

**Exeter Township,  
Berks County, Pennsylvania**

**Financial Statements and  
Supplementary Information**

**December 31, 2015**



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

**FOCUSED. ON YOU.**

## **Exeter Township**

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## **Exeter Township**

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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, 2015, 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **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 unit, 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 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 unit, 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, 2015, and the respective changes in 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 57 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **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 Other 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 14, 2016  
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, 2015, 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 \$303,548 for the year ended December 31, 2015, compared to an excess of expenditures over revenues of \$257,419 for the year ended December 31, 2014. This resulted in a decrease of total net position of 1.6% for the year ended December 31, 2015, compared to a decrease of 1.4% for the year ended December 31, 2014.
- At December 31, 2015, the Township's governmental funds reported combined ending fund balances of \$6,331,679 an increase of \$192,548 from the prior year. \$2,693,388 or 42.5% 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 \$216,556 to \$3,155,450. 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, 2015, the unassigned fund balance of the General Fund was \$2,693,388 or 27.53% of total General Fund expenditures.
- At December 31, 2015, the Township's business-type activities reported net position of \$11,885,940, a decrease of \$496,096 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"). 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 schedule of changes in net pension liability and related ratios (page 57), the schedules of pension contributions (pages 58 and 59), the schedule of funding progress (page 60) and the budgetary comparison schedule (pages 61 and 62) 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 64) 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.

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

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

Under this basis, revenue is recognized when collected rather than when earned and expenditures are generally recognized when paid rather than when the related liability is incurred.

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

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

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

This annual report includes only the primary government of the Township which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, we have considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township. The following component unit meets the requirements for inclusion under the above criteria, but is not included in the Township's annual report: 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 \$303,548 or 1.6%, from fiscal year 2014 to 2015. Combined net position was \$18,217,619 and \$18,521,167 at December 31, 2015 and 2014, respectively. Looking at the net position of governmental and business-type activities separately, governmental activities had an increase of \$192,548 while business-type activities had a decrease of \$496,096.

A condensed summary of the Township's Statement of Net Position at December 31, 2015 and 2014 is presented below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Total Assets (Non-Capital)	<u>\$ 6,381,512</u>	<u>\$ 6,187,857</u>	<u>\$ 11,915,940</u>	<u>\$ 12,387,036</u>	<u>\$ 18,297,452</u>	<u>\$ 18,574,893</u>
Liabilities:						
Deposits held in escrow	<u>\$ 49,833</u>	<u>\$ 48,726</u>	<u>\$ 30,000</u>	<u>\$ 5,000</u>	<u>\$ 79,833</u>	<u>\$ 53,726</u>
Total liabilities	<u>\$ 49,833</u>	<u>\$ 48,726</u>	<u>\$ 30,000</u>	<u>\$ 5,000</u>	<u>\$ 79,833</u>	<u>\$ 53,726</u>
Net Position:						
Unrestricted	<u>5,331,051</u>	<u>4,942,636</u>	<u>10,355,969</u>	<u>10,544,270</u>	<u>15,687,020</u>	<u>15,486,906</u>
Restricted	<u>1,000,628</u>	<u>1,196,495</u>	<u>1,529,971</u>	<u>1,837,766</u>	<u>2,530,599</u>	<u>3,034,261</u>
Total Net Position	<u><u>\$ 6,331,679</u></u>	<u><u>\$ 6,139,131</u></u>	<u><u>\$ 11,885,940</u></u>	<u><u>\$ 12,382,036</u></u>	<u><u>\$ 18,217,619</u></u>	<u><u>\$ 18,521,167</u></u>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$2,530,599 and \$3,034,261 at December 31, 2015 and 2014, 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, 2015 and 2014, net position of the Township (resulting from modified cash basis transactions) changed as follows:

	Activities		Activities		Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Program revenues:</b>						
Charges for services	\$ 1,608,198	\$ 1,599,986	\$ 7,237,757	\$ 7,741,673	\$ 8,845,955	\$ 9,341,659
Operating grants and contributions	1,529,019	1,691,554	4,697	19,331	1,533,716	1,710,885
<b>General revenues:</b>						
Real estate taxes	3,981,034	4,006,637	-	-	3,981,034	4,006,637
Per capita taxes	70,946	67,621	-	-	70,946	67,621
Real estate transfer taxes	365,174	331,340	-	-	365,174	331,340
Earned income taxes	3,489,454	3,342,864	-	-	3,489,454	3,342,864
Local services tax	314,942	329,174	-	-	314,942	329,174
Business privilege tax	474,796	474,185	-	-	474,796	474,185
Interest and rents	87,196	86,564	366,092	382,249	453,288	468,813
Proceeds asset disposal	682,991	28,215	-	-	682,991	28,215
Other income	270,351	191,400	-	-	270,351	191,400
Refunding bonds issued	11,563,000	-	-	-	11,563,000	-
<b>Total revenues</b>	<b>\$ 24,437,101</b>	<b>\$ 12,149,540</b>	<b>\$ 7,608,546</b>	<b>\$ 8,143,253</b>	<b>\$ 32,045,647</b>	<b>\$ 20,292,793</b>
<b>Expenditures:</b>						
General government	\$ 746,408	\$ 772,880	\$ -	\$ -	\$ 746,408	\$ 772,880
Public safety	6,755,186	6,108,383	-	-	6,755,186	6,108,383
Health and human services	35,897	26,383	-	-	35,897	26,383
Public works - sanitation	199,804	195,796	-	-	199,804	195,796
Public works - highways and streets	2,037,727	2,096,249	-	-	2,037,727	2,096,249
Culture and recreation	678,587	633,087	-	-	678,587	633,087
Community development	58,143	59,352	-	-	58,143	59,352
Debt service	1,632,112	1,351,943	-	-	1,632,112	1,351,943
Benefits	109,590	113,710	-	-	109,590	113,710
Property and casualty insurance	214,691	189,753	-	-	214,691	189,753
Capital outlay	863,484	622,214	-	-	863,484	622,214
Miscellaneous	171,605	173,110	-	-	171,605	173,110
Sewer	-	-	5,489,754	5,589,126	5,489,754	5,589,126
Country club	-	-	2,086,860	2,618,226	2,086,860	2,618,226
Payment to bond escrow agent and bond discount	11,269,347	-	-	-	11,269,347	-
<b>Total expenditures</b>	<b>\$ 24,772,581</b>	<b>\$ 12,342,860</b>	<b>\$ 7,576,614</b>	<b>\$ 8,207,352</b>	<b>\$ 32,349,195</b>	<b>\$ 20,550,212</b>
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>\$ (335,480)</b>	<b>\$ (193,320)</b>	<b>\$ 31,932</b>	<b>\$ (64,099)</b>	<b>\$ (303,548)</b>	<b>\$ (257,419)</b>
<b>Transfers:</b>						
Transfers	\$ 528,028	\$ 280,000	\$ (528,028)	\$ (280,000)	\$ -	\$ -
<b>Changes in net position</b>	<b>\$ 192,548</b>	<b>\$ 86,680</b>	<b>\$ (496,096)</b>	<b>\$ (344,099)</b>	<b>\$ (303,548)</b>	<b>\$ (257,419)</b>
<b>Net position, beginning 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>
<b>Net position, end of year</b>	<b>\$ 6,331,679</b>	<b>\$ 6,139,131</b>	<b>\$ 11,885,940</b>	<b>\$ 12,382,036</b>	<b>\$ 18,217,619</b>	<b>\$ 18,521,167</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, 2015 and 2014, total revenues for governmental activities, resulting from modified cash basis transactions amounted to \$24,437,101 and \$12,149,540, respectively.

