statements.

Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Charges for Fees, Fines and Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 289,221	\$ 21,890	\$ 0	\$ (650,073)	\$ 0	\$ (650,073)
1,613,672	300,319	105,152	(3,550,439)	0	(3,550,439)
1,550	143,625	0	(279,954)	0	(279,954)
159,956	9,261	0	(83,470)	0	(83,470)
155,388	20,206	439,521	(650,517)	0	(650,517)
24,123	4,210	9,723	(178,362)	0	(178,362)
0	219,289	0	(746,249)	0	(746,249)
0	0	0	(57,039)	0	(57,039)
2,243,910	718,800	554,396	(6,196,103)	0	(6,196,103)
2,832,943	17,427	124,700	0	(23,072)	(23,072)
<u>\$ 5,076,853</u>	<u>\$ 736,227</u>	<u>\$ 679,096</u>	<u>(6,196,103)</u>	<u>(23,072)</u>	<u>(6,219,175)</u>
			2,307,696	0	2,307,696
			3,728,222	0	3,728,222
			143,891	0	143,891
			3,503	2,577	6,080
			6,169	0	6,169
			<u>256,638</u>	<u>(256,638)</u>	<u>0</u>
			<u>6,446,119</u>	<u>(254,061)</u>	<u>6,192,058</u>
			250,016	(277,133)	(27,117)
			<u>3,557,849</u>	<u>1,365,404</u>	<u>4,923,253</u>
			<u>\$ 3,807,865</u>	<u>\$ 1,088,271</u>	<u>\$ 4,896,136</u>

EAST LAMPETER TOWNSHIP
Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2014

	<u>General Fund</u>	<u>Highway Aid Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,741,472	\$ 225,834
Restricted Cash and Cash Equivalents	98,730	0
Due from Other Funds	<u>62,757</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 2,902,959</u></u>	<u><u>\$ 225,834</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Payroll Withholdings	\$ 409	\$ 0
Due to Other Funds	37,568	0
Restricted Funds	<u>165,500</u>	<u>0</u>
TOTAL LIABILITIES	203,477	0
 FUND BALANCES		
Restricted:		
State Highway Aid	0	225,834
Legal Restrictions to Parkland Projects	0	0
Legal Restrictions to Police Forfeiture Funds	0	0
Debt Service	0	0
Assigned to:		
Specific Street Light Costs	0	0
Capital Projects	0	0
Unassigned	<u>2,699,482</u>	<u>0</u>
TOTAL FUND BALANCES	<u><u>2,699,482</u></u>	<u><u>225,834</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,902,959</u></u>	<u><u>\$ 225,834</u></u>

See Notes to Financial Statements.

Capital Reserve	Non Major Funds	Total Governmental Funds
\$ 388,815	\$ 114,157	\$ 3,470,278
0	1,955	100,685
31,567	6,001	100,325
<u>\$ 420,382</u>	<u>\$ 122,113</u>	<u>\$ 3,671,288</u>
\$ 0	\$ 0	\$ 409
0	2,297	39,865
0	0	165,500
<u>0</u>	<u>2,297</u>	<u>205,774</u>
0	0	225,834
0	19,273	19,273
0	62,758	62,758
0	1,955	1,955
0	35,830	35,830
420,382	0	420,382
0	0	2,699,482
<u>420,382</u>	<u>119,816</u>	<u>3,465,514</u>
<u>\$ 420,382</u>	<u>\$ 122,113</u>	<u>\$ 3,671,288</u>

EAST LAMPETER TOWNSHIP
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position - Modified Cash Basis
December 31, 2014

Total Fund Balances - Governmental Funds	\$ 3,465,514
---	---------------------

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

Internal service funds are used by management to charge group insurance to individual funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

<u>342,351</u>

Total Net Position - Governmental Activities

<u><u>\$ 3,807,865</u></u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Revenues, Expenditures and Changes
in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Highway Aid Fund</u>
REVENUES		
Taxes	\$ 6,035,918	\$ 0
Licenses and Permits	245,257	0
Fines and Forfeits	134,810	0
Interest, Rents and Royalties	3,432	56
Intergovernmental Revenues	1,678,663	393,260
Charges for Service	320,296	0
Miscellaneous Revenues	0	0
TOTAL REVENUES	8,418,376	393,316
EXPENDITURES		
General Government	927,394	0
Police	5,276,410	0
Fire and Ambulance	415,129	0
Inspection, Planning, Zoning and Other Public Safety	250,605	0
Public Works - Highways and Streets	742,876	269,503
Culture and Recreation	203,207	0
Debt Service	707,143	38,916
Miscellaneous Expenditures	36,651	0
TOTAL EXPENDITURES	8,559,415	308,419
Excess (Deficiency) of Revenues Over Expenditures	(141,039)	84,897
OTHER FINANCING SOURCES (USES)		
Sale of Fixed Assets	6,170	0
Refunds of Prior Years Expenditures	420,710	0
Interfund Transfers	158,902	0
Refund of Prior Year Receipts	(20,388)	0
TOTAL OTHER FINANCING SOURCES (USES)	565,394	0
Net Change in Fund Balances	424,355	84,897
Fund Balance - January 1, 2014	2,275,127	140,937
Fund Balance - December 31, 2014	\$ 2,699,482	\$ 225,834

See Notes to Financial Statements.

Capital Reserve Fund	Non Major Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 6,035,918
0	0	245,257
0	106,048	240,858
88	37	3,613
46,261	0	2,118,184
100	96,193	416,589
0	219,288	219,288
46,449	421,566	9,279,707
25,600	815	953,809
0	251,065	5,527,475
10,000	0	425,129
0	0	250,605
160,370	86,044	1,258,793
12,140	0	215,347
0	219,479	965,538
0	0	36,651
208,110	557,403	9,633,347
(161,661)	(135,837)	(353,640)
0	0	6,170
0	0	420,710
100,000	(2,264)	256,638
0	0	(20,388)
100,000	(2,264)	663,130
(61,661)	(138,101)	309,490
482,043	257,917	3,156,024
\$ 420,382	\$ 119,816	\$ 3,465,514

EAST LAMPETER TOWNSHIP
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 309,490
---	-------------------

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

Internal service funds are used by management to charge group insurance to individual funds. A portion of the net (expense) of the internal service fund is reported with governmental activities.	<u>(59,474)</u>
--	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ 250,016</u></u>
--	---------------------------------

