

**Exeter Township,  
Berks County, Pennsylvania**

**Financial Statements and  
Supplementary Information**

**December 31, 2014**



**REINSEL KUNTZ LESHER**  
certified public accountants & consultants

**FOCUSED. ON YOU.**

## **Exeter Township**

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December 31, 2014

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## Independent Auditor's Report

To the Board of Supervisors  
Exeter Township  
Berks County, Pennsylvania

### Report on the Financial Statements

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 and the related notes to the financial statements of Exeter Township (the Township), Berks County, Pennsylvania, as of and for the year ended December 31, 2014, 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 2. This includes 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Auditor's Responsibility (continued)**

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

## **Basis for Qualified Opinion**

Management has not included financial information for Exeter Township's component units, Exeter Township, Berks County, Authority and the Exeter Community Library, in the Township's financial statements. Accounting principles applicable to the Township's modified cash basis of accounting requires inclusion of the financial information of Exeter Township, Berks County, Authority and the Exeter Community Library with the financial information of the Township.

## **Qualified Opinion**

In our opinion, except for the effects of not including financial information for the component units, Exeter Township, Berks County, Authority and the Exeter Community Library, as described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Exeter Township, Berks County, Pennsylvania, as of December 31, 2014, and the respective changes - modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 2.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 4 to 13 and other required supplementary information on Pages 50 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise Exeter Township's basic financial statements. The supplementary information presented in the table of contents under the heading Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 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 on the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Reinsel Kuntz Lesker LLP".

June 3, 2015  
Wyomissing, Pennsylvania

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Exeter Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2014, within the limitations of the Township's modified cash basis of accounting. Please read it in conjunction with the Township's financial statements that begin on page 14.

### Financial Highlights

- The Township's total expenditures exceeded total revenues on the modified cash basis of accounting by \$257,419 for the year ended December 31, 2014, compared to an excess of expenditures over revenues of \$50,534 for the year ended December 31, 2013. This resulted in a decrease of total net position of 1.4% for the year ended December 31, 2014, compared to a decrease of .3% for the year ended December 31, 2013.
- At December 31, 2014, the Township's governmental funds reported combined ending fund balances of \$6,139,131 an increase of \$86,680 from the prior year. \$2,221,310 or 36.2% of the ending fund balance is *available for spending* at the Township's discretion (*unassigned fund balance*). The General Fund highlights are as follows:
  - The Township's General Fund had an increase in its fund balance of \$1,015 to \$2,938,894. As part of managing the finances of the Township, a fund balance is maintained in order to provide adequate financial resources to pay for services to the citizens of the Township during periods when tax and other revenue collections are not sufficient to fund daily operating costs. This generally occurs in the first few months of each year. This enables the Township to avoid having to borrow money to cover operating expenses prior to the receipt of tax revenues, which are assessed March 1 of each year. At December 31, 2014, the unassigned fund balance of the General Fund was \$2,221,310 or 22.9% of total General Fund expenditures.
- At December 31, 2014, the Township's business-type activities reported net position of \$12,382,036 a decrease of \$344,099 from the prior year.

## **USING THIS ANNUAL REPORT**

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

### **Report Components**

This annual report consists of five parts as follows:

**Government-Wide Financial Statements:** The statement of net position – modified cash basis and the statement of activities – modified cash basis (pages 14 and 15) provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances. The statement of activities reports revenues and expenditures utilizing the modified cash basis of accounting as described in Note 2 to the financial statements.

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

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

**Required Supplementary Information:** The management's discussion and analysis (pages 4 through 13), the schedules of funding progress (page 50) and the budgetary comparison schedule (pages 51 and 52) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

**Other Supplementary Information:** This part of the annual report (starting on page 54) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

### **Basis of Accounting**

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

## **USING THIS ANNUAL REPORT (CONTINUED)**

### **Basis of Accounting (Continued)**

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

### **Reporting the Township as a Whole**

#### **The Township's Reporting Entity Presentation**

This annual report includes only the primary government of the Township which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, we have considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township. The following component units meet the requirements for inclusion under the above criteria, but are not included in the Township's annual report: Exeter Township, Berks County, Authority which was terminated on April 16, 2014 and the Exeter Community Library.

#### **The Government-Wide Statement of Net Position and the Statement of Activities**

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

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

## USING THIS ANNUAL REPORT (CONTINUED)

### Reporting the Township as a Whole (Continued)

#### **The Government-Wide Statement of Net Position and the Statement of Activities (continued)**

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

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

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

### Reporting the Township's Most Significant Funds

#### **The Fund Financial Statements**

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

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

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

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

## A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

### Net Position – Modified Cash Basis

The Township's Primary Government net position, resulting from modified cash basis transactions, decreased by \$257,419 or 1.4%, from fiscal year 2013 to 2014. Combined net position was \$18,521,167 and \$18,778,586 at December 31, 2014 and 2013, respectively. Looking at the net position of governmental and business-type activities separately, governmental activities had an increase of \$86,680 while business-type activities had a decrease of \$344,099.

A condensed summary of the Township's Statement of Net Position at December 31, 2014 and 2013 is presented below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Total Assets (Non-Capital)	<u>\$ 6,187,857</u>	<u>\$ 6,092,675</u>	<u>\$ 12,387,036</u>	<u>\$ 12,726,135</u>	<u>\$ 18,574,893</u>	<u>\$ 18,818,810</u>
Liabilities:						
Deposits held in escrow	<u>\$ 48,726</u>	<u>\$ 40,224</u>	<u>\$ 5,000.00</u>	<u>\$ -</u>	<u>\$ 53,726</u>	<u>\$ 40,224</u>
Total liabilities	<u>\$ 48,726</u>	<u>\$ 40,224</u>	<u>\$ 5,000.00</u>	<u>\$ -</u>	<u>\$ 53,726</u>	<u>\$ 40,224</u>
Net Position:						
Unrestricted	<u>4,942,636</u>	<u>4,786,268</u>	<u>10,544,270</u>	<u>10,489,477</u>	<u>15,486,906</u>	<u>15,275,745</u>
Restricted	<u>1,196,495</u>	<u>1,266,183</u>	<u>1,837,766</u>	<u>2,236,658</u>	<u>3,034,261</u>	<u>3,502,841</u>
Total Net Position	<u><u>\$ 6,139,131</u></u>	<u><u>\$ 6,052,451</u></u>	<u><u>\$ 12,382,036</u></u>	<u><u>\$ 12,726,135</u></u>	<u><u>\$ 18,521,167</u></u>	<u><u>\$ 18,778,586</u></u>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$3,034,261 and \$3,502,841 at December 31, 2014 and 2013, respectively, is restricted and the remaining net position is unrestricted at the end of the year.

