

East Lampeter Township

Financial Statements

Year Ended December 31, 2016 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

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EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

Board of Supervisors
East Lampeter Township

We have audited the accompanying modified cash basis financial statements (financial statements) of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Lampeter Township (Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The budgetary comparison information on pages 46 through 48, which is the responsibility of management, is presented for purposes of additional analysis and is 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.

Maher Duessel

Harrisburg, Pennsylvania
May 30, 2017

EAST LAMPETER TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,012,627	\$ 347,770	\$ 5,360,397
Restricted cash and cash equivalents	1,432,322	15,796	1,448,118
Restricted assets - escrow agreements	-	2,750,434	2,750,434
Internal balances	(258,412)	258,412	-
Total Assets	6,186,537	3,372,412	9,558,949
Liabilities			
Other current liabilities	1,124,697	-	1,124,697
Total Liabilities	1,124,697	-	1,124,697
Net Position			
Restricted for:			
State highway aid	231,918	-	231,918
Legal restrictions to parkland projects	7,109	-	7,109
Legal restrictions to police forfeiture funds	46,728	-	46,728
Administrative expenses	-	24,010	24,010
Capital projects and debt service	1	2,751,224	2,751,225
Unrestricted	4,776,084	597,178	5,373,262
Total Net Position	\$ 5,061,840	\$ 3,372,412	\$ 8,434,252

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

Functions/Programs:	Direct Expenses	Indirect Revenue Allocation	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
				Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:									
General government	\$ 964,568	\$ (4,353)	\$ 960,215	\$ 293,935	\$ 107	\$ -	\$ (666,173)	\$ -	\$ (666,173)
Police	5,781,720	(34,819)	5,746,901	1,571,092	24,750	105,126	(4,045,933)	-	(4,045,933)
Fire and ambulance	600,578	-	600,578	1,050	136,663	-	(462,865)	-	(462,865)
Inspection, planning, and zoning	263,974	(1,741)	262,233	204,932	-	-	(57,301)	-	(57,301)
Public works - highways and streets	1,658,708	(4,787)	1,653,921	185,552	49,293	823,735	(595,341)	-	(595,341)
Culture and recreation	214,734	(870)	213,864	21,416	965	-	(191,483)	-	(191,483)
Miscellaneous	27,110	-	27,110	-	-	-	(27,110)	-	(27,110)
Debt service	4,877,129	-	4,877,129	-	184,367	-	(4,692,762)	-	(4,692,762)
Total governmental activities	<u>14,388,521</u>	<u>(46,570)</u>	<u>14,341,951</u>	<u>2,277,977</u>	<u>396,145</u>	<u>928,861</u>	<u>(10,738,968)</u>	<u>-</u>	<u>(10,738,968)</u>
Business-type activities:									
Sewer	4,895,907	(3,907)	4,892,000	4,044,877	-	113,600	-	(733,523)	(733,523)
Total business-type activities	<u>4,895,907</u>	<u>(3,907)</u>	<u>4,892,000</u>	<u>4,044,877</u>	<u>-</u>	<u>113,600</u>	<u>-</u>	<u>(733,523)</u>	<u>(733,523)</u>
Total government	<u>\$ 19,284,428</u>	<u>\$ (50,477)</u>	<u>\$ 19,233,951</u>	<u>\$ 6,322,854</u>	<u>\$ 396,145</u>	<u>\$ 1,042,461</u>	<u>(10,738,968)</u>	<u>(733,523)</u>	<u>(11,472,491)</u>
				General revenues:					
				Taxes:					
				Property taxes, levied for general purposes, net			2,643,763	-	2,643,763
				Other taxes levied for general purposes, net			4,196,701	-	4,196,701
				Grants, subsidies, and contributions not restricted			385,664	24,061	409,725
				Investment earnings			9,612	1,425	11,037
				Debt issuance			4,178,572	656,948	4,835,520
				Transfers - internal activity			224,117	(224,117)	-
				Total general revenues and transfers			<u>11,638,429</u>	<u>458,317</u>	<u>12,096,746</u>
				Change in Net Position			<u>899,461</u>	<u>(275,206)</u>	<u>624,255</u>
				Net Position:					
				Beginning of year			<u>4,162,379</u>	<u>3,647,618</u>	<u>7,809,997</u>
				End of year			<u>\$ 5,061,840</u>	<u>\$ 3,372,412</u>	<u>\$ 8,434,252</u>

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2016

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,276,280	\$ 231,918	\$ 639,162	\$ 617,634	\$ 4,764,994
Restricted cash and cash equivalents	1,423,223	-	-	9,099	1,432,322
Due from other funds	-	-	194,988	-	194,988
Total Assets	\$ 4,699,503	\$ 231,918	\$ 834,150	\$ 626,733	\$ 6,392,304
Liabilities and Fund Balance					
Liabilities:					
Due to other funds	\$ 433,745	\$ -	\$ -	\$ 19,655	\$ 453,400
Restricted funds	1,124,697	-	-	-	1,124,697
Total Liabilities	1,558,442	-	-	19,655	1,578,097
Fund Balance:					
Restricted:					
State highway aid	-	231,918	-	-	231,918
Legal restrictions to parkland projects	-	-	-	7,109	7,109
Legal restrictions to police forfeiture funds	-	-	-	46,728	46,728
Debt service	-	-	-	1	1
Committed to:					
Specific street light costs	-	-	-	37,993	37,993
Assigned to:					
Capital projects	-	-	834,150	-	834,150
Fire apparatus	-	-	-	515,247	515,247
2017 budget	558,405	-	-	-	558,405
Unassigned	2,582,656	-	-	-	2,582,656
Total Fund Balance	3,141,061	231,918	834,150	607,078	4,814,207
Total Liabilities and Fund Balance	\$ 4,699,503	\$ 231,918	\$ 834,150	\$ 626,733	\$ 6,392,304

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2016

Total Fund Balance - Governmental Funds \$ 4,814,207

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.