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2014

	ASSETS	
	Sewer Fund	Insurance Fund
Current Assets:		
Cash and Cash Equivalents	\$ 1,115,285	\$ 375,797
Total Current Assets	<u>1,115,285</u>	<u>375,797</u>
TOTAL ASSETS	<u>\$ 1,115,285</u>	<u>\$ 375,797</u>
Current Liabilities:		
Due to Other Funds	\$ 60,460	\$ 0
Total Current Liabilities	<u>60,460</u>	<u>0</u>
TOTAL LIABILITIES	<u>60,460</u>	<u>0</u>
NET POSITION		
Unrestricted Reserves	<u>1,054,825</u>	<u>375,797</u>
TOTAL NET POSITION	<u>1,054,825</u>	<u>375,797</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 1,115,285</u>	<u>\$ 375,797</u>
Reconciliation of Net Position to the Statement of Net Position:		
Net Position - Sewer Fund	\$ 1,054,825	
Amounts reported for the business-type activities in the statement of net position are different because certain internal service fund assets are included with business-type activities	<u>33,446</u>	
Net Position of Business-Type Activities	<u>\$ 1,088,271</u>	

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014

	<u>Sewer Fund</u>	<u>Insurance Fund</u>
OPERATING REVENUES:		
Wastewater/Sewerage Charges	\$ 2,790,606	\$ 0
Other Charges for Services	0	934,680
Rents and Royalties	4,807	0
Other Operating Revenues	<u>37,530</u>	<u>0</u>
TOTAL OPERATING REVENUES	2,832,943	934,680
 OPERATING EXPENSES:		
Salaries	277,508	0
Employee Benefits	144,352	560,567
Wastewater/Sewerage Collection and Treatment	1,014,258	0
Other Purchased Operating Goods and Services	428,618	0
Other Purchased Administrative Goods and Services	<u>0</u>	<u>430,619</u>
TOTAL OPERATING EXPENSES	<u>1,864,736</u>	<u>991,186</u>
 OPERATING INCOME/(LOSS)	 \$ 968,207	 \$ (56,506)

EAST LAMPETER TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds - Continued
For the Year Ended December 31, 2014

	Sewer Fund	Insurance Fund
NONOPERATING REVENUES (EXPENSES):		
Earnings on Investments	\$ 2,577	\$ 0
State Sources	17,427	0
Debt Service Expense	(1,136,374)	0
TOTAL NONOPERATING REVENUE/(EXPENSES)	<u>(1,116,370)</u>	<u>0</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(148,163)	(56,506)
Capital Contributions - Tapping Fees	124,700	0
Transfers In (Out)	(256,638)	0
CHANGE IN NET POSITION	(280,101)	(56,506)
TOTAL NET POSITION-JANUARY 1, 2014	<u>1,334,926</u>	<u>432,303</u>
TOTAL NET POSITION-DECEMBER 31, 2014	<u><u>\$ 1,054,825</u></u>	<u><u>\$ 375,797</u></u>

Reconciliation of Change in Net Position to the Statement of Activities:

Change in Net Position - Sewer Fund \$ (280,101)

Amounts reported for the business-type activities in the statement of activities
are different because a portion of the net revenue of certain
internal service funds are included with business-type activities 2,968

Change in Net Position of Business-Type Activities \$ (277,133)

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014

	Sewer Fund	Insurance Fund
Cash Flows From Operating Activities		
Received from Users	\$ 2,790,606	\$ 934,680
Received from Other Operating Revenue	42,337	0
Payments to Employees for Services	(277,508)	0
Payments for Employee Benefits	(144,352)	(560,567)
Payments for Sewerage Collection and Treatment	(1,014,258)	0
Payments for Purchased Goods and Services	(342,960)	0
Payments for Other Operating Expenses	0	(430,619)
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	1,053,865	(56,506)
Cash Flows From Non-Capital Financing Activities		
State Sources	17,427	0
Operating Transfers (Out)	(256,638)	0
	<hr/>	<hr/>
Net Cash Used for Non-Capital Financing Activities	(239,211)	0
Cash Flows From Capital and Related Financing Activities		
Tapping Fees Received	124,700	0
Debt Service Paid on Financing Agreements	(1,136,374)	0
	<hr/>	<hr/>
Net Cash Used for Capital and Related Financing Activities	(1,011,674)	0
Cash Flows From Investing Activities		
Earnings on Investments	2,577	0
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	2,577	0
Net Increase (Decrease) in Cash and Cash Flows	(194,443)	(56,506)
Cash and Cash Equivalents Beginning of Year	1,309,728	432,303
	<hr/>	<hr/>
Cash and Cash Equivalents at Year End	<u>\$ 1,115,285</u>	<u>\$ 375,797</u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds - Continued
For the Year Ended December 31, 2014

	<u>Sewer Fund</u>	<u>Internal Service Funds</u>
Operating Income (Loss)	\$ 968,207	\$ (56,506)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Increase in Due to Other Funds	<u>85,658</u>	<u>0</u>
Total Adjustments	<u>85,658</u>	<u>0</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 1,053,865</u></u>	<u><u>\$ (56,506)</u></u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2014

	<u>Pension Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 535,387
Investments	<u>18,151,652</u>
TOTAL ASSETS	<u><u>\$ 18,687,039</u></u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Restricted	<u>\$ 18,687,039</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 18,687,039</u></u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2014

	Pension Trust Funds
ADDITIONS	
Contributions:	
State Pension Aid	\$ 360,159
Employee	183,085
Township Contribution	191,137
Total Contributions	<u>734,381</u>
Investment Income:	
Interest and Investment Earnings	2,860,010
Total Investment Income	<u>2,860,010</u>
Total Additions	3,594,391
DEDUCTIONS	
Administrative Expense	154,180
Retirement Benefits Paid	<u>463,616</u>
Total Deductions	<u>617,796</u>
Net Increase	2,976,595
Net Position Held in Trust for Pension Benefits	
Net Position - January 1, 2014	<u>15,710,444</u>
Net Position - December 31, 2014	<u><u>\$ 18,687,039</u></u>

See Notes to Financial Statements.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further under Measurement Focus and Basis of Accounting, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

FINANCIAL REPORTING ENTITY

East Lampeter Township is located in Lancaster County, Pennsylvania. The Township board of supervisors consists of five members elected by the public. The Township provided the following services to its citizens: public safety, public works, cultural, recreation and community development.

Management has applied the criteria set forth by GASB pronouncements in determining potential component units. Generally, component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for the entity if it appoints a voting majority of the organization's governing body *and* is either able to impose its will on the entity or there is a potential for the organization to provide a specific financial benefit to, or financial burden on, the Township. Based upon the application of these criteria, the Township had determined the following.