## A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

### Changes in Net Position – Modified Cash Basis

For the year ended December 31, 2014 and 2013, net position of the Township (resulting from modified cash basis transactions) changed as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Program revenues:</b>						
Charges for services	\$ 1,599,986	\$ 1,598,932	\$ 7,741,673	\$ 7,811,328	\$ 9,341,659	\$ 9,410,260
Operating grants and contributions	1,691,554	1,353,619	19,331	-	1,710,885	1,353,619
<b>General revenues:</b>						
Real estate taxes	4,006,637	3,924,959	-	-	4,006,637	3,924,959
Per capita taxes	67,621	64,934	-	-	67,621	64,934
Real estate transfer taxes	331,340	403,938	-	-	331,340	403,938
Earned income taxes	3,342,864	3,241,515	-	-	3,342,864	3,241,515
Local services tax	329,174	314,403	-	-	329,174	314,403
Business privilege tax	474,185	432,241	-	-	474,185	432,241
Interest and rents	86,564	86,776	382,249	389,032	468,813	475,808
Sale of assets	28,215	4,655	-	-	28,215	4,655
Other income	191,400	326,673	-	-	191,400	326,673
Proceeds of bond issuance and bond premium	-	-	-	7,802,592	-	7,802,592
<b>Total revenues</b>	<b>\$ 12,149,540</b>	<b>\$ 11,752,645</b>	<b>\$ 8,143,253</b>	<b>\$ 16,002,952</b>	<b>\$ 20,292,793</b>	<b>\$ 27,755,597</b>
<b>Expenditures:</b>						
General government	\$ 772,880	\$ 755,293	\$ -	\$ -	\$ 772,880	\$ 755,293
Public safety	6,108,383	5,606,771	-	-	6,108,383	5,606,771
Health and human services	26,383	25,813	-	-	26,383	25,813
Public works - sanitation	195,796	195,796	-	-	195,796	195,796
Public works - highways and streets	2,096,249	2,129,575	-	-	2,096,249	2,129,575
Culture and recreation	633,087	718,389	-	-	633,087	718,389
Community development	59,352	59,352	-	-	59,352	59,352
Debt service	1,351,943	1,332,407	-	-	1,351,943	1,332,407
Benefits	113,710	236,550	-	-	113,710	236,550
Property and casualty insurance	189,753	166,118	-	-	189,753	166,118
Capital outlay	622,214	437,605	-	-	622,214	437,605
Miscellaneous	173,110	183,268	-	-	173,110	183,268
Sewer	-	-	5,589,126	13,245,794	5,589,126	13,245,794
Country club	-	-	2,618,226	2,713,400	2,618,226	2,713,400
<b>Total expenditures</b>	<b>\$ 12,342,860</b>	<b>\$ 11,846,937</b>	<b>\$ 8,207,352</b>	<b>\$ 15,959,194</b>	<b>\$ 20,550,212</b>	<b>\$ 27,806,131</b>
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>\$ (193,320)</b>	<b>\$ (94,292)</b>	<b>\$ (64,099)</b>	<b>\$ 43,758</b>	<b>\$ (257,419)</b>	<b>\$ (50,534)</b>
<b>Transfers:</b>						
Transfers	\$ 280,000	\$ 270,346	\$ (280,000)	\$ (270,346)	\$ -	\$ -
<b>Changes in net position</b>	<b>\$ 86,680</b>	<b>\$ 176,054</b>	<b>\$ (344,099)</b>	<b>\$ (226,588)</b>	<b>\$ (257,419)</b>	<b>\$ (50,534)</b>
<b>Net position, beginning of year</b>	<b>6,052,451</b>	<b>5,876,397</b>	<b>12,726,135</b>	<b>12,952,723</b>	<b>18,778,586</b>	<b>18,829,120</b>
<b>Net position, end of year</b>	<b>\$ 6,139,131</b>	<b>\$ 6,052,451</b>	<b>\$ 12,382,036</b>	<b>\$ 12,726,135</b>	<b>\$ 18,521,167</b>	<b>\$ 18,778,586</b>

## **A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)**

### **Governmental Activities**

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

For the years ended December 31, 2014 and 2013, total revenues for governmental activities, resulting from modified cash basis transactions amounted to \$12,149,540 and \$11,752,645 respectively.

For the year ended December 31, 2014, total disbursements for governmental activities, resulting from modified cash basis transactions, amounted to \$12,342,860. Of these total disbursements, taxpayers and other general revenues funded \$8,858,000 while those directly benefiting from the program funded \$1,691,554 from operating grants and contributions and \$1,599,986 from charges for services.

Some noteworthy events occurred in 2014 that are highlighted as follows:

- The Township real estate tax for 2014 was 1.815 mills for general purposes, .505 mills for the purchase of fire apparatus and making appropriations to fire companies, and .55 mills for the purpose of debt service related to the acquisition of the Reading Country Club.
- Earned Income Taxes increased \$101,349 or 3% from 2013.
- Business Privilege Tax increased \$41,944 or 10% from 2013.
- Operating grants and contributions increased \$337,935 from 2013. A majority of the increase was due to the receipt of two years of recycling grants for \$259,105 along with a \$44,600 increase in Liquid Fuels and the \$35,000 Early Intervention Grant from DCED.

## **A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)**

### **Business-Type Activities**

In reviewing the business-type activities net revenues/expenditures resulting from the modified cash basis transactions, there are certain activities that need to be examined more closely. The business-type activities reported a net loss before transfers of \$64,099, transfers to other funds totaled \$280,000, resulting in a decrease in net position of \$344,099. The Sewer Fund had a \$297,718 decrease in net position. The decrease was due mainly to the use of 2009 unspent bond proceeds to pay for the 2014 capital expenditures. The Country Club had a \$46,381 decrease in net position. Net income before transfers was \$233,619. Transfers of \$280,000 to the debt service fund will be used to pay off the debt incurred to purchase the property.

## **A FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

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

- Golf Acquisition Fund – During 2014, \$57,373 was expended for capital improvements to the Country Club including \$29,862 for furnishings and kitchen equipment, \$22,956 for building and grounds improvements and \$4,555 for point of sale computer equipment.
- Park Improvement Fund – During 2014, \$4,186 was expended for improvements to the Dunn Barn Community Center. \$41,944 was expended for construction of Farming Ridge Park. \$6,924 was expended for improvements to Community Park.
- Capital Improvement Fund – During 2014, \$61,524 was expended for capital improvements, including \$28,645 partial payment for replacement of the Gas Fueling System, \$13,666 towards replacement of the phone system, \$17,531 for equipment for the Fire Police and \$1,682 for a laser printer in GIS department.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

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

### **Long-Term Debt**

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

### **Long-Term Debt (Continued)**

As of December 31, 2014, the Township had \$21,110,008 and \$26,015,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note 7 to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2014:

	Governmental Activities	Business-Type Activities
Beginning Balance at January 1, 2014	\$ 21,517,101	\$ 27,605,000
Principal Payments	(407,093)	(1,590,000)
Ending Balance at December 31, 2014	\$ 21,110,008	\$ 26,015,000

### **Budgetary Highlights**

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

For the year ended December 31, 2014, General Fund expenditures were \$51,121 above final appropriations, while actual revenues available for appropriation were \$353,750 above the budgeted amount.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Several events have occurred in 2014 that will have a positive benefit on Exeter Township. The Township received a \$78,240 Early Intervention Program (EIP) Grant from the Pa Department of Community and Economic Development (DCED) for the Plan Implementation Phase II Project. The grant funds will be used toward the cost of addressing some of the recommendations provided within the PA Economy League (PEL) study from Phase I of the Project. The Fire and EMS study has been completed and in March of 2015 the 911 EMS services have been combined within the Fire Department. A consultant is currently reviewing the feasibility of implementing the accounting recommendations and a portion of the administration recommendations. Nine new businesses have joined Exeter's family of businesses. ALDI Inc. completed construction and opened in December 2014. Angio Tech Surgical Specialties is slated to close by December 2015 which will mean a loss of 250 jobs. To spur more commercial economic development to broaden the Township's commercial tax base, the nine-member Economic Development Advisory Council (EDAC) in conjunction with the Township Board of Supervisors continue to actively seek new commercial business in the Township. The Board hired a professional planner to lead the visioning and community input portion of the Strategic Planning Project which has been completed. The Strategic Planning Steering Committee has formed several subcommittees to investigate and evaluate the focal priorities which is currently underway. The Township's general tax millage for 2015 remained unchanged at 1.815 mills. Due to the overall economic climate many revenue sources are expected to remain stagnant through 2015. However, the Township is fortunate to have a healthy General Fund balance to bridge any unexpected shortfalls. In addition, the Debt Service millage decreased from .55 mills to .50 mills. The Fire Tax millage increased from .505 mills to .555 mills. The Street Light Tax and the Fire Hydrant Tax remained unchanged.