For the year ended December 31, 2015, total disbursements for governmental activities, resulting from modified cash basis transactions, amounted to \$24,772,581. Of these total disbursements, taxpayers and other general revenues funded \$21,299,884 while those directly benefiting from the program funded \$1,529,019 from operating grants and contributions and \$1,608,198 from charges for services.

Some noteworthy events occurred in 2015 that are highlighted as follows:

- The Township real estate tax for 2015 was 1.815 mills for general purposes, .555 mills for the purchase of fire apparatus and making appropriations to the fire company, and .50 mills for the purpose of debt service related to the acquisition of the Reading Country Club.
- Earned Income Taxes increased \$146,590 or 4% from 2014.
- Real Estate Transfer Tax increased \$33,834 or 10% from 2014.
- Proceeds from disposal of assets increased \$654,776 from 2014. A majority of the increase was due to the sale of fire apparatus for \$550,000.
- During 2015, the Township advanced refunded portions of its General Obligation Note, Series of 2007. The Township issued General Obligation Bonds, Series of 2015 and Series A of 2015 totaling \$11,563,000, with a discount of \$35,751 and \$11,233,596 placed in an irrevocable trust to provide for future debt service payments on the portion of the 2007 Note that was refunded. For financial reporting purposes, the debt is considered defeased.

## **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 profit before transfers of \$31,932, transfers to other funds totaled \$528,028, resulting in a decrease in net position of \$496,096. The Sewer Fund had a \$125,917 decrease in net position. The decrease was due mainly to the use of 2009 unspent bond proceeds to pay for the 2015 capital expenditures. The Country Club had a \$370,179 decrease in net position. Net loss before transfers was \$84,773. Transfers of \$285,406 to the debt service fund will be used to pay off the debt incurred to purchase the property. The Food and Beverage portion of the Country Club ceased operations on August 31, 2015. The Township entered into a 15 year lease with a new lessee who has made major improvements to the building in addition to the monthly base rent and annual excess percentage rent payments.

## **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 2015, \$149,376 was expended for capital improvements to the Country Club including \$122,840 for water damage from a broken pipe that was covered by insurance, \$12,503 for roof repairs and pro shop painting, \$8,533 for a tractor for the golf course and kitchen equipment and a \$5,500 appraisal fee.
- Park Improvement Fund – During 2015, \$50,023 was expended for construction of Farming Ridge Park. \$11,373 was expended for improvements to Community Park. \$3,169 was expended to purchase an aerator.
- Capital Improvement Fund – During 2015, \$32,395 was expended for capital improvements, including \$30,236 partial payment for replacement of the Gas Fueling System, \$2,159 for repairs to the Harvey Avenue Bridge.

## **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, 2015, the Township had \$21,860,526 and \$24,350,000 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 2015:

	Governmental Activities	Business-Type Activities
Beginning Balance at January 1, 2015	\$ 21,110,008	\$ 26,015,000
Additions	11,563,000	-
Refunding Payments	(10,400,000)	-
Principal Payments	(412,482)	(1,665,000)
Ending Balance at December 31, 2015	\$ 21,860,526	\$ 24,350,000

### 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, 2015, General Fund expenditures were \$32,035 below final appropriations, while actual revenues available for appropriation were \$502,425 above the budgeted amount.

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

Several events have occurred in 2015 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 in 2016 toward the cost of implementing the recommendations provided within the PA Economy League (PEL) study from Phase I of the Project, i.e. program based budgeting and changing the basis of accounting to be in accordance with generally accepted accounting principles. The Reading Country Club was remodeled by the new lessee, JMH, Inc., along with a grand opening of ViVA's Castle Pub in November 2015. Senior Life Day Care and Penn State Health/St. Joseph's have opened in 2016. To spur more commercial economic development to broaden the Township's commercial tax base, the Strategic Planning Steering Committee, in conjunction with the Township Board of Supervisors, continues to actively seek new commercial business in the Township. The Board hired a professional planner to perform a market analysis in 2016. The Township's general tax millage for 2016 increased to 2.145 mills. Due to the overall economic climate, many revenue sources are expected to remain stagnant through 2016. However, the Township is fortunate to have a healthy General Fund balance to bridge any unexpected shortfalls. In addition, the Debt Service millage remained unchanged at .50 mills. The Fire Tax millage increased from .555 mills to .605 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	951
Godiva Chocolatier	529
Wal-Mart	286
Giant Food	223
Golden Living Center	157
Genesis Eldercare, Berkshire Center	153
Lowe's	141
Target	131
Redner's	100
Home Depot	96

During 2016, 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:

• Equipment for Farming Ridge Park and Community Park	\$ 11,865
• Improvements to Dunn Barn Community Center	44,690
• Replacement windows for Township Building and DJ Office	55,980
• Harvey Avenue Bridge repairs	149,000
• Capital projects for the Sewer plant and Collection system	1,196,550

All of these factors were considered in preparing the Township's budget for the 2016 fiscal year. As a result, General Fund revenues are anticipated to increase 9.6 percent to \$10,474,674, while expenditures are budgeted to increase 5.2 percent to \$10,324,527. Other governmental fund revenues for 2016 are budgeted at \$3,000,044 while expenditures are budgeted for \$4,948,291. The excess of budgeted expenditures over revenues will be covered by the fund balances at December 31, 2015. Proprietary Fund revenues are budgeted at \$6,064,680 while expenditures are budgeted for \$6,190,286.