247,633

Total Net Position - Governmental Activities

\$ 5,061,840

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
Revenues:					
Taxes	\$6,840,464	\$ -	\$ -	\$ -	\$6,840,464
Licenses and permits	274,674	-	-	-	274,674
Fines and forfeits	115,113	-	-	106,096	221,209
Interest, rents, and royalties	5,586	1,131	1,644	1,396	9,757
Intergovernmental revenues	1,766,965	503,737	-	-	2,270,702
Charges for services	423,740	-	319,998	91,366	835,104
Miscellaneous revenues	-	-	887	184,367	185,254
Total revenues	<u>9,426,542</u>	<u>504,868</u>	<u>322,529</u>	<u>383,225</u>	<u>10,637,164</u>
Expenditures:					
Current:					
General government	929,364	-	30,529	4,675	964,568
Police	5,695,500	-	-	86,220	5,781,720
Fire and ambulance	454,783	-	-	145,795	600,578
Inspection, planning, zoning, and other public safety	263,974	-	-	-	263,974
Public works - highways and streets	845,903	638,558	92,885	81,362	1,658,708
Culture and recreation	197,160	-	3,504	14,070	214,734
Miscellaneous	27,110	-	-	-	27,110
Debt service	4,653,841	38,915	-	184,373	4,877,129
Total expenditures	<u>13,067,635</u>	<u>677,473</u>	<u>126,918</u>	<u>516,495</u>	<u>14,388,521</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,641,093)</u>	<u>(172,605)</u>	<u>195,611</u>	<u>(133,270)</u>	<u>(3,751,357)</u>
Other Financing Sources (Uses):					
Debt issued	-	-	50,000	-	50,000
Refunding note issued	3,870,000	-	-	-	3,870,000
Lease purchase agreement	-	258,572	-	-	258,572
Refunds of prior years expenditures	201,559	-	-	-	201,559
Transfers in (out)	(303,815)	-	200,000	327,932	224,117
Total other financing sources (uses)	<u>3,767,744</u>	<u>258,572</u>	<u>250,000</u>	<u>327,932</u>	<u>4,604,248</u>
Net Change in Fund Balance	<u>126,651</u>	<u>85,967</u>	<u>445,611</u>	<u>194,662</u>	<u>852,891</u>
Fund Balance:					
Beginning of year	<u>3,014,410</u>	<u>145,951</u>	<u>388,539</u>	<u>412,416</u>	<u>3,961,316</u>
End of year	<u>\$3,141,061</u>	<u>\$ 231,918</u>	<u>\$ 834,150</u>	<u>\$ 607,078</u>	<u>\$4,814,207</u>

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Governmental Funds	\$ 852,891
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 income of the internal service fund is reported with governmental activities.	<u>46,570</u>
Change in Net Position - Governmental Activities	<u><u>\$ 899,461</u></u>

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

BALANCE SHEET - PROPRIETARY FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2016

	Enterprise Fund	Internal Service Fund
	Sewer Fund	Insurance Fund
Assets		
Cash and cash equivalents	\$ 326,114	\$ 269,289
Restricted cash and cash equivalents	15,796	-
Restricted assets - escrow agreements	2,750,434	-
Due from other funds	258,412	-
Total Assets	\$ 3,350,756	\$ 269,289
Net Position		
Restricted for:		
Payment of administrative expenses	\$ 24,010	\$ -
Payment of capital projects and debt service	2,751,224	-
Unrestricted	575,522	269,289
Total Net Position	\$ 3,350,756	\$ 269,289
Reconciliation of Net Position to the Statement of Net Position:		
Net Position - Enterprise Funds	\$ 3,350,756	
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.	21,656	
Net Position of Business-Type Activities	\$ 3,372,412	

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2016

	Enterprise Fund	Internal Service Fund
	Sewer Fund	Insurance Fund
Operating Revenues:		
Wastewater/sewerage charges	\$ 3,904,298	\$ -
Other charges for services	-	838,262
Rents and royalties	543	-
Other operating revenues	140,036	-
Total operating revenues	4,044,877	838,262
Operating Expenses:		
Salaries	310,305	-
Employee benefits	153,084	572,073
Wastewater/sewerage collection and treatment	1,006,746	-
Other purchased operating goods and services	2,056,731	-
Other purchased administrative goods and services	44,368	215,712
Total operating expenses	3,571,234	787,785
Operating Income	473,643	50,477
Nonoperating Revenues (Expenses):		
Earnings on investments	1,425	-
State sources	24,061	-
Debt service expense	(1,324,673)	-
Debt issuance	656,948	-
Total nonoperating revenues (expenses)	(642,239)	-
Income (Loss) before Capital Contributions and Transfers	(168,596)	50,477
Capital contributions - tapping fees	113,600	-
Transfers out	(224,117)	-
Change in Net Position	(279,113)	50,477
Net Position:		
Beginning of year	3,629,869	218,812
End of year	\$ 3,350,756	\$ 269,289
Reconciliation of Change in Net Position to the Statement of Activities:		
Change in Net Position - Enterprise Funds	\$ (279,113)	
Amounts reported for the business-type activities in the Statement of Activities are different because a portion of the net income of the internal services fund is included with business-type activities.	3,907	
Change in Net Position of Business-Type Activities	\$ (275,206)	