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

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

<b>Employer</b>	<b>Number of Employees</b>
Boscov's	1,011
Godiva Chocolatier	534
Wal-Mart	301
Angio Tech Surgical Specialties	250
Giant Food	214
Genesis Eldercare, Berkshire Center	165
Golden Living Center	160
Target	138
Lowe's	130
Redners	102
Home Depot	95

During 2015, the Township has budgeted to undertake or complete several major infrastructure and capital projects to add to the overall quality of life in the Township. These projects and the estimated costs include the following:

- Start-up equipment for Farming Ridge Park \$ 11,000
- Improvements to Dunn Barn Community Center 34,500
- Fitness equipment for Community Park 11,373
- Improvements to Reading Country Club 332,200
- Harvey Avenue Bridge repairs 150,000
- Capital projects for the Sewer plant and Collection system 526,920

All of these factors were considered in preparing the Township's budget for the 2015 fiscal year. As a result, General Fund revenues are anticipated to increase 2 percent to \$ 9,555,653, while expenditures are budgeted to increase 1.9 percent to \$ 9,815,661. Other governmental fund revenues for 2015 are budgeted at \$ 2,930,289 while expenditures are budgeted for \$ 4,561,638. The excess of budgeted expenditures over revenues will be covered by the fund balances at December 31, 2014. Proprietary Fund revenues are budgeted at \$7,408,591 while expenditures are budgeted for \$7,726,794.

## CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

# Exeter Township

## Statement of Net Position - Modified Cash Basis

	December 31, 2014		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash:			
Unrestricted	\$ 4,298,994	\$ 3,549,270	\$ 7,848,264
Restricted	1,888,863	1,837,766	3,726,629
Certificate of deposit	-	7,000,000	7,000,000
<b>Total Assets</b>	<b>6,187,857</b>	<b>12,387,036</b>	<b>18,574,893</b>
<b>Liabilities</b>			
Deposits held in escrow	48,726	5,000	53,726
<b>Total Liabilities</b>	<b>48,726</b>	<b>5,000</b>	<b>53,726</b>
<b>Net Position</b>			
<b>Net Position</b>			
Unrestricted	4,942,636	10,544,270	15,486,906
Restricted	1,196,495	1,837,766	3,034,261
<b>Total Net Position</b>	<b>\$ 6,139,131</b>	<b>\$ 12,382,036</b>	<b>\$ 18,521,167</b>

**Exeter Township**

Statement of Activities - Modified Cash Basis

Functions/Programs	Year Ended December 31, 2014					
	Expenditures	Program Revenues		Net (Expenditures) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 772,880	\$ 406,453	\$ 389,058	\$ 22,631	\$ -	\$ 22,631
Public safety	6,108,383	309,208	396,775	(5,402,400)	-	(5,402,400)
Health and human services	26,383	-	-	(26,383)	-	(26,383)
Public works - sanitation	195,796	690,292	-	494,496	-	494,496
Public works - highways and streets	2,096,249	16,496	255,116	(1,824,637)	-	(1,824,637)
Culture and recreation	633,087	177,537	-	(455,550)	-	(455,550)
Community development	59,352	-	-	(59,352)	-	(59,352)
Debt service	1,351,943	-	65,239	(1,286,704)	-	(1,286,704)
Benefits	113,710	-	-	(113,710)	-	(113,710)
Property and casualty insurance	189,753	-	-	(189,753)	-	(189,753)
Capital outlay	622,214	-	412,949	(209,265)	-	(209,265)
Miscellaneous	173,110	-	172,417	(693)	-	(693)
<b>Total Governmental Activities</b>	<b>12,342,860</b>	<b>1,599,986</b>	<b>1,691,554</b>	<b>(9,051,320)</b>	<b>-</b>	<b>(9,051,320)</b>
<b>Business-Type Activities</b>						
Sewer	5,589,126	4,892,010	19,331	-	(677,785)	(677,785)
Country Club	2,618,226	2,849,663	-	-	231,437	231,437
<b>Total Business-Type Activities</b>	<b>8,207,352</b>	<b>7,741,673</b>	<b>19,331</b>	<b>-</b>	<b>(446,348)</b>	<b>(446,348)</b>
	<b>\$ 20,550,212</b>	<b>\$ 9,341,659</b>	<b>\$ 1,710,885</b>	<b>(9,051,320)</b>	<b>(446,348)</b>	<b>(9,497,668)</b>
<b>General Revenues</b>						
Taxes:						
Real estate				4,006,637	-	4,006,637
Real estate transfer				331,340	-	331,340
Per capita				67,621	-	67,621
Earned income				3,342,864	-	3,342,864
Local services				329,174	-	329,174
Business privilege				474,185	-	474,185
Interest and rents				86,564	382,249	468,813
Sale of assets				28,215	-	28,215
Miscellaneous				191,400	-	191,400
Transfers				280,000	(280,000)	-
<b>Total General Revenues and Transfers</b>				<b>9,138,000</b>	<b>102,249</b>	<b>9,240,249</b>
<b>Changes in Net Position</b>				<b>86,680</b>	<b>(344,099)</b>	<b>(257,419)</b>
<b>Net Position at Beginning of Year</b>				<b>6,052,451</b>	<b>12,726,135</b>	<b>18,778,586</b>
<b>Net Position at End of Year</b>				<b>\$ 6,139,131</b>	<b>\$ 12,382,036</b>	<b>\$ 18,521,167</b>

See accompanying notes.