### 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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash:			
Unrestricted	\$ 4,615,161	\$ 3,385,969	\$ 8,001,130
Restricted	1,766,351	1,529,971	3,296,322
Certificate of deposit	-	7,000,000	7,000,000
<b>Total Assets</b>	<b>6,381,512</b>	<b>11,915,940</b>	<b>18,297,452</b>
<b>Liabilities</b>			
Deposits held in escrow	49,833	30,000	79,833
<b>Total Liabilities</b>	<b>49,833</b>	<b>30,000</b>	<b>79,833</b>
<b>Net Position</b>			
<b>Net Position</b>			
Unrestricted	5,331,051	10,355,969	15,687,020
Restricted	1,000,628	1,529,971	2,530,599
<b>Total Net Position</b>	<b>\$ 6,331,679</b>	<b>\$ 11,885,940</b>	<b>\$ 18,217,619</b>

**Exeter Township**

Statement of Activities - Modified Cash Basis

Year Ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expenditures) Revenues and Changes in Net Position		
	Expenditures	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
General government	\$ 746,408	\$ 521,172	\$ 307,549	\$ 82,313	\$ -	\$ 82,313
Public safety	6,755,186	306,859	318,979	(6,129,348)	-	(6,129,348)
Health and human services	35,897	-	-	(35,897)	-	(35,897)
Public works - sanitation	199,804	587,391	-	387,587	-	387,587
Public works - highways and streets	2,037,727	18,592	188,266	(1,830,869)	-	(1,830,869)
Culture and recreation	678,587	174,184	33,800	(470,603)	-	(470,603)
Community development	58,143	-	-	(58,143)	-	(58,143)
Debt service	1,632,112	-	74,294	(1,557,818)	-	(1,557,818)
Benefits	109,590	-	-	(109,590)	-	(109,590)
Property and casualty insurance	214,691	-	-	(214,691)	-	(214,691)
Capital outlay	863,484	-	438,972	(424,512)	-	(424,512)
Miscellaneous	171,605	-	167,159	(4,446)	-	(4,446)
<b>Total Governmental Activities</b>	<b>13,503,234</b>	<b>1,608,198</b>	<b>1,529,019</b>	<b>(10,366,017)</b>	<b>-</b>	<b>(10,366,017)</b>
<b>Business-Type Activities</b>						
Sewer	5,489,754	5,237,057	4,697	-	(248,000)	(248,000)
Country Club	2,086,860	2,000,700	-	-	(86,160)	(86,160)
<b>Total Business-Type Activities</b>	<b>7,576,614</b>	<b>7,237,757</b>	<b>4,697</b>	<b>-</b>	<b>(334,160)</b>	<b>(334,160)</b>
	<b>\$ 21,079,848</b>	<b>\$ 8,845,955</b>	<b>\$ 1,533,716</b>	<b>(10,366,017)</b>	<b>(334,160)</b>	<b>(10,700,177)</b>
<b>General Revenues</b>						
Taxes:						
Real estate				3,981,034	-	3,981,034
Real estate transfer				365,174	-	365,174
Per capita				70,946	-	70,946
Earned income				3,489,454	-	3,489,454
Local services				314,942	-	314,942
Business privilege				474,796	-	474,796
Interest income				87,196	366,092	453,288
Proceeds from disposal of assets				682,991	-	682,991
Miscellaneous				270,351	-	270,351
Refunding bonds issued				11,563,000	-	11,563,000
Discount on refunding bonds issued				(35,751)	-	(35,751)
Payment to refunded bond escrow agent				(11,233,596)	-	(11,233,596)
Transfers				528,028	(528,028)	-
<b>Total General Revenues and Transfers</b>				<b>10,558,565</b>	<b>(161,936)</b>	<b>10,396,629</b>
<b>Changes in Net Position</b>				<b>192,548</b>	<b>(496,096)</b>	<b>(303,548)</b>
<b>Net Position at Beginning of Year</b>				<b>6,139,131</b>	<b>12,382,036</b>	<b>18,521,167</b>
<b>Net Position at End of Year</b>				<b>\$ 6,331,679</b>	<b>\$ 11,885,940</b>	<b>\$ 18,217,619</b>

See accompanying notes.

## Exeter Township

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

December 31, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash:			
Unrestricted	\$ 3,101,869	\$ 1,513,292	\$ 4,615,161
Restricted	<u>103,414</u>	<u>1,662,937</u>	<u>1,766,351</u>
<b>Total Assets</b>	<u>3,205,283</u>	<u>3,176,229</u>	<u>6,381,512</u>
<b>Liabilities</b>			
Deposits held in escrow	<u>49,833</u>	-	<u>49,833</u>
<b>Total Liabilities</b>	<u>49,833</u>	-	<u>49,833</u>
<b>Fund Balances</b>			
Restricted	54,481	946,147	1,000,628
Committed	407,581	2,230,082	2,637,663
Unassigned	<u>2,693,388</u>	-	<u>2,693,388</u>
<b>Total Fund Balances</b>	<u>\$ 3,155,450</u>	<u>\$ 3,176,229</u>	<u>\$ 6,331,679</u>

## Exeter Township

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

Governmental Funds

Year Ended December 31, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes:			
Real estate	\$ 2,422,670	\$ 1,558,364	\$ 3,981,034
Real estate transfer	365,174	-	365,174
Per capita	70,946	-	70,946
Earned income	3,489,454	-	3,489,454
Local services	314,942	-	314,942
Business privilege	474,796	-	474,796
Licenses and permits	445,382	-	445,382
Fines and forfeits	116,396	-	116,396
Interest and rents	36,153	51,043	87,196
Intergovernmental revenues	793,687	735,332	1,529,019
Charges for services	1,020,558	25,862	1,046,420
Miscellaneous	265,298	5,053	270,351
	<u>9,815,456</u>	<u>2,375,654</u>	<u>12,191,110</u>
<b>Total Revenues</b>	<b>9,815,456</b>	<b>2,375,654</b>	<b>12,191,110</b>
<b>Expenditures</b>			
Current:			
General government	746,408	-	746,408
Public safety	5,577,978	1,177,208	6,755,186
Health and human services	35,897	-	35,897
Public works - sanitation	199,804	-	199,804
Public works - highways and streets	1,640,081	397,646	2,037,727
Culture and recreation	607,301	71,286	678,587
Community development	43,879	14,264	58,143
Debt service:			
Principal	300,864	183,721	484,585
Interest	59,693	814,189	873,882
Bond issuance costs	-	273,645	273,645
Benefits	109,590	-	109,590
Property and casualty insurance	214,691	-	214,691
Capital outlay	80,082	783,402	863,484
Miscellaneous	167,358	4,247	171,605
	<u>9,783,626</u>	<u>3,719,608</u>	<u>13,503,234</u>
<b>Total Expenditures</b>	<b>9,783,626</b>	<b>3,719,608</b>	<b>13,503,234</b>

See accompanying notes.