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

	Enterprise Fund	Internal Service Fund
	Sewer Fund	Insurance Fund
Cash Flows From Operating Activities:		
Received from users	\$ 3,904,841	\$ 838,262
Received from other operating revenue	140,036	-
Payments to employees for services	(310,305)	-
Payments for employee benefits	(153,084)	(572,073)
Payments for sewerage collection and treatment	(1,006,746)	-
Payments for purchased goods and services	(992,274)	-
Payments for other operating expenses	(736,835)	(215,712)
Net cash provided by operating activities	845,633	50,477
Cash Flows From Non-Capital Financing Activities:		
State sources	24,061	-
Transfers out	(224,117)	-
Net cash used in non-capital financing activities	(200,056)	-
Cash Flows From Capital and Related Financing Activities:		
Tapping fees received	113,600	-
Debt service paid	(1,324,673)	-
Debt issued	656,948	-
Net cash used in capital and related financing activities	(554,125)	-
Cash Flows From Investing Activities:		
Earnings on investments	1,247	-
Investment in escrow agreements	(2,246,965)	-
Net cash used in investing activities	(2,245,718)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,154,266)	50,477
Cash and Cash Equivalents:		
Beginning of year	2,496,176	218,812
End of year	\$ 341,910	\$ 269,289

(Continued)

EAST LAMPETER TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

(Continued)

	Enterprise Fund	Internal Service Fund
	Sewer Fund	Insurance Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 473,643	\$ 50,477
Adjustments to reconcile operating income to net cash provided by operating activities:		
Construction paid from restricted assets	945,696	-
Increase in due from other funds	(258,412)	-
Decrease in due to other funds	(315,294)	-
Total adjustments	371,990	-
Net cash provided by operating activities	\$ 845,633	\$ 50,477
Supplemental Disclosure of Non-Cash Financing and Investing Activities:		
Interest income in escrow accounts	\$ 178	\$ -
Construction costs paid from restricted assets	\$ 945,696	\$ -

(Concluded)

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2016

<u>Assets</u>	
Cash and cash equivalents	\$ 764,344
Investments	<u>20,997,132</u>
Total Assets	<u>21,761,476</u>
 <u>Net Position</u>	
Restricted for pension benefits	<u>21,761,476</u>
Total Net Position	<u><u>\$ 21,761,476</u></u>

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

Additions:

Contributions:

State pension aid	\$ 402,468
Employee	202,585
Township	303,554

Total contributions 908,607

Investment income:

Interest and investment income	1,520,629
Less investment expense	(141,354)

Net investment income 1,379,275

Total additions 2,287,882

Deductions:

Administrative expense	10,086
Retirement benefits paid	566,840

Total deductions 576,926

Change in Net Position

1,710,956

Net Position:

Beginning of year 20,050,520

End of year \$ 21,761,476

The accompanying notes are an integral part of these financial statements.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. 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 measurements and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity

East Lampeter Township (Township) is located in Lancaster County, Pennsylvania. The Township Board of Supervisors consists of five members elected by the public. The Township provides 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. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for the organization if the Township appoints a voting majority of the organization's governing body and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes.

East Lampeter Sewer Authority's (Authority) governing board is appointed by the Township's governing board. The Authority acquires, constructs, and improves the sewer collection system as requested by the 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 blended component unit for financial reporting purposes.

GASB pronouncements require blending a component unit into a primary government when a component unit's governing body is substantially the same as the governing body of the primary government, a component unit provides services entirely, or almost entirely, to the primary government, or a component unit's total debt outstanding is expected to be repaid

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

entirely or almost entirely with resources of the primary government. The Authority is presented as a blended component unit within the proprietary funds since the Authority provides services entirely or almost entirely to the Township and the Authority's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the Township. For financial statement presentation, the lease rental between the Township and the Authority has been eliminated.

The Authority has prepared and issued separate audited financial statements. The financial statements for the Authority 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, liabilities, 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:

- Total assets, liabilities, 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
- Total assets, liabilities, 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

YEAR ENDED DECEMBER 31, 2016

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 specific 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 Projects Fund

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 Fire Apparatus Fund has been established to provide monies for future purchases of Township fire company vehicles. The Parkland Capital Reserve and Acquisition Fund has been established to provide monies for Township Park development and improvement.

Debt Service Fund

The debt service fund is 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.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Of the eight 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 an enterprise fund to account for its Sewer Fund.

Internal Service Fund

The internal service fund is 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.

Fiduciary Funds

Trust Funds

Trust funds are used to report assets held in a trustee 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 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-uniformed 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.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type 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 sheet. Their operating statement presents 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.
- b. The proprietary funds and fiduciary funds utilize 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 the net position, net financial position, and cash flows. All assets and liabilities (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. The 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 not yet received and certain liabilities 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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements 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.

Financial Position

Cash and Cash Equivalents

Cash and cash equivalents include all deposits and investments with original maturities of three months or less, except for those monies which are held by an escrow agent in accordance with escrow agreements. For cash flow reporting purposes, all monies held by an escrow agent have been presented as restricted assets - escrow agreements and not as cash equivalents. The investments with the Pennsylvania Local Government Investment Trust (PLGIT) are valued at amortized cost.

Investments

Investments in the financial statements consist of corporate bonds, U.S. Government agency obligations, stocks, mutual funds, and alternative investments held for pension benefits and are recorded in fiduciary funds. Investments are reported at cost.