## Exeter Township

### Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds

	December 31, 2014		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash:			
Unrestricted	\$ 2,847,357	\$ 1,451,637	\$ 4,298,994
Restricted	140,263	1,748,600	1,888,863
<b>Total Assets</b>	<b>2,987,620</b>	<b>3,200,237</b>	<b>6,187,857</b>
<b>Liabilities</b>			
Deposits held in escrow	48,726	-	48,726
<b>Total Liabilities</b>	<b>48,726</b>	<b>-</b>	<b>48,726</b>
<b>Fund Balances</b>			
Restricted	92,437	1,104,058	1,196,495
Committed	625,147	2,096,179	2,721,326
Unassigned	2,221,310	-	2,221,310
<b>Total Fund Balances</b>	<b>\$ 2,938,894</b>	<b>\$ 3,200,237</b>	<b>\$ 6,139,131</b>

## Exeter Township

### Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis Governmental Funds

	Year Ended December 31, 2014		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<b>Revenues</b>			
Taxes:			
Real estate	\$ 2,458,587	\$ 1,548,050	\$ 4,006,637
Real estate transfer	331,340	-	331,340
Per capita	67,621	-	67,621
Earned income	3,342,864	-	3,342,864
Local services	329,174	-	329,174
Business privilege	474,185	-	474,185
Licenses and permits	306,061	-	306,061
Fines and forfeits	127,620	-	127,620
Interest and rents	35,134	51,430	86,564
Intergovernmental revenues	950,230	741,324	1,691,554
Charges for services	1,126,683	39,622	1,166,305
Miscellaneous	170,827	20,573	191,400
	<u>9,720,326</u>	<u>2,400,999</u>	<u>12,121,325</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Current:			
General government	772,880	-	772,880
Public safety	5,334,830	773,553	6,108,383
Health and human services	26,383	-	26,383
Public works - sanitation	195,796	-	195,796
Public works - highways and streets	1,766,561	329,688	2,096,249
Culture and recreation	578,730	54,357	633,087
Community development	43,879	15,473	59,352
Debt service:			
Principal	295,475	173,492	468,967
Interest	65,488	817,488	882,976
Benefits	113,710	-	113,710
Property and casualty insurance	189,753	-	189,753
Capital outlay	131,534	490,680	622,214
Miscellaneous	172,787	323	173,110
	<u>9,687,806</u>	<u>2,655,054</u>	<u>12,342,860</u>
<b>Total Expenditures</b>			

## Exeter Township

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds (continued)

	Year Ended December 31, 2014		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>\$ 32,520</b>	<b>\$ (254,055)</b>	<b>\$ (221,535)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	380	488,017	488,397
Transfers out	(60,100)	(148,297)	(208,397)
Sale of assets	28,215	-	28,215
<b>Total Other Financing Sources (Uses)</b>	<b>(31,505)</b>	<b>339,720</b>	<b>308,215</b>
<b>Net Change in Fund Balances</b>	<b>1,015</b>	<b>85,665</b>	<b>86,680</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,937,879</b>	<b>3,114,572</b>	<b>6,052,451</b>
<b>Fund Balances at End of Year</b>	<b>\$ 2,938,894</b>	<b>\$ 3,200,237</b>	<b>\$ 6,139,131</b>

## Exeter Township

### Statement of Net Position - Modified Cash Basis - Proprietary Funds

	December 31, 2014		
	Sewer	Country Club	Total
<b>Assets</b>			
Cash:			
Unrestricted	\$ 2,933,928	\$ 615,342	\$ 3,549,270
Restricted	1,837,766	-	1,837,766
Certificate of deposit	7,000,000	-	7,000,000
<b>Total Assets</b>	<b>11,771,694</b>	<b>615,342</b>	<b>12,387,036</b>
<b>Liabilities</b>			
Deposits held in escrow	5,000	-	5,000
<b>Total Liabilities</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>Net Position</b>			
Unrestricted	9,928,928	615,342	10,544,270
Restricted	1,837,766	-	1,837,766
<b>Total Net Position</b>	<b>\$ 11,766,694</b>	<b>\$ 615,342</b>	<b>\$ 12,382,036</b>

## Exeter Township

### Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis Proprietary Funds

	Year Ended December 31, 2014		
	Country		Total
	Sewer	Club	
<b>Operating Revenues</b>			
Sewer charges	\$ 4,776,238	\$ -	\$ 4,776,238
Tapping fees	64,785	-	64,785
Charges for services	-	2,849,663	2,849,663
Intergovernmental revenues	19,331	-	19,331
Miscellaneous	50,987	-	50,987
<b>Total Operating Revenues</b>	<b>4,911,341</b>	<b>2,849,663</b>	<b>7,761,004</b>
<b>Operating Expenditures</b>			
Wastewater collection and treatment	2,591,166	-	2,591,166
Culture and recreation expenses	-	2,618,226	2,618,226
Capital outlay	405,388	-	405,388
<b>Total Operating Expenditures</b>	<b>2,996,554</b>	<b>2,618,226</b>	<b>5,614,780</b>
<b>Operating Income</b>	<b>1,914,787</b>	<b>231,437</b>	<b>2,146,224</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	380,067	2,182	382,249
Debt service:			
Principal	(1,590,000)	-	(1,590,000)
Interest	(1,001,015)	-	(1,001,015)
Fiscal agent fees	(1,557)	-	(1,557)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,212,505)</b>	<b>2,182</b>	<b>(2,210,323)</b>
<b>Income (Loss) before Other Financing Sources (Uses)</b>	<b>(297,718)</b>	<b>233,619</b>	<b>(64,099)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(280,000)	(280,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(280,000)</b>	<b>(280,000)</b>
<b>Change in Net Position</b>	<b>(297,718)</b>	<b>(46,381)</b>	<b>(344,099)</b>
<b>Net Position at Beginning of Year</b>	<b>12,064,412</b>	<b>661,723</b>	<b>12,726,135</b>
<b>Net Position at End of Year</b>	<b>\$ 11,766,694</b>	<b>\$ 615,342</b>	<b>\$ 12,382,036</b>

See accompanying notes.

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2014

#### **Note 1 - Nature of Activity**

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

#### **Note 2 - Summary of Significant Accounting Policies**

The accompanying primary government financial statements conform to the modified cash basis method of accounting as applicable to governmental units. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant accounting policies used by the Township.

##### **The Financial Reporting Entity**

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. The component units, as determined under the above criteria and as discussed below, are not included in the Township's reporting entity, as these financial statements include only the activities of the primary government.

##### **Individual Component Unit Disclosures**

###### **Exeter Township, Berks County, Authority**

Exeter Township, Berks County, Authority (the Authority) is governed by a five-member board appointed by the Township Board of Supervisors. Although it is legally separate from the Township, the Authority is a component unit and its primary purpose is to provide sewer utilities to the Township. The Authority was terminated on April 16, 2014.

###### **Exeter Community Library**

The Exeter Community Library (the Library) is governed by a nine-member self-appointed board. Although it is legally separate from the Township, the Library is a component unit and its primary purpose is to provide library services to Township residents. The Township considers the Library to be fiscally dependent on the Township due to the Township's annual appropriation given to the Library.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

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

##### **Fund Financial Statements**

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

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

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

The funds of the financial reporting entity are described below:

##### **Governmental Funds**

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

## Exeter Township

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Notes to Financial Statements

December 31, 2014

### Note 2 - Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

#### Fund Financial Statements (continued)

#### Governmental Funds (continued)

The following are the Township's governmental funds:

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

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

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

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

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

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

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

**State Liquid Fuels Highway Aid Fund** - is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this fund.

## Exeter Township

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Notes to Financial Statements

December 31, 2014

### Note 2 - Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

#### Fund Financial Statements (continued)

#### Governmental Funds (continued)

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

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

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

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

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

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

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

#### Proprietary Funds

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

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

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

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2014

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Basis of Accounting and Measurement Focus**

###### **Basis of Accounting**

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

###### **Modified Cash Basis**

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

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

###### **Measurement Focus**

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

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

##### **Assets and Liabilities**

###### **Cash**

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

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

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2014

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Assets and Liabilities (continued)**

###### **Due To and From Other Funds**

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

###### **Capital Assets**

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

###### **Long-Term Debt**

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

###### **Compensated Absences**

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

##### **Equity**

###### **Government-Wide Statements**

The Township classifies net position into the following components:

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

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

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2014

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Equity (continued)**

###### **Governmental Fund Financial Statements**

The Township classifies fund balance as follows:

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

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

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

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

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

##### **Revenues and Expenditures**

###### **Program Revenues**

All revenues are recognized when received.