## Exeter Township

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis -  
Governmental Funds (continued)  
Year Ended December 31, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>\$ 31,830</b>	<b>\$ (1,343,954)</b>	<b>\$ (1,312,124)</b>
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	11,563,000	11,563,000
Discount on refunding bonds issued	-	(35,751)	(35,751)
Payment to refunded bond escrow agent	-	(11,233,596)	(11,233,596)
Transfers in	242,622	522,401	765,023
Transfers out	(69,940)	(167,055)	(236,995)
Proceeds from disposal of assets	12,044	670,947	682,991
<b>Total Other Financing Sources (Uses)</b>	<b>184,726</b>	<b>1,319,946</b>	<b>1,504,672</b>
<b>Net Change in Fund Balances</b>	<b>216,556</b>	<b>(24,008)</b>	<b>192,548</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,938,894</b>	<b>3,200,237</b>	<b>6,139,131</b>
<b>Fund Balances at End of Year</b>	<b>\$ 3,155,450</b>	<b>\$ 3,176,229</b>	<b>\$ 6,331,679</b>

## Exeter Township

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

December 31, 2015

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Assets</b>			
Cash:			
Unrestricted	\$ 3,115,806	\$ 270,163	\$ 3,385,969
Restricted	1,529,971	-	1,529,971
Certificate of deposit	7,000,000	-	7,000,000
<b>Total Assets</b>	<u>11,645,777</u>	<u>270,163</u>	<u>11,915,940</u>
<b>Liabilities</b>			
Deposits held in escrow	<u>5,000</u>	<u>25,000</u>	<u>30,000</u>
<b>Total Liabilities</b>	<u>5,000</u>	<u>25,000</u>	<u>30,000</u>
<b>Net Position</b>			
Unrestricted	10,110,806	245,163	10,355,969
Restricted	<u>1,529,971</u>	-	<u>1,529,971</u>
<b>Total Net Position</b>	<u>\$ 11,640,777</u>	<u>\$ 245,163</u>	<u>\$ 11,885,940</u>

## Exeter Township

Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis -  
Proprietary Funds  
Year Ended December 31, 2015

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sewer charges	\$ 5,095,691	\$ -	\$ 5,095,691
Tapping fees	38,140	-	38,140
Charges for services	-	1,883,961	1,883,961
Intergovernmental revenues	4,697	-	4,697
Lease rental revenue	-	116,739	116,739
Miscellaneous	103,226	-	103,226
<b>Total Operating Revenues</b>	<u>5,241,754</u>	<u>2,000,700</u>	<u>7,242,454</u>
<b>Operating Expenditures</b>			
Wastewater collection and treatment	2,569,149	-	2,569,149
Culture and recreation expenses	-	2,084,714	2,084,714
Capital outlay	329,372	2,146	331,518
<b>Total Operating Expenditures</b>	<u>2,898,521</u>	<u>2,086,860</u>	<u>4,985,381</u>
<b>Operating Income (Loss)</b>	<u>2,343,233</u>	<u>(86,160)</u>	<u>2,257,073</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	364,705	1,387	366,092
Debt service:			
Principal	(1,665,000)	-	(1,665,000)
Interest	(924,790)	-	(924,790)
Fiscal agent fees	(1,443)	-	(1,443)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,226,528)</u>	<u>1,387</u>	<u>(2,225,141)</u>
<b>Income (Loss) before Other Financing Sources (Uses)</b>	116,705	(84,773)	31,932
<b>Other Financing Sources (Uses)</b>			
Transfers out	(242,622)	(285,406)	(528,028)
<b>Change in Net Position</b>	(125,917)	(370,179)	(496,096)
<b>Net Position at Beginning of Year</b>	<u>11,766,694</u>	<u>615,342</u>	<u>12,382,036</u>
<b>Net Position at End of Year</b>	<u>\$ 11,640,777</u>	<u>\$ 245,163</u>	<u>\$ 11,885,940</u>

See accompanying notes.

## Exeter Township

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

December 31, 2015

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 230,107
Investments	<u>16,145,169</u>
<b>Total Assets</b>	<u>16,375,276</u>
<b>Net Position</b>	
Assets held in trust for pension benefits	<u>\$ 16,375,276</u>

## Exeter Township

### Statement of Changes in Net Position - Modified Cash Basis - Fiduciary Funds

Year Ended December 31, 2015

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 701,833
Employee	187,619
	<hr/>
Total contributions	889,452
	<hr/>
Investment income:	
Realized and unrealized losses on investments	(301,850)
Interest and dividends	406,028
	<hr/>
Total investment income	104,178
	<hr/>
<b>Total Additions</b>	<b>993,630</b>
	<hr/>
<b>Deductions</b>	
Benefit payments	616,636
Administrative expenses	97,161
	<hr/>
<b>Total Deductions</b>	<b>713,797</b>
	<hr/>
<b>Change in Net Position</b>	<b>279,833</b>
	<hr/>
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<b>16,095,443</b>
	<hr/>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<b>\$ 16,375,276</b>
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## **Exeter Township**

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### Notes to Financial Statements

December 31, 2015

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

Exeter Township (the Township), Pennsylvania, (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 unit, as determined under the above criteria and as discussed below, is not included in the Township's reporting entity, as these financial statements include only the activities of the primary government.

##### **Individual Component Unit Disclosure**

###### **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, 2015

#### **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. The statements 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, 2015

### 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 .555 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, 2015

### 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 Fund

**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, 2015

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

#### **Basis of Presentation (continued)**

##### **Fund Financial Statements (continued)**

###### **Fiduciary Fund Type**

Fiduciary fund types are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

The following is the Township's fiduciary fund type:

**Pension Trust Funds** - are used to account for assets held for the Township's pension plans which are funded by employer contributions. These Funds account for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits. The Township sponsors two pension plans: the Exeter Township Police Pension Plan and the Exeter Township Employees' Pension Plan. During the year ended December 31, 2015, the Township determined that the pension plans were held in agency by the Township and are properly reported as a Trust and Agency Fund held by the Township.

#### **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.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2015

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

#### **Basis of Accounting and Measurement Focus (continued)**

##### **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.

###### **Investments**

The Board of Supervisors is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

- A. U. S. Treasury Bills.
- B. Short-term obligations of the U. S. Government or its agencies or instrumentalities.
- C. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
- D. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- E. Shares of mutual funds whose investments are restricted to the above categories.