The East Lampeter Township Sewer Authority's governing board is appointed by the Township's governing board. The Authority acquires, constructs, and improves the sewer collection system as requested by the East Lampeter Township. The Authority serves as a financing authority for the Township. The Township guarantees debt of the Authority. Since there is a potential for the Authority to impose a specific financial burden on the Township and the Township has the ability to significantly influence operations, it is considered to be a component unit for financial reporting purposes.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The above Authority has prepared and issued separate audited financial statements that have not been included in these financial statements as required by GAAP. This activity would have been reported under the proprietary fund type.

The financial statement for the component unit can be obtained at the Authority office.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the reporting limitations of the modified cash basis of accounting. 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 non-exchange 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 constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. 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:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total of all funds of that category or type, and
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The 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 and reported in another fund.

Special Revenue Funds

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

Highway Aid- The Highway Aid Fund has been provided to record the state liquid fuels and highway aid resources, which are used to provide maintenance and resurfacing to the streets and highways of the Township.

Police Forfeiture Fund – The Police Forfeiture Fund has been provided to record the proceeds of asset forfeitures received from the U.S. Drug Enforcement Agency. These monies are used to fund special projects of the Township's Police Department.

Street Light Fund – The Street Light Fund has been provided to record the assessment made and expenses incurred for providing street lighting to the Township.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. The Capital Reserve Fund has been established to provide monies for future capital project improvements or replacements. The Parkland Capital Reserve and Acquisition Fund has been established to provide monies for Township Park development and improvement.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on general long-term debt.

Of the seven individual governmental funds disclosed above, three of these funds are considered to be major funds. They include the General Fund, the Highway Aid Fund and the Capital Reserve Fund.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges. The Township uses the enterprises funds to account for its Sewer Fund.

The Township applies the provision of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Internal Service Funds

Internal service funds are used to provide for the benefits for Township employees on a cost-reimbursement basis. The Township uses an internal service fund to account for its Insurance Fund.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary Funds

Trust and Agency Funds

Trust and agency funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The Township uses the trust and agency funds to account for its Police Pension Fund and Non-Uniformed Pension Fund. These funds have been provided for the purpose of providing retirement funds for the benefit of the qualified police officers and non-uniform employees of the Township.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, net financial position, and cash flows. All assets, deferred outflows, liabilities and deferred inflows (whether current or non-current, financial or non-financial) associated with their activities are reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include inter-fund receivables and payables and escrow deposit liabilities.

This modified cash basis of accounting differs from GAAP primarily because certain assets and deferred outflows not yet received and certain liabilities and deferred inflows not yet paid are not recorded in these financial statements. In addition, the measurement of reported assets and liabilities does not involve adjustment to fair value.

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.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with professional standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL POSITION

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all cash and investments with original maturities of three months or less.

Investments

Investments classified in the financial statements consist of corporate bonds, U.S. Treasury Securities, Federal Agency Securities, stocks and alternative investments held for pension benefits and are recorded in fiduciary funds. Investments are valued at cost as determined by Morgan Stanley.

Capital Assets

The Township's modified cash basis of accounting reports capital outlays resulting from cash transactions as expended at the time payment is made, and does not capitalize the cost of capital assets. Accordingly, no depreciation has been reflected in the financial statements.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Long-Term Debt

Long-Term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the government-wide and fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Net Position Classifications

Government-Wide Statements

Net Position is classified and displayed in two components:

Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets with constraints placed on their 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.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows and resources that do not meet the definition of “restricted”.

It is the Township’s policy to first use restricted net position prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Fund Statements

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned and unassigned based on the respective level of constraint. These constraints are defined as follows:

Governmental fund equity is classified as fund balance as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Township Supervisors. The Township Supervisors are the highest level of decision making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Township Supervisors.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Township’s adopted policy, the Township Supervisors may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

It is the Township’s policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Township policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Proprietary Funds

The difference among assets, deferred outflows, liabilities and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program revenues in each activity:

<i>General Government –</i>	Licenses and permits, rents and royalties, DEP program, emergency operations, and refund of prior year expenditures.
<i>Police –</i>	Fines and forfeits, Act 120 (police), municipal pension state aid, alcoholic beverage licenses, Drug Enforcement Agency monies, drug task force, and public safety.
<i>Fire and Ambulance –</i>	Foreign fire insurance.
<i>Inspection, Planning and Zoning –</i>	Building permits, mobile home permits, street encroachment permits, sanitation, and zoning and subdivision.
<i>Public Works –</i>	Highways and streets – snow reimbursement, motor vehicle fuel tax, special assessments, and grants.
<i>Culture and Recreation –</i>	Recreation fees, specific donations, and grants.
<i>Debt Service –</i>	Fire Company debt payments.
<i>Miscellaneous –</i>	Municipal pension state aid.

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

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

INTERFUND BALANCES AND TRANSFERS

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. Interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

Flow of assets from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

CASH AND INVESTMENTS

In accordance with the Pennsylvania Second Class Township Code (State Code), the Township is authorized to designate one or more banks or bank and trust companies as a depository or depositories for its funds. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. If these funds are fully insured by the FDIC, the Township shall not require any additional bond, insurance or security to cover the amounts of deposits so insured. If these funds are not fully insured by the FDIC, the funds shall be continuously secured by a pledge of direct obligations of the United States of America or of the Commonwealth, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit.

Fiduciary Funds are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

CASH AND INVESTMENTS (cont'd)

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Cash Equivalents	\$	4,961,360
Restricted Cash and Cash Equivalents		100,685
Fiduciary Funds:		
Cash and Cash Equivalents		535,387
Investments		<u>18,151,652</u>
Total Cash and Investments	\$	<u><u>23,749,084</u></u>

Cash and investments as of December 31, 2014 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash on Hand	\$ 503	\$ 503
Deposits with Financial Institutions	3,568,892	3,568,892
Deposits with Morgan Stanley	535,387	535,387
Investments:		
PLGIT		
State Investment Pool	1,492,650	1,492,650
Morgan Stanley		
Corporate Bonds	6,083,601	5,981,590
Stock	9,918,465	13,011,296
Alternative	<u>2,149,586</u>	<u>2,141,481</u>
Total Cash and Investments	<u>\$ 23,749,084</u>	<u>\$ 26,731,799</u>

Investments with the Pennsylvania Local Government Investment Trust (PLGIT) are held in the name of the respective funds. Investments in PLGIT are reported at cost.