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.

Long-Term Debt

Long-term debt arising from cash basis transactions is not reported as a liability in the financial statements. In governmental funds, the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. In proprietary funds, the debt proceeds and payment of principal and interest are reported as nonoperating revenues and nonoperating expenses, respectively.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

Net Position

In 2011, the Township adopted a Minimum Fund Balance Policy. The General Fund shall maintain a minimum unassigned balance equal to 20% of the annual General Fund expenditures. On January 3, 2017, the unassigned balance was amended to 18% of the annual General Fund expenditures.

Net Position Classifications

Government-Wide Statements

Net Position is classified and displayed in two components:

Restricted - Consist of restricted assets reduced by liabilities 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.

Unrestricted - Net amounts of assets and liabilities 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 position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental Fund Statements

The difference between assets and liabilities of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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

Proprietary and Fiduciary Funds

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, rent and royalties and refund of prior year expenditures.
<i>Police -</i>	Fines and forfeits, Act 120 (police), 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 and zoning and subdivision.
<i>Public Works – Highways and Streets -</i>	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.

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

Operating Revenue and Expenses

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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”.

The 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 Activity.” Exchange transactions between funds are reported as revenues and as expenditures/expenses in the fund statements.

Risk Management

The Township and Authority are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. With the exception of the employee group insurance discussed in Note 7, significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2016. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Pending Pronouncements

In June of 2015, the GASB issued Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” This Statement addresses reporting by governments that provide other post employment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the Township’s December 31, 2018 financial statements.

In March of 2016, the GASB issued Statement No. 82, “*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.*” This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the Township’s December 31, 2017 and 2018 financial statements.

In January of 2017, the GASB issued Statement No. 84, “*Fiduciary Activities.*” This Statement improves guidance regarding the identification of fiduciary activities for

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the Township's December 31, 2019 financial statements.

In March of 2017, the GASB issued Statement No. 85, "*Omnibus 2017*." This Statement addresses practice issues identified during implementation and application of certain GASB Statements related to a variety of topics, including blending component units, goodwill, fair value measurement and application, and post employment benefits. The provisions of GASB Statement No. 85 are effective for the Township's December 31, 2018 financial statements.

The effect of implementation of these Statements has not yet been determined.

2. DEPOSITS 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 of Pennsylvania (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.

Deposits and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 5,360,397
Restricted cash and cash equivalents	1,448,118
Fiduciary funds:	
Cash and cash equivalents	764,344
Investments	<u>20,997,132</u>
Total deposits and investments	<u>\$ 28,569,991</u>

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Deposits and investments as of December 31, 2016 consist of the following:

Cash on hand	\$	850
Deposits with financial institutions		3,972,653
PLGIT		3,314,271
Benecon Investment pool		269,289
Investments:		
Money market funds		15,796
Morgan Stanley:		
Corporate bonds		6,420,735
U.S. Government agency obligations		258,844
Stocks		10,885,909
Mutual funds - equity		1,160,037
Alternative investments		2,271,607
Total deposits and investments	\$	<u>28,569,991</u>

Credit Risk

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Following are the credit ratings as of the year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating</u>
Money market funds	\$ 15,796	AAAm
Corporate bonds	139,749	AAA
Corporate bonds	259,798	AA+
Corporate bonds	391,925	AA-
Corporate bonds	642,595	A+
Corporate bonds	684,980	A
Corporate bonds	1,020,897	A-
Corporate bonds	1,961,881	BBB+
Corporate bonds	832,427	BBB
Corporate bonds	486,483	BBB-
U.S. government agency obligations	258,844	AA+

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 State Code. At December 31, 2016, the Township's book balance, excluding the Benecon Investment Pool, was \$7,287,774, and the bank balance was \$7,259,737. Of the bank balance \$1,023,348 was covered by the federal depository insurance and \$2,922,118 was collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

The remaining \$3,314,271 was invested in PLGIT, which separately issues audited financial statements that are available to the public. The Township uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for Township funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. Further information regarding PLGIT and its investment strategies can be found at www.plgit.com. The Township has \$1,448,164 invested in PLGIT-Class

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

shares, which require no minimum balance, no minimum initial investments, and have a one-day minimum investment period. The Township has \$1,866,107 invested in PLGIT/Plus-Class shares, which require a minimum investment of \$50,000, a minimum investment period of thirty days, and has a premature withdrawal penalty. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool. At December 31, 2016, PLGIT carries an AAA rating and has an average maturity of less than one year.

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.

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, 2016, the Township has the following investments subject to interest rate risk:

Investment Type	Cost	Investment Maturity		
		2017	2018-2022	2023-2027
Corporate bonds	\$ 6,420,735	\$ 243,712	\$ 3,764,537	\$ 2,412,486
Money market funds	15,796	15,796	-	-
U.S. Government agency obligations	258,844	-	92,915	165,929
Total	\$ 6,695,375	\$ 259,508	\$ 3,857,452	\$ 2,578,415

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 a formal investment policy regarding concentration of credit risk but utilizes "sound business practice" in choosing investments mandated by the State Code.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. RESTRICTED ASSETS - ESCROW AGREEMENTS

The Authority has entered into various agreements with the City of Lancaster (City) and other neighboring municipalities. As a participant in the agreements, the Authority is required to deposit its cost allocation for the respective projects. The monies are deposited in escrow accounts maintained by the City. These funds are held by an escrow agent on behalf of the City. Funds may only be withdrawn upon authorization of all participants in the escrow agreement. The balance of escrow deposits as of December 31, 2016 is \$2,750,434.