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

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

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Revenues and Expenditures (continued)**

##### **Program Revenues (continued)**

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

##### **Property Taxes**

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2014 was 2.87 mills, consisting of 1.815 mills for general purposes, .505 mills for purchase of fire apparatus and .55 mills for debt service, as established by the Board of Supervisors. Current tax collections for the Township were approximately 98% of the total tax levy.

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

##### **Intergovernmental Revenues**

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

##### **Expenditures/Expenses**

Expenditures and expenses are recognized when paid.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Internal and Interfund Balances and Activities**

##### **Fund Financial Statements**

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

##### **Interfund Services**

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

##### **Interfund Reimbursements**

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

##### **Interfund Transfers**

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

#### **Recent Accounting Pronouncement**

In June 2012, Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and reporting by governments for pension plans, including recognition as a liability the unfunded pension liability. This Statement is effective for periods beginning after June 15, 2014 and the Township will adopt this Statement in its December 31, 2015 financial statements.

### **Note 3 - Stewardship, Compliance and Accountability**

#### **Compliance with Finance-Related Legal and Contractual Provisions**

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

#### **Excess of Expenditures over Appropriations in Individual Funds**

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2013 and the cash received for the year ended December 31, 2014. Expenditures exceeded appropriations in the General Fund by \$51,121.

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 4 - Deposits

The Township's available cash is invested in demand deposit accounts and a certificate of deposit. The carrying amount of cash and investments at December 31, 2014 consist of the following:

Demand deposits	\$ 11,572,741
Time deposit	7,000,000
Petty cash	<u>2,152</u>
	<u>\$ 18,574,893</u>

#### Reconciliation to Statement of Net Position/Balance Sheet

Cash:	
Unrestricted	\$ 7,848,264
Restricted	<u>3,726,629</u>
	11,574,893
Certificate of deposit, business-type activities	<u>7,000,000</u>
	<u>\$ 18,574,893</u>

#### Custodial Credit Risk, Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2014, the carrying amount of the Township's bank deposits was \$18,572,741, and the corresponding bank balances were \$18,998,072, of which \$500,000 was covered by Federal Depository Insurance. The remaining \$18,498,072 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 5 - Restricted Cash

Cash and investments whose use is limited to a specific purpose have been classified as "restricted" in the financial statements. Restricted assets at December 31, 2014 consist of the following:

##### Governmental Activities

###### General Fund:

Police equipment	\$	83,428
Fire police		6,023
Developer escrows		47,826
Police National Night Out committee		2,986
K-9 Fund		10,932
State Liquid Fuels Highway Aid Fund		128,962
Capital Improvement Fund		213,394
Golf Acquisition Fund		713,018
Traffic Improvement Fund		37,752
Debt Service Fund		644,542

**Total Governmental Activities** **1,888,863**

##### Business-Type Activities

Sewer Fund, unspent note proceeds, Series A of 2009		1,837,766
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**Total Restricted Cash** **\$ 3,726,629**

#### Note 6 - Interfund Transfers

Transfers between funds for the year ended December 31, 2014 were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 380	\$ 60,100
Utility Fund	-	10,000
Fire Fund	-	137,917
K-9 Fund	-	380
Capital Expenditure Fund	60,100	-
Capital Improvement Fund	10,000	-
Apparatus Fund	137,917	-
Debt Service Fund	280,000	-
<b>Total Governmental Funds</b>	<b>488,397</b>	<b>208,397</b>

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 6 - Interfund Transfers (continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Proprietary Funds:		
Country Club Fund	\$ -	\$ 280,000
Total Proprietary Funds	<u>-</u>	<u>280,000</u>
	<u>\$ 488,397</u>	<u>\$ 488,397</u>

#### Note 7 - Long-Term Debt

At December 31, 2014, long-term debt consists of the following:

	<u>Balance Outstanding December 31, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2014</u>
<b>Governmental Activities</b>				
Pennsylvania Infrastructure Investment Authority Loan, initial issue of \$299,193, interest due monthly at 1.387%, principal payments due monthly through February 2026	\$ 197,653	\$ -	\$ 13,852	\$ 183,801
General Obligation Notes, Series of 2007, in the initial amount of \$17,810,000, interest due semiannually at rates ranging from 4.200% to 4.700%, principal due annually through August 2046	17,570,000	-	50,000	17,520,000
General Obligation Notes, Series of 2012, in the initial amount of \$3,615,000, interest due semiannually at rates ranging from 1.250% to 2.000%, principal due annually through July 2024	3,340,000	-	275,000	3,065,000

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 7 - Long-Term Debt (continued)

	Balance Outstanding December 31, 2013	Additions	Payments	Balance Outstanding December 31, 2014
<b>Governmental Activities (continued)</b>				
Loan payable to the County of Berks, original principal amount of \$261,411, without interest, annual payments of \$37,344 through June 2019	\$ 224,067	\$ -	\$ 37,344	\$ 186,723
Loan payable to the County of Berks, original principal amount of \$31,997, without interest, annual payments of \$4,571 through June 2019	27,426	-	4,571	22,855
Loan payable to the County of Berks, original principal amount of \$17,812, without interest, annual payments of \$2,545 through June 2019	15,267	-	2,545	12,722
Loan payable to the County of Berks, original principal amount of \$120,811, without interest, annual payments of \$17,259 through June 2019	103,552	-	17,259	86,293
Loan payable to the County of Berks, original principal amount of \$17,110, without interest, annual payments of \$2,444 through June 2019	14,666	-	2,444	12,222

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 7 - Long-Term Debt (continued)

	Balance Outstanding December 31, 2013	Additions	Payments	Balance Outstanding December 31, 2014
<b>Governmental Activities</b>				
<b>(continued)</b>				
Loan payable to the County of Berks, original principal amount of \$21,856, without interest, annual payments of \$3,122 through June 2019	\$ 18,734	\$ -	\$ 3,122	\$ 15,612
Loan payable to the County of Berks, original principal amount of \$6,692, without interest, annual payments of \$956 through June 2019	5,736	-	956	4,780
<b>Total Governmental Activities</b>	<b>21,517,101</b>	<b>-</b>	<b>407,093</b>	<b>21,110,008</b>
<b>Business-Type Activities</b>				
General Obligation Notes, Series of 2007, in the initial amount of \$21,380,000, interest due semiannually at rates ranging from 4.750% to 5.300%, principal due annually through July 2021	14,005,000	-	1,455,000	12,550,000
General Obligation Notes, Series of 2012, in the initial amount of \$6,055,000, interest due semiannually at rates ranging from 1.250% to 2.000%, principal due annually through July 2026	5,980,000	-	60,000	5,920,000

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 7 - Long-Term Debt (continued)