Pension funds include investments held with Morgan Stanley in money market funds, corporate bonds, stocks and alternative investments. Investments are valued at cost.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

CASH AND INVESTMENTS (cont'd)

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

The State Code requires the Township to invest funds consistent with "sound business practice": investments are made with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Township has no investment policy that would further limit its investment choices. Following are the credit ratings as of the year end for each investment type:

Investment Type	Amount	Exempt from Disclosure	Ratings as of Year End				
			AAA	AA	A	BBB	BB
State Investment Pool	\$ 1,492,650	\$ 0	\$ 1,492,650	\$ 0	\$ 0	\$ 0	\$ 0
Corporate Bonds	6,083,601	0	0	501,900	2,609,981	2,841,870	129,850
Stock	9,918,465	9,918,465	0	0	0	0	0
Alternative	2,149,586	2,149,586	0	0	0	0	0
	<u>\$ 19,644,302</u>	<u>\$ 12,068,051</u>	<u>\$ 1,492,650</u>	<u>\$ 501,900</u>	<u>\$ 2,609,981</u>	<u>\$ 2,841,870</u>	<u>\$ 129,850</u>

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits from an outside party. For investments it is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Township has no investment policy that would further limit the exposure to custodial credit risk for deposits or investments than that required by the State Code.

As of December 31, 2014, \$2,861,127 of the Township's deposits with financial institutions in excess of federal depository insurance limits were collateralized with securities held by the pledging financial institution or held by the pledging financial institution's trust department or agent but not in the government's name. Cash deposits at December 31, 2014 include restricted cash of \$100,685.

Investments with Morgan Stanley include securities uninsured and unregistered and held by the counterparty, or held by the counterparty's trust department or by its agent but not held in the government's name (this includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities).

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

CASH AND INVESTMENTS (cont'd)

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2014, the Township has the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity Date</u>
State Investment Pool	\$ 1,492,650	Less than 60 Days
Corporate Bonds	6,083,601	4.75 yrs
	<u>\$ 7,576,251</u>	

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Township does not have formal investment policy regarding concentration of credit risk but utilizes "sound business practice" in choosing investments mandated by the State Code.

As of December 31, 2014 investments in any one issuer (other than external investment pools) that represent 5% or more of the total fiduciary investments are as follows:

Morgan Stanley	\$ 18,151,652
----------------	---------------

INTERFUND BALANCES AND TRANSFERS

Interfund balances are as follows:

<u>Due to the General Fund</u>	
From Non-Major Funds	\$ 2,297
From Sewer Fund	60,460
<u>Due to Capital Reserve Fund</u>	
From the General Fund	31,567
<u>Due to Non-Major Funds</u>	
From the General Fund	6,001
<u>Grand Total</u>	<u>\$ 100,325</u>

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

INTERFUND BALANCES AND TRANSFERS (cont'd)

The amount due to the General Fund from Non-Major and Sewer Funds represents reimbursements due for expenditures paid on behalf of those funds. The amount due to the Capital Reserve Fund from the General Fund represents reimbursements due for revenues collected on behalf of the Capital Reserve Fund. The amount due to Non-Major Funds from the General Fund represents reimbursements due for revenues collected on behalf of Non-Major Funds.

For the purpose of the Township's fund financial statements, the interfund balances are not eliminated.

Interfund transfers were as follows:

	<u>Amount</u>
Transfers to the General Fund	
From the Sewer Fund	\$ 256,638
From Non-Major Fund	2,264
Transfers from the General Fund	
To the Capital Reserve Fund	<u>(100,000)</u>
Interfund Transfers	<u>\$ 158,902</u>

The transfer of \$256,638 into the General Fund from the Sewer Fund and \$2,264 into the General Fund from a Non-Major fund was for the allocation of administrative expenses. The transfer of \$100,000 from the General Fund to the Capital Reserve Fund was for funding future capital expenditures.

NOTES RECEIVABLE

The debt service fund holds a note receivable of \$142,000 from the Witmer Fire Company. Interest payments are receivable semi-annually at a variable rate through November 2022. At December 31, 2014 interest is payable at a rate of 1.95% per annum. Principal becomes due and payable annually through November 2022.

The debt service fund holds a note receivable of \$1,465,000 from the Lafayette Fire Company. Interest payments are receivable semi-annually at a variable rate through February 2030. At December 31, 2014 interest is payable at rate of 0.04% per annum. Principal becomes due and payable annually beginning February 2013 and continues through February 2030.

The balance of these receivables are not presented as an asset on the financial statements under the modified cash basis of accounting.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PROPERTY TAXES

Based upon assessed valuations provided by the County, the Township bills and collects property taxes. The schedule of property taxes levied for 2014 is as follows:

Tax Levy Date	March 1, 2014
2% Discount Period	March 1 - April 30, 2014
Face Payment Period	May 1 - June 30, 2014
10% Penalty Period	July 1 - December 31, 2014
Lien Filing Date	January 1, 2015

The tax rate for all purposes in 2014 was 1.6 mills (\$1.60 per \$1,000 assessed valuation).

EMPLOYEE GROUP INSURANCE

In 1991, the Township entered into an inter-governmental cooperation agreement with other municipalities, in order to provide life, health, hospitalization, medical, surgical or accident insurance for Township employees and their dependents. Under this agreement the Township is entering into a partially self-funded arrangement with a local insurance carrier. This arrangement requires monthly deposits be placed in an account from which the insurance carrier can draw for claims made. Specific individual losses for claims are limited to \$30,000 per incident per fiscal year. In total, the Township's liability is limited for each fiscal year to the amount that the Township is required to deposit based on individual rates established at the beginning of the year. Depending on the claims incurred by other participating municipalities, the Township may be responsible for a portion of excess claims incurred by the other participants (but not to exceed the Township's overall limit of liability). As of December 31, 2014, funds totaling \$375,797 remain in the account and are restricted in nature. Activity related to this agreement is reported in the insurance fund, an internal service fund.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS

The Township has adopted two separate single-employer defined benefit pension plans. Separate reports have not been issued for these plans. Combining statements for the pension trust funds are as follows:

Combining Statement of Fiduciary Net Position - Modified Cash Basis
December 31, 2014

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 457,041	\$ 78,346	\$ 535,387
Investments	<u>15,317,341</u>	<u>2,834,311</u>	<u>18,151,652</u>
TOTAL ASSETS	<u>\$ 15,774,382</u>	<u>\$ 2,912,657</u>	<u>\$ 18,687,039</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Restricted	<u>15,774,382</u>	<u>2,912,657</u>	<u>18,687,039</u>
TOTAL NET POSITION	<u>\$ 15,774,382</u>	<u>\$ 2,912,657</u>	<u>\$ 18,687,039</u>

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS (cont'd)

Combining Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
For the Year Ended December 31, 2014