4. INTERFUND BALANCES AND TRANSFERS

Interfund balances are as follows:

Due to the General Fund:	
From non-major funds	\$ 19,655
Due to Capital Reserve Fund:	
From the General Fund	194,988
Due to Sewer Fund	
From the General Fund	<u>258,412</u>
	<u>\$ 473,055</u>

The amount due to the General Fund from Non-Major Funds represents reimbursements due for expenditures paid on behalf of those funds. The amount due to the Capital Reserve Fund from the General Fund represent reimbursements due for revenues collected on behalf of the Capital Reserve Fund. The amount due to the Sewer Fund from the General Fund represents escrow funds held by the General Fund netted with reimbursements due for expenses paid on behalf of the Sewer Fund.

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Interfund transfers were as follows:

Transfers to the General Fund:	
From the Sewer Fund	\$ 224,117
From non-major funds	2,068
Transfers from the General Fund:	
To the Capital Reserve Fund	(200,000)
To non-major funds	(330,000)
	<u>\$ (303,815)</u>

The transfers of \$224,117 into the General Fund from the Sewer Fund and \$2,068 into the General Fund from a Non-Major fund were for the allocation of administrative expenses. The transfers of \$200,000 from the General Fund to the Capital Reserve Fund and \$330,000 from the General Fund to a Non-Major Fund were for funding future capital expenditures.

5. NOTES RECEIVABLE

The debt service fund holds a note receivable of \$111,000 from the Witmer Fire Company. Interest payments are receivable semi-annually at a variable rate through November 2022. At December 31, 2016, interest is receivable at a rate of 2.25% per annum. Principal is due and payable annually through November 2022.

The debt service fund holds a note receivable of \$1,325,000 from the Lafayette Fire Company. Interest payments are receivable semi-annually at a variable rate through February 2030. At December 31, 2016, interest is receivable at a rate of 0.73% per annum. Principal is due and payable annually beginning February 2013 and continues through February 2030.

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

6. PROPERTY TAXES

Based upon assessed valuations provided by the County, the Township bills and collects property taxes. The schedule of property taxes levied for 2016 is as follows:

Tax levy date	March 1, 2016
2% discount period	March 1 - April 30, 2016
Face payment period	May 1 - June 30, 2016
10% penalty period	July 1 - December 31, 2016
Lien filing date	January 1, 2017

The tax rate for all purposes in 2016 was 1.73 mills (\$1.73 per \$1,000 assessed valuation).

7. EMPLOYEE GROUP INSURANCE

The Township entered into an inter-governmental cooperation agreement with other municipalities, in order to provide life, health, hospitalization, medical, surgical, or accidental 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 \$40,000 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 limited liability). As of December 31, 2016, funds totaling \$269,289 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

YEAR ENDED DECEMBER 31, 2016

8. 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, 2016

	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 639,496	\$ 124,848	\$ 764,344
Investments	17,750,563	3,246,569	20,997,132
Total assets	<u>18,390,059</u>	<u>3,371,417</u>	<u>21,761,476</u>
NET POSITION			
Restricted for pension benefits	<u>18,390,059</u>	<u>3,371,417</u>	<u>21,761,476</u>
Total net position	<u>\$ 18,390,059</u>	<u>\$ 3,371,417</u>	<u>\$ 21,761,476</u>

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Combining Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Year Ended December 31, 2016

	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Total</u>
Additions:			
Contributions:			
State pension aid	\$ 297,476	\$ 104,992	\$ 402,468
Employee	161,175	41,410	202,585
Township	303,554	-	303,554
Total contributions	<u>762,205</u>	<u>146,402</u>	<u>908,607</u>
Investment income:			
Interest and investment income	1,285,617	235,012	1,520,629
Less investment expense	<u>(119,483)</u>	<u>(21,871)</u>	<u>(141,354)</u>
Net investment income	<u>1,166,134</u>	<u>213,141</u>	<u>1,379,275</u>
Total additions	<u>1,928,339</u>	<u>359,543</u>	<u>2,287,882</u>
Deductions:			
Administrative expense	6,228	3,858	10,086
Retirement benefits paid	<u>471,795</u>	<u>95,045</u>	<u>566,840</u>
Total deductions	<u>478,023</u>	<u>98,903</u>	<u>576,926</u>
Change in Net Position	1,450,316	260,640	1,710,956
Net Position:			
Beginning of year	<u>16,939,743</u>	<u>3,110,777</u>	<u>20,050,520</u>
End of Year	<u>\$ 18,390,059</u>	<u>\$ 3,371,417</u>	<u>\$ 21,761,476</u>

Investment Policy

The Non-Uniformed Pension Plan and Police Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors. The investment policy of the Plans is to maintain a relatively conservative investment policy so as to avoid large losses and still be able to benefit from the historically higher investment returns

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

from the equity markets. The desired asset allocation is 60% equities, 30% fixed income, and 10% alternatives.

The Plans are governed by the Board of Supervisors which is responsible for the management of plan assets. The Board of 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 follow:

Non-Uniformed Pension Plan Description

All full-time employees except police officers shall participate in the non-uniformed plan if they have attained age 20 ½ and have performed six months of continuous service.

Eligibility Requirements

Normal Retirement - first day of the month after member turns age 65 and completes five years plan membership.

Early Retirement - terminates within ten years of member's normal retirement date.

Vesting - 20% after three years of service, plus 20% per year thereafter, 100% after 7 years of service.