	Balance Outstanding December 31, 2013	Additions	Payments	Balance Outstanding December 31, 2014
<b>Business-Type Activities</b>				
<b>(continued)</b>				
General Obligation Bonds, Series of 2013, in the initial amount of \$7,755,000, interest due semiannually at rates ranging from .400% to 2.000%, principal due annually through July 2024	\$ 7,620,000	\$ -	\$ 75,000	\$ 7,545,000
<b>Total Business-Type Activities</b>	<b>27,605,000</b>	<b>-</b>	<b>1,590,000</b>	<b>26,015,000</b>
<b>Total Debt</b>	<b>\$ 49,122,101</b>	<b>\$ -</b>	<b>\$ 1,997,093</b>	<b>\$ 47,125,008</b>

Aggregate maturities required on long-term debt at December 31, 2014 are as follows:

#### Governmental Activities

	Principal	Interest	Total Debt Service
2015	\$ 412,482	\$ 871,691	\$ 1,284,173
2016	417,882	863,566	1,281,448
2017	433,294	855,330	1,288,624
2018	438,717	846,669	1,285,386
2019	449,151	837,897	1,287,048
2020-2024	2,021,512	4,074,335	6,095,847
2025-2029	2,536,970	3,717,955	6,254,925
2030-2034	3,150,000	3,089,705	6,239,705
2035-2039	3,955,000	2,286,600	6,241,600
2040-2044	4,965,000	1,269,000	6,234,000
2045-2046	2,330,000	165,440	2,495,440
	<b>\$ 21,110,008</b>	<b>\$ 18,878,188</b>	<b>\$ 39,988,196</b>

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 7 - Long-Term Debt (continued)

##### Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 1,665,000	\$ 924,768	\$ 2,589,768
2016	1,745,000	841,765	2,586,765
2017	1,830,000	754,540	2,584,540
2018	1,920,000	662,852	2,582,852
2019	2,020,000	565,713	2,585,713
2020-2024	11,765,000	1,413,470	13,178,470
2025-2026	5,070,000	150,500	5,220,500
	<u>\$ 26,015,000</u>	<u>\$ 5,313,608</u>	<u>\$ 31,328,608</u>

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

##### Debt Defeasance

In January 2013, the Township advance refunded a portion of the General Obligation Note, Series of 2009, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the 2009 note. For financial reporting purposes, the debt has been considered defeased. As of December 31, 2014, there was no amount of defeased debt outstanding.

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 8 - Fund Balance

The fund balances of the Township's governmental funds at December 31, 2014 consist of the following:

	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in:				
General Fund	<u>\$ 92,437</u>	<u>\$ 623,497</u>	<u>\$ 2,222,960</u>	<u>\$ 2,938,894</u>
Other governmental funds:				
Utility Fund	-	26,545	-	26,545
Fire protection	-	230,981	-	230,981
Detention pond/storm water maintenance	-	81,630	-	81,630
K-9 Program	10,932	-	-	10,932
Parks	-	53,207	-	53,207
Public works, highways and streets	128,962	-	-	128,962
Debt service	-	644,542	-	644,542
Capital projects	<u>964,164</u>	<u>1,059,274</u>	<u>-</u>	<u>2,023,438</u>
	<u>1,104,058</u>	<u>2,096,179</u>	<u>-</u>	<u>3,200,237</u>
	<u>\$ 1,196,495</u>	<u>\$ 2,719,676</u>	<u>\$ 2,222,960</u>	<u>\$ 6,139,131</u>

#### Fund Balance Policy

The Township established and maintains reservations of fund balance in accordance with its policy, which applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned and unassigned amounts.

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

#### Spending Policy

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

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

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 8 - Fund Balance (continued)**

#### **Minimum Fund Balance Policy**

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

#### **Committed Fund Balance**

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

#### **Assigned Fund Balance**

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

#### **Reservations of Fund Balance**

##### **Restricted - General Fund**

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

##### **Restricted - Other Governmental Funds**

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

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

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

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

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 8 - Fund Balance (continued)**

#### **Reservations of Fund Balance (continued)**

##### **Committed - General Fund**

The Township's committed fund balance in the General Fund consists of an amount to be used for tree replacement as approved by the Board of Supervisors and contract commitments.

##### **Committed - Other Governmental Funds**

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

**Utility Reserve** - is committed as set forth by Township ordinance and consists of funds to be used for public street lighting and fire hydrant services. Revenues are generated from assessments collected from Township residents.

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

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

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

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

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

#### **Disbursement of Fund Balance Reserves**

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

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 8 - Fund Balance (continued)**

#### **Annual Review and Determination of Fund Balance Reserve Amounts**

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

### **Note 9 - Pension Plans**

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

#### **Valuation of Investments**

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

#### **Plan Description and Funding Policy**

##### **Exeter Township Police Pension Plan**

###### **Plan Description**

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

###### **Contributions**

Active, covered employees are required to contribute to the Police Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Police Plan. The current rate is 16.9% of annual covered payroll. Employees currently contribute to the Police Plan at a rate of 8.0% of their compensation for 2014. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

## Exeter Township

Notes to Financial Statements

December 31, 2014

### Note 9 - Pension Plans (continued)

#### Plan Description and Funding Policy (continued)

##### Exeter Township Employees' Pension Plan

###### Plan Description

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

###### Contributions

Active, covered employees are required to contribute to the Employees' Plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Employees' Plan. The current rate is 8.1% of annual covered payroll. Member contributions are currently suspended. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

###### Plan Membership

Membership in the pension plans as of January 1, 2013, the most recent actuarial valuation date, is comprised of the following:

	<u>Police Plan</u>	<u>Employees' Plan</u>
Active employees	29	8
Retirees and beneficiaries currently receiving benefits	11	5
Terminated employees entitled to benefits, but not yet receiving benefits	<u>1</u>	<u>3</u>
	<u>41</u>	<u>16</u>

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 9 - Pension Plans (continued)

##### Annual Pension Cost and Net Pension Obligation (Asset)

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

	<u>Police Plan</u>	<u>Employees' Plan</u>
Annual required contribution	\$ 456,349	\$ 115,181
Adjustment to annual required contribution	-	-
Annual pension cost	456,349	115,181
Contributions made	<u>456,349</u>	<u>115,181</u>
Change in net pension obligation (asset)	-	-
Net pension obligation (asset) beginning of year	-	-
Net pension obligation (asset) end of year	<u>\$ -</u>	<u>\$ -</u>

##### Exeter Township Police Pension Plan

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

##### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)</u>
12/31/12	\$ 387,491	100%	\$ -
12/31/13	424,764	100%	-
12/31/14	456,349	100%	-

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 9 - Pension Plans (continued)

##### Annual Pension Cost and Net Pension Obligation (Asset) (continued)

###### Exeter Township Employees' Pension Plan

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a salary scale of 5%. Provisions for administrative expenses are added to normal cost. The assumptions included postretirement mortality, preretirement mortality, disability, percent married and withdrawal provisions. Retirement is based upon normal retirement age. Annual investment gain (excess of actual investment income, including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value.

###### Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
12/31/12	\$ 93,998	100%	\$ -
12/31/13	99,466	100%	-
12/31/14	115,181	100%	-

##### Funded Status and Funding Progress

The funded status of Exeter Township's Police Pension Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

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)
\$ 11,057,915	\$ 13,363,704	\$ 2,305,789	83%	\$ 2,717,672	85%

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 9 - Pension Plans (continued)

##### Funded Status and Funding Progress (continued)

The funded status of Exeter Township's Employees' Pension Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
\$ 1,029,208	\$ 1,496,670	\$ 467,462	69%	\$ 556,565	84%

The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method.