	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Total</u>
ADDITIONS			
Contributions:			
State Pension Aid	\$ 278,833	\$ 81,326	\$ 360,159
Employee	153,157	29,928	183,085
Township	177,117	14,020	191,137
Total Contributions	609,107	125,274	734,381
Investment Income:			
Interest and Investment Earnings	2,404,172	455,838	2,860,010
Total Investment Income	2,404,172	455,838	2,860,010
Total Additions	3,013,279	581,112	3,594,391
DEDUCTIONS			
Administrative Expense	128,015	26,165	154,180
Retirement Benefits Paid	366,589	97,027	463,616
Total Deductions	494,604	123,192	617,796
Net Increase	2,518,675	457,920	2,976,595
Net Position Held in Trust for Pension Benefits			
Net Position - January 1, 2014	13,255,707	2,454,737	15,710,444
Net Position - December 31, 2014	<u>\$ 15,774,382</u>	<u>\$ 2,912,657</u>	<u>\$ 18,687,039</u>

The plans are governed by the Board of Township Supervisors which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to Morgan Stanley. The plans provide retirement, disability and death benefits to plan members and beneficiaries. A description of the plan participation and benefit provisions follows:

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS (cont'd)

NON-UNIFORMED PENSION PLAN DESCRIPTION

All full-time employees except police officers shall participate in the non-uniformed plan if they have attained age 20½ and have performed six months of continuous service.

Eligibility Requirements

Normal Retirement – the later of attained age 65 or five years after plan entry date.

Early Retirement – within ten years of normal retirement date.

Vesting – 20% after three years of service, plus 20% per year thereafter, up to 100%.

Retirement Benefit

1.9% of average compensation (1.5% if hired on or after 1/1/14) multiplied by accrued service, but no greater than 60% of average compensation. Average compensation is the monthly average of total pay received for the five consecutive years out of the ten latest years which give the highest average.

Survivor Benefit

If death occurs after a participant becomes partially vested, the amount paid to the surviving spouse or eligible child equals the amount that would have been paid had the participant terminated employment on the date of death, survived to his/her earliest retirement age and retired with a qualified joint and 50% survivor annuity in effect.

Other Benefit

Single sum death benefit is paid if the death of a participant occurs prior to eligibility for the joint and 50% survivor death benefit. A single sum death benefit equal to the participant's transfer value from the prior plan, increased with interest will be payable.

POLICE PENSION PLAN DESCRIPTION

All police officers shall participate in the police pension plan if they are employed for not less than 40 hours per week at a definite salary.

Eligibility Requirements

Normal Retirement – attainment of age 50 with 25 years of service (for employees hired prior to January 1, 1994 – attainment of age 50 with 20 years of service).

Vesting – 100% after twelve years of service.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS (cont'd)

Retirement Benefit

An amount equal to 50% of average compensation multiplied by accrued benefit adjustment, plus \$20 per month multiplied by years of service in excess of 25 years (maximum shall not exceed \$100 per month). For officers hired prior to January 1, 1994, the service increment is \$100 per month if more than 21 years of service are completed. Average compensation is the monthly average of earnings paid by the Township, excluding unused sick and vacation pay paid at termination over the final 36 months of employment.

Survivor Benefit

If death occurs out of or in course of employment, the monthly payment will be made to an eligible spouse or dependent child. The monthly payment shall be 100% of the participant's salary at the time of death. If death does not arise out of, or in the course of employment, the monthly payment will be 50% of the benefit the member was receiving at the time of death, or would have been receiving had he/she been retired at the time of death.

Disability Benefit

Service-Related - 50% of monthly salary on the date of total and permanent disability offset by Social Security benefits payable on account of the same illness or injury.

Post-retirement Adjustments

A 3% yearly maximum increase with a 30% overall maximum increase will be provided to retirement participants or beneficiaries receiving benefits whenever the Consumer Price Index changes at least 1%.

PLAN MEMBERSHIP

Pension plan membership consisted of the following as of January 1, 2013:

	<u>Police Pension</u>	<u>Non-uniformed Pension</u>
Active employees	37	21
Retirees and Beneficiaries currently receiving benefits	12	10
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>	<u>8</u>
Total Membership	51	39

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS (cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Township's policy is to prepare its pension financial statements using the cash basis of accounting. Consequently, certain investment income, contributions, and related assets are recognized when received rather than when earned, and certain benefit payments and other expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles, which require the accrual basis of accounting.

Valuation of Investments

Investments with Morgan Stanley are in the form of cash and cash equivalents, corporate bonds, stocks and alternatives and are valued at cost.

Contributions and Funding Requirements

Act 205 (as amended) requires that annual contributions to the non-uniformed and police pension plan be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Currently, members of the non-uniformed and police pension plans are required to contribute 2.5% and 5.0% of compensation, respectively for 2014. The Township is required to contribute at an actuarially determined rate of 10.7% of annual covered payroll for the non-uniformed plan and 17.3% for the police plan. The contribution requirements of plan members and the Township are established and may be amended by the Board of Supervisors as required based on actuarial computations.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to plans and funded through the MMO and/or plan earnings.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

PENSION TRUST FUNDS (cont'd)

Schedule of Employer Contributions (including State Aid)

Calendar Year	Police Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 571,752	\$ 571,752	100%
2010	468,650	468,530	100%
2011	513,749	513,749	100%
2012	447,535	447,535	100%
2013	455,956	455,956	100%
2014	455,950	455,950	100%

Calendar Year	Non-uniformed Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 92,955	\$ 92,955	100%
2010	99,064	99,064	100%
2011	104,421	139,910	134%
2012	120,712	120,712	100%
2013	115,391	115,391	100%
2014	95,346	95,346	100%

The annual required contributions listed above do not include amounts due from member contributions.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

DEFERRED COMPENSATION PLAN

The Township maintains a deferred compensation plan that is available to all full-time employees. The contribution levels are determined by the employees. Funds are invested by ICMA Retirement Corporation as directed by each employee. Funds are due to the employee upon retirement or termination of employment. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries.

The Township does not maintain a fiduciary responsibility in the maintenance of these assets.

LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2014:

	<u>Balance</u> <u>January 1, 2014</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments of</u> <u>Expenditures</u>	<u>Balance</u> <u>December 31, 2014</u>	<u>Interest</u> <u>Paid</u>
<u>Governmental Fund Types</u>					
General Obligation Notes and Bonds	\$ 8,326,000	\$ 0	\$ 714,000	\$ 7,612,000	\$ 154,331
Lease Purchase Agreements	108,802	0	34,989	73,813	3,927
Compensated Absences	308,884	30,456	0	339,340	0
<u>Total Governmental Fund Types</u>	8,743,686	30,456	748,989	8,025,153	158,258
<u>Proprietary Fund Types</u>					
Lease Purchase Agreements	103,576	0	50,786	52,790	3,294
<u>Total All Fund Types</u>	\$ 8,847,262	\$ 30,456	\$ 799,775	\$ 8,077,943	\$ 161,552

Governmental fund obligations are generally liquidated by the General Fund when due, except for the obligations on the lease purchase agreement. Those obligations are satisfied by the Highway Aid Fund. Interest is reported as a direct expense of principal and interest on indebtedness on the statement of activities.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LONG-TERM DEBT (cont'd)

General Obligation Notes and Bonds

The Township is liable for a General Obligation Note dated September 26, 2002 in the amount of \$275,000. The note owing to the Fulton Bank was obtained to assist Witmer Fire Company in the purchase of firefighting equipment. Annual installments of principal and semi-annual installments of interest are payable through November 2022. Interest accrues at 3.70% per annum for the first 61 months and 60% of Fulton Bank's prime rate (not to exceed 12%) for the remainder of the term of the note. As of December 31, 2014, the interest rate is 1.95%.

The Township issued General Obligation Bonds dated September 20, 2011 in the principal amount of \$4,650,000. Principal maturities occur on November 15, 2011 through 2028. Interest rates vary from 2.50% to 3.75% depending on the date of maturity. Interest is payable beginning November 15, 2011. Interest payments continue November 15 and May 15 of each year thereafter to November 15, 2028. The average annual debt service cost is \$367,682.

The Township is a participant in PLGIT's Bond Pool Program. Issued through the Emmaus General Authority, the Township is liable for the following variable rate obligations:

The Township is liable for a General Obligation Note dated July 1, 1999 in the principal amount of \$3,540,000. Principal maturities occur on February 1, 2000 through 2019. Interest rates vary weekly and interest is payable beginning July 1999. Interest payments continue monthly thereafter to February 1, 2019.

In addition, the Township is liable for a General Obligation Note dated October 1, 1999 in the principal amount of \$1,210,000. Principal maturities occur on February 1, 2000 through 2019. Interest rates vary weekly and interest is payable beginning October 1999. Interest payments continue monthly thereafter to February 1, 2019.

Interest rates assessed participants in PLGIT's 1996 Bond Pool Program vary from 0.05% to 0.30% during 2014.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LONG-TERM DEBT (cont'd)

These monies were obtained for planning, designing, construction and furnishing offices, public works facilities, park facilities and other capital projects as enumerated in the loan agreements.

The Township is liable for a General Obligation Note dated December 13, 2012 in the principal amount of \$1,710,000. The note owing to PLIGT's Bond Pool Program was issued to refund the General Obligation Note dated June 24, 2011 and provide additional monies to finance the construction of a fire station for Lafayette Fire Company. Principal maturities occur on March 1, 2013 thru 2030. Interest rates vary weekly and interest is payable beginning January 2013. Interest payments continue monthly thereafter to March 1, 2030.

Interest rates assessed participants in PLGIT's 2000 Bond Pool Program vary from 0.03% to 0.12% during 2014.

In addition to interest, fiscal agent fees are payable monthly. Fees were charged at a rate of 1.65% per annum for all payments in 2014. The Township is also responsible for any arbitrage rebates that are calculated. Fees of \$0 were paid in 2014 related to arbitrage rebate calculations.

Lease Purchase Agreements

On December 3, 2008, the Township signed a lease purchase agreement with Manufacturers and Traders Trust Company for the purchase of a 2009 Volvo Sewer Combination truck. Quarterly installments of \$13,520 include interest accrued at the rate of 3.89% per annum for a period of seven years.

On August 23, 2011, the Township signed a lease purchase agreement with John Deere Credit for the purchase of a 2010 John Deere Grader. Annual payments of \$38,818 begin August 2012 and continue through August 2016. Payments include interest accrued at a rate of 3.55% per annum for a period of five years.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LONG-TERM DEBT (cont'd)

Debt service requirements on general obligation notes, bonds and lease purchase agreements in future years are:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 681,252	\$ 150,132	\$ 52,790	\$ 1,290	\$ 885,464
2016	703,561	141,476	0	0	845,037
2017	681,000	131,289	0	0	812,289
2018	712,000	122,280	0	0	834,280
2019	738,000	112,931	0	0	850,931
2020 - 2024	2,110,000	422,875	0	0	2,532,875
2025 - 2029	2,035,000	137,543	0	0	2,172,543
2030	25,000	2	0	0	25,002
Total Payments	<u>\$ 7,685,813</u>	<u>\$ 1,218,528</u>	<u>\$ 52,790</u>	<u>\$ 1,290</u>	<u>\$ 8,958,421</u>

Interest due on the General Obligation Note dated September 26, 2002 is computed at 1.95% (the rate in effect at December 31, 2014).

Interest due through PLGIT's 1996 Bond Pool Program is computed at 0.17% (the rate in effect at December 31, 2014).

Interest due through PLGIT's 2000 Bond Pool Program is computed at 0.04% (the rate in effect at December 31, 2014).

Compensated Absences

Township employees are entitled to accumulate sick days. After five years of employment, police officers are entitled to half of all accumulated sick days upon termination subject to a maximum of 720 hours. Other employees are entitled to half of all accumulated sick days in excess of 60 days. Vacation and personal time may not be accumulated.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LEASE RENTALS

Fourth Supplemental Agreement of Lease – East Lampeter Sewer Authority

On August 15, 2009, the Township entered into a supplemental agreement of lease with the East Lampeter Sewer Authority to lease certain sewage collection and transportation facilities. This agreement terminated lease rental obligations payable under the Third Supplemental Agreement of Lease. This obligation was satisfied by a refunding of debt through the issuance of Sewer Revenue Bonds – Series of 2014 and the related Sixth Supplemental Agreement of Lease.

Lease rentals of \$109,945 were paid in 2014.

Fifth Supplemental Agreement of Lease – East Lampeter Sewer Authority

On October 26, 2010 the Township entered into a supplemental agreement with the East Lampeter Sewer Authority to lease certain sewage collection and transportation facilities. The Township has guaranteed the payment of principal and interest on the Authority's Guaranteed Sewer Revenue Note, Series of 2010 with a maximum aggregate principal amount of \$6,000,000. Lease rental payments are due on or before April 1st and October 1st of each year beginning in 2011 and concluding with the year ending December 31, 2023. As of December 31, 2014, the balance on the Sewer Revenue Note is \$5,374,500. Lease rental payments can be adjusted to equal 100% of the Debt Service requirement on the outstanding Note due and payable in a certain year.