Retirement Benefit

1.9% of average compensation (1.5% if hired on or after January 1, 2014) multiplied by accrued service, but no greater than 60% of average compensation (50% if hired after January 1, 2014). 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.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 participants 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 - first day of the month after member turns age 50 and completes 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.

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 after January 1, 2009). 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 the 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 payable from the Commonwealth general fund and not from the pension plan. If death does not arise out of, or in the course of employment, the monthly payment to an eligible spouse or child will be 50% of the benefit the member was receiving at the time of death, or would have been receiving had he/she been terminated at the time of death and survived to normal retirement date.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 as indicated within the January 1, 2015 actuarial valuation consisted of the following:

	Police Pension	Non-uniformed Pension
	<u> </u>	<u> </u>
Active employees	34	24
Inactive employees or beneficiaries currently receiving benefits	15	14
Inactive employees entitled to but not yet receiving benefits	2	6
	<u>51</u>	<u>44</u>

Summary of Significant Accounting Policies

Basis of Accounting

The Township's policy is to prepare its pension financial statements using the modified 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 expenses are recognized when paid rather than when the obligation is incurred. The practice differs from GAAP, which requires the accrual basis of accounting.

Valuation of Investments

Investments are valued at cost.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

At December 31, 2016, members of the non-uniformed and police pension plans are required to contribute 3.5% and 5% of compensation, respectively. The Township is required to contribute at an actuarially determined rate of 8.0% of annual covered payroll for the non-uniformed plan and 19.6% 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.

Schedule of Employer Contributions (including State Aid)

Calendar Year	Police Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 455,950	\$ 455,950	100%
2015	641,458	641,458	100%
2016	601,030	601,030	100%

Calendar Year	Non-uniformed Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 95,346	\$ 95,346	100%
2015	108,359	108,359	100%
2016	103,367	104,992	102%

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Pension Plan:						
1/1/2015	\$ 17,408,807	\$ 18,047,369	\$ 638,562	96.5%	\$ 2,987,257	21.4%
Non-Uniformed Pension Plan:						
1/1/2015	\$ 3,212,388	\$ 3,009,775	\$ (202,613)	106.7%	\$ 1,199,286	-16.9%

The actuarial accrued liability is determined based on assumptions in the most recent actuarial valuation dated January 1, 2015. Methods and assumptions used to determine actuarial accrued liability and contribution rates under Act 205 are as follows:

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.00%	7.0%
Projected salary increases	5.50%	4.0%

Mortality rates were based on the RP2000 Table for males and females for both plans. 25% of active member deaths for the police pension plan are assumed to be in the line of duty.

9. 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.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

All amounts of compensation deferred under the plan, 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.

10. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2016:

	Balance January 1, 2016	Issues or Additions	Payments of Expenditures	Balance December 31, 2016	Interest Paid
<u>Governmental Activities</u>					
General obligation notes and bonds	\$ 7,037,000	\$ 3,920,000	\$ 4,601,000	\$ 6,356,000	\$ 146,912
Lease purchase agreements	37,561	258,572	37,561	258,572	1,354
Total Governmental Activities	<u>\$ 7,074,561</u>	<u>\$ 4,178,572</u>	<u>\$ 4,638,561</u>	<u>\$ 6,614,572</u>	<u>\$ 148,266</u>
<u>Business-Type Activities</u>					
Guaranteed sewer revenue:					
Note and bonds	<u>\$ 12,739,500</u>	<u>\$ 656,948</u>	<u>\$ 945,000</u>	<u>\$ 12,451,448</u>	<u>\$ 329,686</u>

Governmental Activities 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 on the Statement of Activities.

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, 2016, the interest rate is 2.25%.

The Township issued General Obligation Bonds dated September 20, 2011 in the principal amount of \$4,650,000. Principal maturities occur annually on November 15, 2011 through

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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. On November 15, 2016, the Township issued \$3,870,000 General Obligation Note, Series of 2016A (Series 2016A). The proceeds of Series of 2016A were used to currently refund the 2011 General Obligation Bonds and to pay the cost of issuance associated with issuing the note. The interest rate is 2.42%. The current refunding reduced total debt service payments by \$269,643 through 2030, and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$206,042. Interest payments are due semiannually on May 15 and November 15. Principal payments occur annually on November 15, 2017 through 2028.

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. As of December 31, 2016, the interest rate is .74%.

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. As of December 31, 2016, the interest rate is .74%.

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 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 annually 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. As of December 31, 2016, the interest rate is .73%.

On November 15, 2016, the Township issued \$2,500,000 in General Obligation Note, Series of 2016B. The interest rate for the first five years is 2.65%. The interest rate for the next five years is a variable rate equal to 2.6% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 3.665%. The interest rate for the remaining years is a variable rate equal to 2.6% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.415%. The drawdown note was issued to fund various

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

capital projects. As of December 31, 2016, \$50,000 was drawn down on this note. Interest is payable beginning May 15, 2017. Interest payments continue November 15 and May 15 of each year thereafter to November 15, 2030. Principal maturities occur annually on November 15, 2017 through 2030.

Guaranteed Sewer Revenue Note, Series of 2010

On October 26, 2010, the Township obtained a Line of Credit from PNC with a maximum aggregate principal amount of \$6,000,000. It is secured by the Fifth Supplemental Agreement of Lease dated October 26, 2010. The Township guarantees the payment of principal and interest of the note by making lease rental payments to the Authority. These payments are equivalent to the debt service requirement of the note. Interest rates vary monthly and are payable semi-annually beginning April 1, 2011. Interest payments are subject to a maximum interest rate of 4.00% and may continue through October 1, 2023. The debt was incurred to provide additional monies for capital additions. The interest rate as of December 31, 2016 is 1.88%.