#### Note 10 - Central Pennsylvania Teamsters Pension Fund

The Township contributes to the Central Pennsylvania Teamsters Pension Fund, a union sponsored, multiemployer retirement plan in accordance with negotiated labor contracts. The plan covers all of the Township's eligible union employees. Contributions to the plan are based on varying rates for hours worked by the employees. Contributions totaled \$177,940 for the year ended December 31, 2014.

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

#### Note 11 - Post-Employment Benefits Other than Pensions

##### Plan Descriptions

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

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 11 - Post-Employment Benefits Other than Pensions (continued)

##### Funding Policy and Annual OPEB Cost

The Township currently funds other post-employment benefit (OPEB) costs as they occur. For 2014, the Township's contribution to the plan was \$111,716 for current premiums, including the implicit rate study.

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

Annual required contribution (ARC)	\$ 948,327
Interest on net OPEB obligation	173,166
Adjustment to the annual required contribution	<u>(236,243)</u>
Annual OPEB cost	885,250
Contributions made	<u>(111,716)</u>
Increase in net OPEB obligation	773,534
Net OPEB obligation at beginning of year	<u>3,848,135</u>
Net OPEB obligation at end of year	<u>\$ 4,621,669</u>

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

Year Ended	Annual OPEB Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 802,299	10%	\$ 3,151,060
12/31/13	790,495	12%	3,848,135
12/31/14	885,250	13%	4,621,669

##### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation, was as follows:

Actuarial present value at attained age (APVAA):	
Active members	\$ 12,581,563
Retired members	<u>964,086</u>
Total APVAA	<u>\$ 13,545,649</u>

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 11 - Post-Employment Benefits Other than Pensions (continued)

##### Funded Status and Funding Progress (continued)

Actuarial accrued liability (AAL):	
Active members	\$ 7,631,983
Retired members	<u>964,086</u>
Total AAL	<u>\$ 8,596,069</u>
Actuarial value of assets (AVA)	<u>\$ -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,596,069</u>
Funded ratio	<u>-%</u>
Covered payroll	<u>\$ 5,082,182</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<u>169%</u>
Annual required contribution (ARC):	
Normal cost	\$ 420,601
30-year amortization of UAAL	<u>527,726</u>
Total ARC	<u>\$ 948,327</u>

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

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 11 - Post-Employment Benefits Other than Pensions (continued)

##### Actuarial Methods and Assumptions

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

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar method
Remaining amortization period	30-year closed period
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.50% per annum
Projected salary increases	5.00% per annum
Healthcare inflation rate	6.5% in 2014, decreasing by 0.5% each year to 5.5% in 2016

#### Note 12 - Exeter Township Tax Increment Financing District

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

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

In 2014, the Township remitted \$59,352 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

At December 31, 2014, the outstanding balance was \$4,999,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

## Exeter Township

### Notes to Financial Statements

December 31, 2014

#### Note 13 - Commitments and Contingencies

##### Commitments

###### Capital Projects

The Township is committed to make payments on various capital construction projects in the approximate amount of \$76,000 at December 31, 2014.

###### Recycling Contract

In 2014, the Township extended an agreement for the processing and marketing of recycling materials. The contract extension is for a term of two years beginning January 1, 2015 and ending December 31, 2016. Minimum payments under this agreement for the years ending December 31, 2015 and December 31, 2016 are \$200,183 and \$200,183, respectively.

###### Leases

The Township has entered into lease agreements, as lessee, for financing the acquisition of vehicles and other equipment. The leases have expiration dates extending through 2018.

As of December 31, 2014, the future minimum lease payments are as follows for the year ending December 31:

2015	\$	86,647
2016		50,700
2017		4,286
2018		2,122
		<hr/>
	\$	143,755
		<hr/>

##### Contingencies

###### Litigation

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

###### Concentration of Labor

The Township entered into a collective bargaining agreement with the Police Officers Association effective January 1, 2014 through December 31, 2016. The Township also entered into a collective bargaining agreement with the nonuniform employees, effective January 1, 2015 through December 31, 2017. Of the Township's total workforce, 40% is covered by the agreement with the police officers and 49% is covered by the agreement with the nonuniform employees.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2014

### **Note 14 - Subsequent Events**

The Township has evaluated subsequent events through June 3, 2015. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2014 were noted.

## Exeter Township

### Schedules of Funding Progress

#### Exeter Township Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ 8,211,475	\$ 10,186,585	\$ 1,975,110	80.6%	\$ 2,538,835	77.8%
January 1, 2011	9,759,266	11,371,131	1,611,865	85.8%	2,552,468	63.1%
January 1, 2013	11,057,915	13,363,704	2,305,789	82.7%	2,717,672	84.8%

#### Exeter Township Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ 566,223	\$ 1,081,790	\$ 515,567	52.3%	\$ 535,326	96.3%
January 1, 2011	787,611	1,320,042	532,431	59.7%	546,007	97.5%
January 1, 2013	1,029,208	1,496,670	467,462	68.8%	556,565	84.0%

#### Exeter Township Post-Employment Benefits Other than Pensions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 5,314,263	\$ 5,314,263	-	\$ 4,718,187	112.6%
January 1, 2011	-	7,207,203	7,207,203	-	4,995,780	144.3%
January 1, 2014	-	8,596,069	8,596,069	-	5,082,182	169.1%

# Exeter Township

## Budgetary Comparison Schedule - Modified Cash Basis - General Fund

	Year Ended December 31, 2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Real estate	\$ 2,415,715	\$ 2,415,715	\$ 2,458,587	\$ 42,872
Real estate transfer	250,000	250,000	331,340	81,340
Per capita	72,180	72,180	67,621	(4,559)
Earned income	3,232,000	3,232,000	3,342,864	110,864
Local services	316,200	316,200	329,174	12,974
Business privilege	437,688	437,688	474,185	36,497
Licenses and permits	388,400	388,400	306,061	(82,339)
Fines and forfeits	131,650	131,650	127,620	(4,030)
Interest and rents	42,188	42,188	35,134	(7,054)
Intergovernmental revenues	891,740	891,740	950,230	58,490
Charges for services	1,125,815	1,125,815	1,126,683	868
Miscellaneous	63,000	63,000	170,827	107,827
<b>Total Revenues</b>	<b>9,366,576</b>	<b>9,366,576</b>	<b>9,720,326</b>	<b>353,750</b>
<b>Expenditures</b>				
Current:				
General government	747,763	747,763	772,880	(25,117)
Public safety	5,364,487	5,364,487	5,334,830	29,657
Health and human services	23,900	23,900	26,383	(2,483)
Public works - sanitation	200,000	200,000	195,796	4,204
Public works - highways and streets	1,736,830	1,736,830	1,766,561	(29,731)
Culture and recreation	588,554	588,554	578,730	9,824
Community development	40,000	40,000	43,879	(3,879)
Debt service:				
Principal	-	-	295,475	(295,475)
Interest	354,435	354,435	65,488	288,947
Benefits	43,089	43,089	113,710	(70,621)
Property and casualty insurance	164,628	164,628	189,753	(25,125)
Capital outlay	192,749	192,749	131,534	61,215
Miscellaneous	180,250	180,250	172,787	7,463
<b>Total Expenditures</b>	<b>9,636,685</b>	<b>9,636,685</b>	<b>9,687,806</b>	<b>(51,121)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(270,109)</b>	<b>(270,109)</b>	<b>32,520</b>	<b>302,629</b>