Investments are carried at fair value.

Investments of pension trust funds are pursuant to the guidelines established by the Pension Boards.

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2015

#### **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 the 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."

###### **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.

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2015

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

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

###### **Governmental Fund Financial Statements (continued)**

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.

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.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2015

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

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

##### **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 2015 was 2.87 mills, consisting of 1.815 mills for general purposes, .555 mills for purchase of fire apparatus and .50 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.

#### **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.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2015

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

#### **Internal and Interfund Balances and Activities (continued)**

##### **Fund Financial Statements (continued)**

###### **Interfund Transfers**

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

###### **Recent Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The Township adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this Statement affected disclosures and supplementary information only, as the Township reports on the modified cash basis of accounting.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Township is currently evaluating what effect, if any, this Statement will have on the Township's 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.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 4 - Deposits and Investments

The Township's available cash is invested in demand deposit accounts and a certificate of deposit. Pension fund assets are invested in fixed income bonds, equities, exchange traded and mutual funds. The carrying amount of cash and investments at December 31, 2015 consist of the following:

##### Cash and Cash Equivalents

Demand deposits	\$ 11,526,759
Time and savings deposits	7,000,000
Petty cash	800
	<u>18,527,559</u>

##### Investments

Mutual funds:	
Fixed income	5,437,649
Equities	9,802,118
Balanced	87,278
Common stocks	512,721
Other, real estate	305,403
	<u>16,145,169</u>
	<u>\$ 34,672,728</u>

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

##### Cash

Governmental activities	\$ 6,381,512
Business-type activities	11,915,940
Fiduciary funds	230,107
	<u>18,527,559</u>

##### Investments

Fiduciary	<u>16,145,169</u>
	<u>\$ 34,672,728</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, 2015, the carrying amounts of the Township's bank deposits were \$18,526,759, and the corresponding bank balances were \$18,775,997, of which \$505,759 was covered by Federal Depository Insurance. The remaining \$18,040,131 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. Pension fund deposits of \$230,107 were uninsured and uncollateralized.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 4 - Deposits and Investments (continued)

##### Investments

As of December 31, 2015, the Township's pension funds have the following investments in debt securities:

##### Police Pension Plan Fund

	Fair Value	Investment Maturities (in Years)		Rating as of Year-End
		Less Than One Year	One to Five Years	
Fixed income mutual funds	\$ 4,906,697	\$ 4,906,697	\$ -	4 Star - 5 Star by Morningstar

##### Non-Uniformed Employees' Pension Plan Fund

	Fair Value	Investment Maturities (in Years)		Rating as of Year-End
		Less Than One Year	One to Five Years	
Fixed income mutual funds	\$ 530,952	\$ 530,952	\$ -	AA+

##### Credit Risk

The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 2. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

##### Concentration of Credit Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments that represent 5% or more of the Township's total investments are as follows:

##### Fiduciary Funds (Pension Trust Funds)

Baird Core Plus Bond Fund	8%
Metropolitan West Total Return Bond Fund	8%
Vanguard Dividend Growth Investment	6%
Vanguard Interm-Term Investment-Grde Adm	8%
Vanguard Developed Markets Index Admiral	15%
Vanguard Total Stock Market Index Admiral	31%

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 4 - Deposits and Investments (continued)

##### Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

##### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2015, \$16,145,169 is held by the investment's counterparties, not in the name of the Township.

#### 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, 2015 consist of the following:

##### Governmental Activities

General Fund:

Police equipment	\$ 45,033
Fire police	6,455
Developer escrows	48,933
Police National Night Out committee	2,993
K-9 Fund	12,988
State Liquid Fuels Highway Aid Fund	5,000
Capital Improvement Fund	206,451
Golf Acquisition Fund	686,340
Traffic Improvement Fund	35,368
Debt Service Fund	716,790

**Total Governmental Activities** 1,766,351

##### Business-Type Activities

Sewer Fund, unspent note proceeds, Series A of 2009	1,529,971
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**Total Restricted Cash** \$ 3,296,322

**Exeter Township**

Notes to Financial Statements  
December 31, 2015

**Note 6 - Interfund Transfers**

Transfers between funds for the year ended December 31, 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 242,622	\$ 69,940
Utility Fund	-	25,000
Fire Fund	-	142,055
Capital Expenditure Fund	69,940	-
Capital Improvement Fund	25,000	-
Apparatus Fund	142,055	-
Debt Service Fund	285,406	-
<b>Total Governmental Funds</b>	<u>765,023</u>	<u>236,995</u>
<b>Proprietary Funds</b>		
Sewer Fund	-	242,622
Country Club Fund	-	285,406
<b>Total Proprietary Funds</b>	<u>-</u>	<u>528,028</u>
	<u>\$ 765,023</u>	<u>\$ 765,023</u>

**Note 7 - Long-Term Debt**

At December 31, 2015, long-term debt consists of the following:

	<u>Balance Outstanding December 31, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2015</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	\$ 183,801	\$ -	\$ 14,241	\$ 169,560

## Exeter Township

### Notes to Financial Statements

December 31, 2015

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

	Balance Outstanding December 31, 2014	Additions	Payments	Balance Outstanding December 31, 2015
<b>Governmental Activities</b>				
<b>(continued)</b>				
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	\$ 17,520,000	\$ -	\$ 10,450,000	\$ 7,070,000
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	3,065,000	-	280,000	2,785,000
General Obligation Bonds, Series of 2015, in the initial amount of \$1,808,000, interest due semiannually at rates ranging from 4.050% to 6.250%, principal due annually through August 2030	-	1,808,000	-	1,808,000
General Obligation Bonds, Series A of 2015, in the initial amount of \$9,755,000, interest due semiannually at rates ranging from .550% to 3.800%, principal due annually through August 2046	-	9,755,000	-	9,755,000
Loan payable to the County of Berks, original principal amount of \$261,411, without interest, annual payments of \$37,344 through June 2019	186,723	-	37,344	149,379

## Exeter Township

### Notes to Financial Statements

December 31, 2015

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

	Balance Outstanding December 31, 2014	Additions	Payments	Balance Outstanding December 31, 2015
<b>Governmental Activities (continued)</b>				
Loan payable to the County of Berks, original principal amount of \$31,997, without interest, annual payments of \$4,571 through June 2019	\$ 22,855	\$ -	\$ 4,571	\$ 18,284
Loan payable to the County of Berks, original principal amount of \$17,812, without interest, annual payments of \$2,545 through June 2019	12,722	-	2,545	10,177
Loan payable to the County of Berks, original principal amount of \$120,811, without interest, annual payments of \$17,259 through June 2019	86,293	-	17,259	69,034
Loan payable to the County of Berks, original principal amount of \$17,110, without interest, annual payments of \$2,444 through June 2019	12,222	-	2,444	9,778
Loan payable to the County of Berks, original principal amount of \$21,856, without interest, annual payments of \$3,122 through June 2019	15,612	-	3,122	12,490