Guaranteed Sewer Revenue Bonds, Series of 2014

On August 13, 2014, the Sewer Authority issued Guaranteed Sewer Revenue Bonds, Series of 2014 in the amount of \$8,910,000, secured by the Sixth Supplemental Trust Indenture dated August 13, 2014. The Township guarantees the payment of principal and interest on the Bonds by making lease rental payments to the Authority. These payments are equivalent to the debt service requirements of the Bonds. This bond issuance consists of current interest bonds in the amount of \$8,910,000. Principal maturities occur annually on October 1, 2014 through 2027. Interest rates vary from 2.0% to 4.0% depending on date of maturity. This bond issue was used to refinance the Guaranteed Sewer Revenue Bonds, Series of 2009 and provide additional monies for capital additions.

Guaranteed Sewer Revenue Note, Series of 2016

On July 14, 2016, the Authority issued \$2,500,000 in Guaranteed Sewer Revenue Note, Series of 2016. The interest rate for the period July 14, 2016 through July 1, 2021 is 2.4505%. The interest rate for the next five years is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 3.4505%. The interest rate for the next five years is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.2005%. The interest rate for the period July 2, 2031 through October 1, 2031 is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.7005%. The drawdown note was issued to fund capital additions and extraordinary repairs to the Authority's sewer system. As of December 31, 2016, \$656,948 was drawn down on this note. Interest is payable beginning October 1, 2016. Interest

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

payments continue April 1 and October 1 of each year thereafter to October 1, 2031. Principal maturities occur annually on October 1, 2017 through 2031.

Lease Purchase Agreements

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 began August 2012 and continued through August 2016. Payments included interest which accrues at a rate of 3.55% per annum for a period of five years.

On June 21, 2016, the Township signed a lease purchase agreement with Manufacturers and Traders Trust Company for the purchase of a 2016 Street Sweeper. Annual payments of \$38,818 begin January 7, 2017 and continue through 2021. Payments include interest which accrues at a rate of 2.3% per annum for a period of five years.

Debt service requirements on long-term debt, based on interest rates in effect at December 31, are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 737,359	\$ 118,047	\$ 1,130,000	\$ 326,419	\$ 2,311,825
2018	767,032	109,430	1,165,000	288,419	2,329,881
2019	794,195	97,852	1,205,000	249,125	2,346,172
2020	491,384	85,994	1,255,000	222,935	2,055,313
2021	468,602	75,620	1,181,948	198,279	1,924,449
2022 - 2026	2,216,000	241,984	6,249,500	570,930	9,278,414
2027 - 2030	1,140,000	33,551	265,000	8,280	1,446,831
Total Payments	<u>\$ 6,614,572</u>	<u>\$ 762,478</u>	<u>\$ 12,451,448</u>	<u>\$ 1,864,387</u>	<u>\$ 21,692,885</u>

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. The compensated absences commitment at December 31, 2016 is \$370,250.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. LEASE RENTALS

Inter-Municipal Waste Water Treatment Agreements

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

An arbitrator awarded the City \$2,433,543 to be paid by the Township for settlement of disputed treatment costs through 2012. In 2015, the Township paid \$1,685,231 to the City as a partial payment. In addition, \$464,769 was previously forwarded to the City. After these payments, the Township owes \$283,543 to the City.

The City has billed an additional \$298,476 for 2013 through 2015 treatment cost, which remains unpaid.

Other Lease Agreements

On December 5, 2013, the Authority 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:

<u>Year</u>	<u>Amount</u>
2017	\$ 6,600
2018	6,650
2019	7,200
2020	7,200
2021	7,200
2022-2024	21,000

Lease rentals of \$6,050 were paid in 2016.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

12. POST EMPLOYMENT HEALTHCARE PLANS

Police Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (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 in 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, 2016, the Township contributed \$51,715 to the plan.

Non-Uniformed Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (Non-Uniformed Retiree Health Plan). The plan provides hospitalization and health benefits to fully retired non-uniformed 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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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.

Funding Policy

The Contribution requirements are based on the level of coverage provided to active non-uniformed employees. In 2016, 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, 2016, the Township contributed \$0 to the plan as there were no eligible non-uniformed retirees.

Alternative Measurement Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The plan has 31 active full-time police officers, 23 active full-time non-uniformed employees, and four retired police officers who are entitled to receive benefits. Since the total number of members, including retired police officers, is less than 100 members, and the Township meets the requirements to use the alternative measurement method, it has elected to use the alternative measurement method in disclosing the basis of all significant assumptions or methods used, including general considerations, expected point at which benefits begin, mortality, and turnover.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The assumptions are as follows:

1. The probability of an employee remaining employed until retirement is based on data maintained by the U.S. Office of Personnel Management regarding the experience of the employee group covered by the federal employee retirement system.
2. Assumed age of retirement is the later of their current age or the earliest age an employee qualifies for retirement.
3. All benefits are calculated by adjusting the 2016 Cobra premium for (a) the default factor of age-adjusted premiums (1.87 police and 1.6 non-uniform), (b) the effects of assumed healthcare cost inflation of 5.6%, and (c) the effects of marital status.
4. Discount rate – 2.98%.
5. 31 active full-time police officers and 23 active full-time non-uniformed employees as of December 31, 2016.
6. For non-uniformed employees, only spouses that are currently covered are assumed to be eligible for OPEB. For police officers, all spouses are assumed to be eligible for OPEB.