Based on the current outstanding debt and interest at 1.58% (the rate in effect at December 31, 2014) annual lease payments are projected as follows:

Calendar Year	On or Before April 1,	On or Before October 1,	Total
2015	\$ 42,459	\$ 252,459	\$ 294,918
2016	40,800	255,800	296,600
2017	39,101	269,101	308,202
2018	37,284	272,284	309,568
2019	35,428	960,428	995,856

Lease rentals payable subsequent to 2019 are as follows:

2020 - 2023 \$ 3,692,181

Lease rentals of \$288,280 were paid in 2014.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LEASE RENTALS (cont'd)

Sixth Supplemental Agreement of Lease – East Lampeter Sewer Authority

On August 13, 2014, the Township entered into a supplemental agreement with the East Lampeter Sewer Authority to lease certain sewage collection and transportation facilities. The Township has guaranteed the payment of principal and interest on the Authority's Guaranteed Sewer Revenue Bond, Series of 2014 with a principal amount of \$8,910,000. This agreement terminated lease rental obligations payable under the Fourth Supplemental Agreement. It also provided monies for additional construction. Annual lease payments varying between \$275,644 and \$1,386,481 are due on or before April 1st and October 1st of each year beginning in 2014 and concluding with the year ending December 31, 2027. As of December 31, 2014, the balance on the Sewer Revenue Bond is \$8,290,000. Lease rental payments can be adjusted to equal 100% of the Debt Service requirement on the outstanding Bond due and payable in a certain year.

Annual lease payments payable during the next five years are as follows:

<u>Calendar Year</u>	<u>On or Before April 1,</u>	<u>On or Before October 1,</u>	<u>Total</u>
2015	\$ 126,734	\$ 841,734	\$ 968,468
2016	119,584	849,584	969,168
2017	108,634	858,634	967,268
2018	93,634	873,634	967,268
2019	78,034	203,034	281,068

Lease rentals payable subsequent to 2019 are as follows:

2020 - 2024	\$ 3,192,106
2025 - 2027	2,837,093

Lease rentals of \$655,449 were paid in full in 2014.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

LEASE RENTALS (cont'd)

Other Inter-Municipal Waste Water Treatment Agreements

The Township has entered into an inter-municipal waste water treatment agreements with the City of Lancaster and Lancaster Area Sewer Authority. Both agreements provide that the Township will pay quarterly sewage treatment charges based on their actual usage.

Due to a controversy over the method of allocating sewage treatment costs, the Township has only paid a portion of the bills received in 1992 through 2014. In 2012, the City of Lancaster requested arbitration on this matter. The arbitrators' decision awarded a total of \$2,433,543 to the City of Lancaster for unpaid sewage treatment and fixed charges for periods through 2012. The Township forwarded \$1,685,231 to the City on March 19, 2015. An additional \$464,769 was previously forwarded to the City. After the March 2015 payment, the Township owes an additional \$283,543. On March 12, 2015, the City filed judgment for \$56,000 of interest in addition to the arbitrators' award. The Township is disputing the interest amount in its entirety.

At December 31, 2014, the City of Lancaster has billed an additional \$505,795 for 2013 through 2014 which remains unpaid.

Other Lease Agreements

On December 5, 2013, the East Lampeter Sewer Authority (ELSA) extended a lease for space for a radio relay facility. Monthly rent of \$500 is incurred for the period up to and including November 30, 2016. Thereafter, the Township is responsible for monthly installments of \$550 for 24 months, followed by another 60 months at \$600 per month. Annual lease rental payments payable during the next five years are as follows:

Calendar Year	Amount
2015	\$ 6,000
2016	6,050
2017	6,600
2018	6,650
2019	7,200

Lease rentals payable subsequent to 2019 are as follows:

2020 - 2024	\$ 35,400
-------------	-----------

Lease rentals of \$6,000 were paid in 2014.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

POST EMPLOYMENT HEALTHCARE PLANS

POLICE PLAN

Plan Description

The Township administers a single-employer defined benefit healthcare plan ("the Police Retiree Health Plan"). The plan provides hospitalization and health benefits to fully retired police officers and their spouses until the police officer is eligible for Medicare. Post retirement benefits will be for the medical insurance and prescription drug plans with coverage at the same levels provided to active officers. The police officer must notify the Township prior to retirement in order to be eligible. In the event that the retired officer is employed by an employer who provides medical insurance and the retired officer is eligible at any level of benefit, Township provided post-retirement benefits shall become secondary to the employer benefit. The retired officer shall also be required to pay 50% of the Township's premium costs. Spouses are not covered if they have available health coverage through their employer. Spouses are covered under the plan for a maximum of 15 years.

Funding Policy

The contribution requirements are based on the level of coverage provided to active police officers. Currently, the Township is covering 100% of the cost of medical insurance and prescription drug plans to its active police officers. The required contribution is based on projected pay-as-you-go financing requirements.

Contributions

For the year ending December 31, 2014, the Township contributed \$22,249 to the plan.

NON-UNIFORM PLAN

Plan Description

The Township administers a single-employer defined benefit healthcare plan ("the Non-Uniform Retiree Health Plan"). The plan provides hospitalization and health benefits to fully retired non-uniform employees and their spouses until the employee is eligible for Medicare. Post-retirement benefits are provided for employees hired before January 1, 2007 and retired after January 1, 2001 with a monthly pension benefit, are at least 55 years of age, and have served the Township at least 20 years. Post-retirement benefits are provided for employees hired on or after January 1, 2007, retired with a monthly pension benefit, are at least 55 years of age, and have served the Township at least 25 years. Post-retirement benefits will be for the medical insurance and prescription drug plans with coverage at the same levels provided to active employees. The employee must notify the Township prior to retirement in order to be eligible. In the event that the retired employee is employed by an employer who provides medical insurance and the retired employee is eligible at any level of benefit, Township provided post-retirement benefits shall cease and the retired employee can not be reinstated. Spouses are not covered if they have available health coverage through their employer. Spouses are covered under the plan for a maximum of 10 years.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

POST EMPLOYMENT HEALTHCARE PLANS (cont'd)

Funding Policy

The contribution requirements are based on the level of coverage provided to active non-uniform employees. In 2014, the Township is covering 100% of the cost of medical insurance and prescription drug plans to its active employees. The required contribution is based on projected pay-as-you-go financing requirements.

Contributions

For the year ending December 31, 2014, the Township contributed \$9,324 to the plan.

COMMITMENTS AND CONTINGENCIES

AUTOMATED RED LIGHT ENFORCEMENT PROGRAM PROJECT

The Township has entered into a funding agreement with the Commonwealth of Pennsylvania for this project. The Township has agreed to sponsor the US 30 Interactive Signal Responsive System at an estimated cost of \$75,000, which will be reimbursed in its entirety by the Commonwealth.