## Exeter Township

### Notes to Financial Statements

December 31, 2015

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

	Balance Outstanding December 31, 2014	Additions	Payments	Balance Outstanding December 31, 2015
<b>Governmental Activities (continued)</b>				
Loan payable to the County of Berks, original principal amount of \$6,692, without interest, annual payments of \$956 through June 2019	\$ 4,780	\$ -	\$ 956	\$ 3,824
<b>Total Governmental Activities</b>	<b>21,110,008</b>	<b>11,563,000</b>	<b>10,812,482</b>	<b>21,860,526</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	12,550,000	-	1,530,000	11,020,000
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	5,920,000	-	60,000	5,860,000
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	7,545,000	-	75,000	7,470,000
<b>Total Business-Type Activities</b>	<b>26,015,000</b>	<b>-</b>	<b>1,665,000</b>	<b>24,350,000</b>
<b>Total Debt</b>	<b>\$ 47,125,008</b>	<b>\$ 11,563,000</b>	<b>\$ 12,477,482</b>	<b>\$ 46,210,526</b>

## Exeter Township

### Notes to Financial Statements

December 31, 2015

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

Aggregate maturities required on long-term debt at December 31, 2015 are as follows:

##### Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 571,882	\$ 296,204	\$ 868,086
2017	563,294	425,349	988,643
2018	571,717	414,278	985,995
2019	585,151	402,750	987,901
2020	525,357	392,500	917,857
2021-2025	2,856,943	1,780,174	4,637,117
2026-2030	3,356,182	3,027,300	6,383,482
2031-2035	3,200,000	2,369,891	5,569,891
2036-2040	3,850,000	1,701,945	5,551,945
2041-2045	4,715,000	834,862	5,549,862
2046	1,065,000	44,877	1,109,877
	<u>\$ 21,860,526</u>	<u>\$ 11,690,130</u>	<u>\$ 33,550,656</u>

##### Business-Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	565,712	2,585,712
2020	2,150,000	464,128	2,614,128
2021-2025	12,230,000	1,050,743	13,280,743
2026	2,455,000	49,100	2,504,100
	<u>\$ 24,350,000</u>	<u>\$ 4,388,840</u>	<u>\$ 28,738,840</u>

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

##### Debt Defeasance

In September and December 2015, the Township advance refunded portions of the General Obligation Note, Series of 2007, by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on a portion of the 2007 Note. For financial reporting purposes, the debt has been considered defeased. As of December 31, 2015, there was \$10,400,000 of defeased debt outstanding.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 8 - Capital Leases

At December 31, 2015, the Township's capital leases consisted of the following:

	<u>Balance Outstanding December 31, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2015</u>
2011 John Deere backhoe/loader, financed through a leasing company, payable in annual installments of \$26,986, including interest at a rate of 2.00%, through October 2015	\$ 26,457	\$ -	\$ 26,457	\$ -
2012 Mack dump truck, financed through a leasing company, payable in annual installments of \$38,136, including interest at a rate of 2.00%, through September 2019	74,044	-	36,655	37,389
2016 Mack dump truck, financed through a leasing company, payable in annual installments of \$9,056, including interest at a rate of 2.25%, through September 2020	-	171,609	8,991	162,618
	<u>\$ 100,501</u>	<u>\$ 171,609</u>	<u>\$ 72,103</u>	<u>\$ 200,007</u>

The following is a schedule of future minimum annual lease payments under the capital lease agreement as of December 31, 2015:

Total future minimum lease payments	\$ 209,199
Amount representing interest	<u>(9,192)</u>
Present value of net minimum lease payments	<u>\$ 200,007</u>

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 9 - Fund Balance

The fund balances of the Township's governmental funds at December 31, 2015 consist of the following:

	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in:				
General Fund	<u>\$ 54,481</u>	<u>\$ 407,581</u>	<u>\$ 2,693,388</u>	<u>\$ 3,155,450</u>
Other governmental funds:				
Utility fund	-	30,371	-	30,371
Fire protection	-	68,980	-	68,980
Detention pond/storm water maintenance	-	79,955	-	79,955
K-9 program	12,988	-	-	12,988
Parks	-	43,985	-	43,985
Public works, highways and streets	5,000	-	-	5,000
Debt service	-	716,790	-	716,790
Capital projects	<u>928,159</u>	<u>1,290,001</u>	<u>-</u>	<u>2,218,160</u>
	<u>946,147</u>	<u>2,230,082</u>	<u>-</u>	<u>3,176,229</u>
	<u>\$ 1,000,628</u>	<u>\$ 2,637,663</u>	<u>\$ 2,693,388</u>	<u>\$ 6,331,679</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.

#### Minimum Fund Balance Policy

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

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2015

#### **Note 9 - Fund Balance (continued)**

##### **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.

###### **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.

## **Exeter Township**

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Notes to Financial Statements

December 31, 2015

### **Note 9 - Fund Balance (continued)**

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

##### **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 .555 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.

#### **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.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 10 - Exeter Township Police Pension Plan

##### Plan Description

The Exeter Township Police Pension Plan (Police Pension Plan) is a single-employer defined benefit pension plan administered by a trustee. The Police Pension Plan provides pension benefits for normal retirement after attainment of age 50 and completion of 25 years of service.

##### Benefits Provided

Benefits are calculated based on a monthly benefit equal to 50% of average monthly pay, plus a service increment of \$50 per year of service in excess of 25 years of service, up to a maximum of \$100 additional per month. Average monthly pay is based upon the last 36 months of employment. The Police Pension Plan provides retirement, disability and death benefits to the Police Pension Plan members and beneficiaries. The Police Pension Plan's assets may be used only for the payment of benefits to the members of the Police Pension Plan in accordance with the terms of the Police Pension Plan.

##### Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the Police Pension Plan:

Inactive members or beneficiaries currently receiving benefits	17
Inactive members entitled to but not yet receiving benefits	-
Active members	<u>25</u>
	<u>42</u>

##### Contributions

Pennsylvania Act 205 requires that annual contributions to the Police Pension Plan be based upon the Police Pension Plan's Minimum Municipal Obligation (MMO) which is based on the Police Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are required to contribute 8.0% of annual compensation. The Township is required to contribute amounts necessary to fund the Police Pension Plan using the actuarial basis specified by statute.