Funded Status and Schedule of Funding Progress:

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Retiree Health Plan:						
12/31/2016	\$ -	\$ 11,053,585	\$ 11,053,585	0.0%	\$ 3,223,489	342.9%
Non-Uniformed Retiree Health Plan:						
12/31/2016	\$ -	\$ 35,740	\$ 35,740	0.0%	\$ 1,273,001	2.8%

13. COMMITMENTS AND CONTINGENCIES

Conestoga Valley Regional Open Space, Greenway, and Recreation Plan

The Township has entered into a grant agreement with the Commonwealth Department of Conservation and Natural Resources (DCNR). The proposed project incorporated elements of comprehensive recreation, park, open space planning, community greenway, and connectivity planning, as well as conceptual planning for specific park facilities in the

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

region. The total cost of the project is \$102,250. This cost will be shared by the Lancaster County Planning Commission (\$4,000), Conestoga Valley School District (\$3,495), Upper Leacock Township (\$17,135), East Lampeter Township (\$28,320), and DCNR (\$50,000).

Fire Apparatus Replacement

The Township has agreed to assist the four Township fire companies in the purchase of fire apparatus through 2025. On a rotating basis, the Township has agreed to reimburse the fire companies 60% of the cost of approved apparatus. The Township has an expenditure obligation of \$504,000 in 2017.

Additional Contribution Assessment

The Township and Authority have entered into an inter-municipal sewage treatment and plant construction agreement with the City of Lancaster and its sewer authority. In prior years, the City of Lancaster has made additional assessments for capital improvements. By a letter received January 27, 1999, the City claims East Lampeter Sewer Authority owes \$1,367,233 on these assessments. The authority disputed the validity and the amount of this assessment. To date, no formal resolution has been reached. As of December 31, 2016, the City has not updated the amount of these claims.

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.

Other Information

EAST LAMPETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,638,280	\$ 6,638,280	\$ 6,840,464	\$ 202,184
Licenses and permits	263,025	263,025	274,674	11,649
Fines and forfeits	124,000	124,000	115,113	(8,887)
Interests, rents, and royalties	2,360	2,360	5,586	3,226
Intergovernmental revenues	1,638,320	1,638,320	1,766,965	128,645
Charges for services	404,947	404,947	423,740	18,793
Total revenues	<u>9,070,932</u>	<u>9,070,932</u>	<u>9,426,542</u>	<u>355,610</u>
Expenditures:				
Current:				
General government	1,017,827	1,017,827	929,364	88,463
Police	5,826,425	5,826,425	5,695,500	130,925
Fire and ambulance	464,127	464,127	454,783	9,344
Inspection, planning, zoning, and other public safety	325,048	325,048	263,974	61,074
Public works - highways and streets	885,394	920,394	845,903	74,491
Culture and recreation	228,213	228,213	197,160	31,053
Miscellaneous	26,000	26,000	27,110	(1,110)
Debt service	733,285	783,285	4,653,841	(3,870,556)
Total expenditures	<u>9,506,319</u>	<u>9,591,319</u>	<u>13,067,635</u>	<u>(3,476,316)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(435,387)</u>	<u>(520,387)</u>	<u>(3,641,093)</u>	<u>(3,120,706)</u>
Other Financing Sources (Uses):				
Refunding note issued	-	-	3,870,000	3,870,000
Refunds of prior years expenditures	55,792	55,792	201,559	145,767
Transfers in (out)	(301,948)	(301,948)	(303,815)	(1,867)
Sale of capital assets	10,000	10,000	-	(10,000)
Total other financing sources (uses)	<u>(236,156)</u>	<u>(236,156)</u>	<u>3,767,744</u>	<u>4,003,900</u>
Net Change in Fund Balance	<u>\$ (671,543)</u>	<u>\$ (756,543)</u>	<u>\$ 126,651</u>	<u>\$ 883,194</u>

See accompanying notes to other information - budgetary comparison schedules.

EAST LAMPETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Interests, rents, and royalties	\$ -	\$ -	\$ 1,131	\$ 1,131
Intergovernmental revenues	491,133	491,133	503,737	12,604
Total revenues	<u>491,133</u>	<u>491,133</u>	<u>504,868</u>	<u>13,735</u>
Expenditures:				
Current:				
Public works - highways and streets	450,447	450,447	638,558	(188,111)
Debt service	38,916	38,916	38,915	1
Total expenditures	<u>489,363</u>	<u>489,363</u>	<u>677,473</u>	<u>(188,110)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,770</u>	<u>1,770</u>	<u>(172,605)</u>	<u>(174,375)</u>
Other Financing Sources (Uses):				
Lease purchase agreement	-	-	258,572	258,572
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>258,572</u>	<u>258,572</u>
Net Change in Fund Balance	<u>\$ 1,770</u>	<u>\$ 1,770</u>	<u>\$ 85,967</u>	<u>\$ 84,197</u>

See accompanying notes to other information - budgetary comparison schedules.

EAST LAMPETER TOWNSHIP

NOTES TO OTHER INFORMATION - BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2016

1. BUDGETARY ACCOUNTING

The Township prepares its budget on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements.

2. BUDGET MATTERS

The Board of Supervisors annually adopts a budget for each fund, except the Debt Service Fund.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund:		
Miscellaneous	\$ 26,000	\$ 27,110
Debt service	783,285	4,653,841
Highway Aid Fund:		
Public works - highways and streets	450,447	638,558

Funds sufficient to provide for the excess expenditures were made available by proceeds from the issuance of debt.