## Exeter Township

Budgetary Comparison Schedule - Modified Cash Basis - General Fund (continued)

	Year Ended December 31, 2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 2,250	\$ 2,250	\$ 380	\$ (1,870)
Transfers out	-	-	(60,100)	(60,100)
Sale of assets	-	-	28,215	28,215
<b>Total Other Financing Sources (Uses)</b>	<u>2,250</u>	<u>2,250</u>	<u>(31,505)</u>	<u>(33,755)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (267,859)</u>	<u>\$ (267,859)</u>	1,015	<u>\$ 268,874</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,937,879</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 2,938,894</u>	

## **Exeter Township**

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Note to Budgetary Comparison Schedule

December 31, 2014

### **Note 1 - Budget Matters**

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

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

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

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

**Exeter Township**

Combining Statement of Assets and Fund Balances - Modified Cash Basis - Other Governmental Funds

December 31, 2014													
	Special Revenue Funds					Capital Project Funds					Debt Service Fund	Total Other Governmental Funds	
	Utility	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus			Traffic Improvement
<b>Assets</b>													
<b>Cash</b>													
Unrestricted	\$ 26,545	\$ 230,981	\$ 81,630	\$ -	\$ 53,207	\$ -	\$ 554,870	\$ -	\$ -	\$ 504,404	\$ -	\$ -	\$ 1,451,637
Restricted	-	-	-	10,932	-	128,962	-	213,394	713,018	-	37,752	644,542	1,748,600
<b>Total Assets</b>	<b>\$ 26,545</b>	<b>\$ 230,981</b>	<b>\$ 81,630</b>	<b>\$ 10,932</b>	<b>\$ 53,207</b>	<b>\$ 128,962</b>	<b>\$ 554,870</b>	<b>\$ 213,394</b>	<b>\$ 713,018</b>	<b>\$ 504,404</b>	<b>\$ 37,752</b>	<b>\$ 644,542</b>	<b>\$ 3,200,237</b>
<b>Fund Balances</b>													
Restricted	\$ -	\$ -	\$ -	\$ 10,932	\$ -	\$ 128,962	\$ -	\$ 213,394	\$ 713,018	\$ -	\$ 37,752	\$ -	\$ 1,104,058
Committed	26,545	230,981	81,630	-	53,207	-	554,870	-	-	504,404	-	644,542	2,096,179
<b>Total Fund Balances</b>	<b>\$ 26,545</b>	<b>\$ 230,981</b>	<b>\$ 81,630</b>	<b>\$ 10,932</b>	<b>\$ 53,207</b>	<b>\$ 128,962</b>	<b>\$ 554,870</b>	<b>\$ 213,394</b>	<b>\$ 713,018</b>	<b>\$ 504,404</b>	<b>\$ 37,752</b>	<b>\$ 644,542</b>	<b>\$ 3,200,237</b>

**Exeter Township**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Other Governmental Funds

	Year Ended December 31, 2014												
	Special Revenue Funds						Capital Project Funds					Debt Service Fund	Total Other Governmental Funds
	Utility	Fire	Detention Pond/ Storm Water	K-9	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
<b>Revenues</b>													
Taxes, real estate	\$ 207,726	\$ 641,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,758	\$ 1,548,050
Interest and rents	231	1,482	239	32	157	1,021	42,869	741	2,233	1,099	127	1,199	51,430
Intergovernmental revenues	-	98,896	-	-	-	642,428	-	-	-	-	-	-	741,324
Charges for services	-	-	-	-	39,622	-	-	-	-	-	-	-	39,622
Miscellaneous	-	-	4,820	1,593	-	-	12,500	-	1,660	-	-	-	20,573
<b>Total Revenues</b>	<b>207,957</b>	<b>741,944</b>	<b>5,059</b>	<b>1,625</b>	<b>39,779</b>	<b>643,449</b>	<b>55,369</b>	<b>741</b>	<b>3,893</b>	<b>1,099</b>	<b>127</b>	<b>699,957</b>	<b>2,400,999</b>
<b>Expenditures</b>													
Current:													
Public safety	110,228	621,952	-	-	-	-	41,373	-	-	-	-	-	773,553
Public works - highways and streets	94,810	-	-	-	-	229,243	-	-	-	-	5,635	-	329,688
Culture and recreation	-	-	-	-	54,357	-	-	-	-	-	-	-	54,357
Community development	2,176	-	-	-	-	-	-	-	-	-	-	13,297	15,473
Debt service:													
Principal	-	19,703	-	-	-	61,874	41,915	-	-	-	-	50,000	173,492
Interest	-	-	-	-	-	3,365	-	-	-	-	-	814,123	817,488
Capital outlay	-	-	-	-	-	329,395	42,388	61,524	57,373	-	-	-	490,680
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	323	323
<b>Total Expenditures</b>	<b>207,214</b>	<b>641,655</b>	<b>-</b>	<b>-</b>	<b>54,357</b>	<b>623,877</b>	<b>125,676</b>	<b>61,524</b>	<b>57,373</b>	<b>-</b>	<b>5,635</b>	<b>877,743</b>	<b>2,655,054</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>743</b>	<b>100,289</b>	<b>5,059</b>	<b>1,625</b>	<b>(14,578)</b>	<b>19,572</b>	<b>(70,307)</b>	<b>(60,783)</b>	<b>(53,480)</b>	<b>1,099</b>	<b>(5,508)</b>	<b>(177,786)</b>	<b>(254,055)</b>
<b>Other Financing Sources (Uses)</b>													
Transfers in	-	-	-	-	-	-	60,100	10,000	-	137,917	-	280,000	488,017
Transfers out	(10,000)	(137,917)	-	(380)	-	-	-	-	-	-	-	-	(148,297)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>	<b>(137,917)</b>	<b>-</b>	<b>(380)</b>	<b>-</b>	<b>-</b>	<b>60,100</b>	<b>10,000</b>	<b>-</b>	<b>137,917</b>	<b>-</b>	<b>280,000</b>	<b>339,720</b>
<b>Net Change in Fund Balances</b>	<b>(9,257)</b>	<b>(37,628)</b>	<b>5,059</b>	<b>1,245</b>	<b>(14,578)</b>	<b>19,572</b>	<b>(10,207)</b>	<b>(50,783)</b>	<b>(53,480)</b>	<b>139,016</b>	<b>(5,508)</b>	<b>102,214</b>	<b>85,665</b>
<b>Fund Balances at Beginning of Year</b>	<b>35,802</b>	<b>268,609</b>	<b>76,571</b>	<b>9,687</b>	<b>67,785</b>	<b>109,390</b>	<b>565,077</b>	<b>264,177</b>	<b>766,498</b>	<b>365,388</b>	<b>43,260</b>	<b>542,328</b>	<b>3,114,572</b>
<b>Fund Balances at End of Year</b>	<b>\$ 26,545</b>	<b>\$ 230,981</b>	<b>\$ 81,630</b>	<b>\$ 10,932</b>	<b>\$ 53,207</b>	<b>\$ 128,962</b>	<b>\$ 554,870</b>	<b>\$ 213,394</b>	<b>\$ 713,018</b>	<b>\$ 504,404</b>	<b>\$ 37,752</b>	<b>\$ 644,542</b>	<b>\$ 3,200,237</b>