##### Net Pension Liability

The Township's net pension liability was measured as of December 31, 2015 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 10 - Exeter Township Police Pension Plan (continued)

##### Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%, average, including inflation
Investment rate of return	8.00%, including inflation
Postretirement cost of living increase	3.00%

Mortality rates were based on the RP-2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	60.00%	5.50 - 7.50%
International equity	3.00	4.50 - 6.50%
Fixed income	34.00	1.00 - 3.00%
Real estate	2.00	4.50 - 6.50%
Cash	1.00	0.00 - 1.00%
	<u>100.00%</u>	

##### Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 10 - Exeter Township Police Pension Plan (continued)

##### Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2015.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2014</b>	<b>\$ 15,486,686</b>	<b>\$ 14,661,395</b>	<b>\$ 825,291</b>
Changes for the year:			
Service cost	413,963	-	413,963
Interest cost	1,240,342	-	1,240,342
Contributions - employer	-	577,080	(577,080)
Contributions - member	-	187,619	(187,619)
Net investment income (loss)	-	42,786	(42,786)
Benefit payments, including refunds of member contributions	(590,938)	(590,938)	-
Administrative expense	-	(5,750)	5,750
<b>Balance at December 31, 2015</b>	<b>\$ 16,550,053</b>	<b>\$ 14,872,192</b>	<b>\$ 1,677,861</b>

##### Net Pension Liability (Asset) Sensitivity

The following presents the net pension liability (asset) of the Police Pension Plan, calculated using the discount rate of 8.00% as well as what the Police Pension Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset)	<u>\$ 3,754,544</u>	<u>\$ 1,677,861</u>	<u>\$ (8,769)</u>

##### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the actuarial determined pension expense is \$520,173. However, the Township recognizes pension expense on the modified cash basis which totaled \$577,080 for the year ended December 31, 2015. The Township has deferred outflows of resources related to the Police Pension Plan from the following source at December 31, 2015:

Differences between projected and actual investment earnings	<u>\$ 909,477</u>
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## Exeter Township

Notes to Financial Statements

December 31, 2015

### Note 10 - Exeter Township Police Pension Plan (continued)

#### Pension Expense and Deferred Outflows of Resources Related to Pensions (continued)

Actuarially determined deferred outflows of resources related to the Police Pension Plan are as follows for the year ended December 31, 2015:

2016	\$	227,369
2017		227,369
2018		227,369
2019		227,370

### Note 11 - Exeter Township Employees' Pension Plan

#### Plan Description

The Exeter Township Employees' Pension Plan (Employees' Pension Plan) is a single-employer defined benefit pension plan administered by a trustee. The Employees' Pension Plan provides pension benefits for normal retirement at the age of 62 and completion of five years of service.

#### Benefits Provided

Benefits are calculated based on 1.75% of average monthly pay multiplied by the number of years of service. If a member was a participant prior to December 31, 1996, 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 last 36 months of W-2 pay excluding unused vacation, sick and personal days. The Employees' Pension Plan provides retirement, disability and death benefits to plan members and beneficiaries. The Employees' Pension Plan's assets may be used only for the payment of benefits to the members of the Employees' Pension Plan in accordance with the terms of the Employees' Pension Plan.

#### Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the Employees' Pension Plan:

Inactive members or beneficiaries currently receiving benefits	5
Inactive members entitled to but not yet receiving benefits	2
Active members	<u>7</u>
	<u>14</u>

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 11 - Exeter Township Employees' Pension Plan (continued)

##### Contributions

Pennsylvania Act 205 requires that annual contributions to the Employees' Pension Plan be based upon the Employees' Pension Plan's MMO which is based on the Employees' Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participant contributions are currently suspended. The Township is required to contribute amounts necessary to fund the Employees' Pension Plan using the actuarial basis specified by statute.

##### Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

##### Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%, average, including inflation
Investment rate of return	7.75%, including inflation

Mortality rates were based on the RP-2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	51.00%	5.50 - 7.50%
International equity	13.00	1.50 - 6.50%
Fixed income	35.00	1.00 - 3.00%
Real estate	-	4.50 - 6.50%
Cash	1.00	0.00 - 1.00%
	<u>100.00%</u>	

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 11 - Exeter Township Employees' Pension Plan (continued)

##### Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The Employees' Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Employees' Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

##### Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2015.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2014</b>	\$ 1,741,479	\$ 1,434,900	\$ 306,579
Changes for the year:			
Service cost	46,673	-	46,673
Interest cost	137,586	-	137,586
Contributions - employer	-	124,753	(124,753)
Net investment income (loss)	-	(19,771)	19,771
Benefit payments, including refunds of member contributions	(25,698)	(25,698)	-
Administrative expense	-	(4,150)	4,150
<b>Balance at December 31, 2015</b>	<u>\$ 1,900,040</u>	<u>\$ 1,510,034</u>	<u>\$ 390,006</u>

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 11 - Exeter Township Employees' Pension Plan (continued)

##### Net Pension Liability Sensitivity

The following presents the net pension liability of the Employees' Pension Plan, calculated using the discount rate of 7.75% as well as what the Employees' Pension Plan's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's net pension liability	<u>\$ 616,184</u>	<u>\$ 390,006</u>	<u>\$ 195,404</u>

##### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the actuarial determined pension expense is \$100,458. However, the Township recognizes pension expense on the modified cash basis which totaled \$124,753 for the year ended December 31, 2015. The Township has deferred outflows of resources related to the Employees' Pension Plan from the following sources at December 31, 2015:

Differences between projected and actual investment earnings	<u>\$ 107,722</u>
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Actuarially determined deferred outflows of resources related to the Employees' Pension Plan are as follows for the year ended December 31, 2015:

2016	\$ 26,931
2017	26,931
2018	26,931
2019	26,929

#### Note 12 - 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 \$181,440 for the year ended December 31, 2015.

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.

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 13 - 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.