TRANSPORTATION ENHANCEMENT PROGRAM

The Township has entered into an agreement with the Pennsylvania Department of Transportation to develop streetscape guidelines to create a more efficient corridor for tourists along US 30. Federal funds will be allocated for a portion of the allowable costs of the project up to a maximum of \$70,000. A balance of \$24,000 was unused as of December 31, 2014. The Township has entered into a grant agreement with Lancaster County for Urban Enhancement funds for the project in an amount not to exceed 75,000.

The Township has budgeted expenditures of \$104,000 in the 2015 budget for the project partially financed by the above Urban Enhancement Funds and the Transportation Enhancement Program.

REIMBURSEMENT AND MAINTENANCE AGREEMENT

The Township has entered into an agreement to reimburse the Commonwealth of Pennsylvania for costs of the installation of new pedestrian facilities required as part of the State improvements to SR 340. Estimated cost of the pedestrian facilities is \$93,035 to be paid in monthly installments over one year to the Commonwealth.

FIRE APPARATUS REPLACEMENT

The Township has agreed to assist the four Township fire companies in the purchase of fire apparatus through 2029. On a rotating basis, the Township has agreed to reimburse the fire companies between 33.3% and 50% of the cost of approved apparatus. The Township has no expenditure obligation for 2015.

EAST LAMPETER TOWNSHIP
Notes to Financial Statements - Continued
December 31, 2014

COMMITMENTS AND CONTINGENCIES (cont'd)

PURCHASE AGREEMENT

The Township has entered into an agreement to purchase property on Old Philadelphia Pike for \$115,000. The property is expected to be used for recreational purposes and for water quality improvement efforts.

FEES FROM DEVELOPERS

Developers are required to remit various fees to the Township to obtain final plan approval. These fees may include fees in lieu of parkland, traffic study fees and similar charges. Some of these fees may be refundable if not expended within a certain period of time.

LETTERS OF CREDIT

Developers and others are periodically required to issue an irrevocable letter of credit to secure the completion of public improvements in accordance with Township ordinances and regulations. These letters of credit are released upon completion of the improvements. A developer may deposit the amount of the required letter of credit into an interest bearing escrow account maintained by the Township. These funds are refunded plus interest earned upon completion of the improvements.

LITIGATION

A developer has challenged whether certain fees of \$289,000 contributed in lieu of parkland were properly used in accordance with the Township's Subdivision and Land Development Ordinance. The outcome of this litigation is not presently determinable.

SUBSEQUENT EVENTS

Management has evaluated events through May 7, 2015, the date the financial statements were available to be issued.

EAST LAMPETER TOWNSHIP
Statement of Revenue, Expenditures and Changes in
Fund Balances, Budget and Actual - Modified Cash Basis
General and Major Special Revenue Funds
For the Year Ended December 31, 2014

	GENERAL FUND			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	(Budgetary Basis)	(Negative)
REVENUES				
Taxes	\$ 5,966,176	\$ 5,966,176	\$ 6,035,918	\$ 69,742
Licenses and Permits	232,500	232,500	245,257	12,757
Fines and Forfeits	140,000	140,000	134,810	(5,190)
Interest, Rents and Royalties	3,110	3,110	3,432	322
Intergovernmental Revenues	1,650,161	1,650,161	1,678,663	28,502
Charges for Service	269,842	269,842	320,296	50,454
TOTAL REVENUES	8,261,789	8,261,789	8,418,376	156,587
EXPENDITURES				
General Government	987,039	987,039	927,394	59,645
Police	5,288,597	5,288,597	5,276,410	12,187
Fire and Ambulance	433,938	433,938	415,129	18,809
Inspection, Planning, Zoning and Other Public Safety	250,097	250,097	250,605	(508)
Public Works - Highways and Streets	787,952	787,952	742,876	45,076
Culture and Recreation	211,742	211,742	203,207	8,535
Debt Service	708,830	708,830	707,143	1,687
Miscellaneous Expenditures	25,700	25,700	36,651	(10,951)
TOTAL EXPENDITURES	8,693,895	8,693,895	8,559,415	134,480
Excess (Deficiency) of Revenues Over Expenditures	\$ (432,106)	\$ (432,106)	\$ (141,039)	\$ 291,067

HIGHWAY AID FUND

Budgeted Amounts		Actual		Variance with
Original	Final	(Budgetary Basis)		Final Budget
				Positive
				(Negative)
\$ 0	\$ 0	\$ 0	\$ 0	0
0	0	0	0	0
0	0	0	0	0
100	100	56	(44)	
351,935	351,935	393,260	41,325	
0	0	0	0	
352,035	352,035	393,316	41,281	
0	0	0	0	
0	0	0	0	
0	0	0	0	
0	0	0	0	
443,436	443,436	269,504	173,932	
0	0	0	0	
38,915	38,915	38,916	(1)	
0	0	0	0	
482,351	482,351	308,420	173,931	
\$ (130,316)	\$ (130,316)	\$ 84,896	\$ 215,212	

EAST LAMPETER TOWNSHIP
Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual
General and Major Special Revenue Funds - Continued
For the Year Ended December 31, 2014

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	\$ 110,033	\$ 110,033	\$ 158,902	\$ 48,869
Sale of Fixed Assets	10,000	10,000	6,170	(3,830)
Refunds of Prior Years Expenditures	215,000	215,000	420,710	205,710
Refunds of Prior Years Receipts	0	0	(20,388)	(20,388)
TOTAL OTHER FINANCING SOURCES (USES)	<u>335,033</u>	<u>335,033</u>	<u>565,394</u>	<u>230,361</u>
Net Change in Fund Balances	<u>(97,073)</u>	<u>(97,073)</u>	<u>424,355</u>	<u>521,428</u>
Fund Balance - January 1, 2014	<u>2,275,127</u>	<u>2,275,127</u>	<u>2,275,127</u>	<u>0</u>
Fund Balance--December 31, 2014	<u>\$ 2,178,054</u>	<u>\$ 2,178,054</u>	<u>\$ 2,699,482</u>	<u>\$ 521,428</u>

HIGHWAY AID FUND

Budgeted Amounts		Actual		Variance with
Original	Final	(Budgetary Basis)		Final Budget Positive (Negative)
\$ 22,693	\$ 22,693	\$ 0	\$	(22,693)
0	0	0		0
0	0	0		0
0	0	0		0
22,693	22,693	0		(22,693)
(107,623)	(107,623)	84,896		192,519
140,937	140,937	140,937		0
\$ 33,314	\$ 33,314	\$ 225,833	\$	192,519