##### Funding Policy and Annual OPEB Cost

The Township currently funds other post-employment benefit (OPEB) costs as they occur. For 2015, the Township's contribution to the plan was \$132,961 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 2015 and the related information for each plan are as follows:

Annual required contribution	\$	948,327
Interest on net OPEB obligation		207,975
Adjustment to the annual required contribution		<u>(283,731)</u>
Annual OPEB cost		872,571
Contributions made		<u>(132,961)</u>
Increase in net OPEB obligation		739,610
Net OPEB obligation at beginning of year		<u>4,621,669</u>
Net OPEB obligation at end of year	\$	<u><u>5,361,279</u></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:

<u>Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/13	\$ 790,495	12%	\$ 3,848,135
12/31/14	885,250	13%	4,621,669
12/31/15	872,571	15%	5,361,279

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 13 - Post-Employment Benefits Other than Pensions (continued)

##### 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	964,086
	<hr/>
Total APVAA	\$ 13,545,649
	<hr/>
Actuarial accrued liability (AAL):	
Active members	\$ 7,631,983
Retired members	964,086
	<hr/>
Total AAL	\$ 8,596,069
	<hr/>
Actuarial value of assets (AVA)	\$ -
	<hr/>
Unfunded actuarial accrued liability (UAAL)	\$ 8,596,069
	<hr/>
Funded ratio	<hr/> <hr/> -%
Covered payroll	\$ 5,082,182
	<hr/>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<hr/> <hr/> 169%
Annual required contribution (ARC):	
Normal cost	\$ 420,601
30-year amortization of UAAL	527,726
	<hr/>
Total ARC	\$ 948,327
	<hr/>

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

## Exeter Township

### Notes to Financial Statements

December 31, 2015

#### Note 13 - 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 14 - 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 2015, the Township remitted \$59,143 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

At December 31, 2015, the outstanding balance was \$4,704,000. 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, 2015

#### Note 15 - Commitments and Contingencies

##### Commitments

###### Capital Projects

The Township is committed to make payments on various capital construction projects in the approximate amount of \$167,000 at December 31, 2015.

###### 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 year ending December 31, 2016 are \$198,187.

###### 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, 2015, the future minimum lease payments are as follows:

2016	\$	74,359
2017		36,224
2018		36,224
2019		35,224
2020		27,169
		<hr/>
	\$	209,200

##### 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, 2015

### **Note 16 - Subsequent Events**

The Township has evaluated subsequent events through June 14, 2016. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2015 were noted.

## Exeter Township

### Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Fiscal Years\*

Year Ended December 31, 2015

	<u>Police</u>	<u>Employees'</u>
<b>Total Pension Liability</b>		
Service cost	\$ 413,963	\$ 46,673
Interest	1,240,342	137,586
Benefit payments, including refunds of member contributions	<u>(590,938)</u>	<u>(25,698)</u>
<b>Net Change in Total Pension Liability</b>	<b>1,063,367</b>	<b>158,561</b>
<b>Total Pension Liability, Beginning</b>	<u>15,486,686</u>	<u>1,741,479</u>
<b>Total Pension Liability, Ending</b>	<u><u>\$ 16,550,053</u></u>	<u><u>\$ 1,900,040</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 577,080	\$ 124,753
Contributions - member	187,619	-
Net investment income (loss)	42,786	(19,771)
Benefit payments, including refunds of member contributions	<u>(590,938)</u>	<u>(25,698)</u>
Administrative expense	<u>(5,750)</u>	<u>(4,150)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>210,797</b>	<b>75,134</b>
<b>Plan Net Position, Beginning</b>	<u>14,661,395</u>	<u>1,434,900</u>
<b>Plan Net Position, Ending</b>	<u><u>\$ 14,872,192</u></u>	<u><u>\$ 1,510,034</u></u>
<b>Township's Net Pension Liability</b>	<u><u>\$ 1,677,861</u></u>	<u><u>\$ 390,006</u></u>
<b>Plan Net Position as a Percentage of the Total Pension Liability</b>	<u><u>89.9%</u></u>	<u><u>79.5%</u></u>
<b>Covered Employee Payroll</b>	<u><u>\$ 2,510,781</u></u>	<u><u>\$ 484,984</u></u>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u><u>66.8%</u></u>	<u><u>80.4%</u></u>

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

**Exeter Township**

## Schedule of Pension Contributions - Police Pension Plan

Last 10 Fiscal Years

<b>Years</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency/ (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a % of Payroll</b>
2006	\$ 200,000	\$ 200,000	\$ -		
2007	190,000	190,000	-		
2008	243,966	243,966	-		
2009	254,354	254,354	-		
2010	268,564	268,564	-		
2011	447,195	447,195	-		
2012	387,491	387,491	-		
2013	424,764	424,764	-		
2014	456,349	456,349	-		
2015	577,080	577,080	-	\$ 2,510,781	22.98%

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

<b>Actuarial Valuation Date</b>	1/1/2013
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	11 years
<b>Asset Valuation Method</b>	Smoothed value with a corridor of 80% to 120% of market value.
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	8.00%
<b>Retirement Age</b>	Normal Retirement Age
<b>Mortality</b>	RP-2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since January 1, 2013.

**Exeter Township**Schedule of Pension Contributions - Employees' Pension Plan  
Last 10 Fiscal Years

Years	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2006	\$ 47,838	\$ 47,838	\$ -		
2007	49,999	49,999	-		
2008	103,281	103,281	-		
2009	100,572	100,572	-		
2010	102,880	102,880	-		
2011	107,469	107,469	-		
2012	93,998	93,998	-		
2013	99,466	99,466	-		
2014	115,181	115,181	-		
2015	124,753	124,753	-	\$ 484,984	25.72%

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

<b>Actuarial Valuation Date</b>	1/1/2013
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	10 years
<b>Asset Valuation Method</b>	Smoothed value with a corridor of 80% to 120% of market value.
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	7.75%
<b>Retirement Age</b>	Normal Retirement Age
<b>Mortality</b>	RP-2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since January 1, 2013.

## Exeter Township

### Schedule of Funding Progress - Post-Employment Benefits Other than Pensions

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Underfunded AAL UAAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Real estate	\$ 2,431,000	\$ 2,431,000	\$ 2,422,670	\$ (8,330)
Real estate transfer	275,000	275,000	365,174	90,174
Per capita	72,273	72,273	70,946	(1,327)
Earned income	3,376,293	3,376,293	3,489,454	113,161
Local services	317,406	317,406	314,942	(2,464)
Business privilege	450,440	450,440	474,796	24,356
Licenses and permits	387,950	387,950	445,382	57,432
Fines and forfeits	126,800	126,800	116,396	(10,404)
Interest and rents	36,914	36,914	36,153	(761)
Intergovernmental revenues	798,879	798,879	793,687	(5,192)
Charges for services	928,076	928,076	1,020,558	92,482
Miscellaneous	112,000	112,000	265,298	153,298
<b>Total Revenues</b>	<b>9,313,031</b>	<b>9,313,031</b>	<b>9,815,456</b>	<b>502,425</b>
<b>Expenditures</b>				
Current:				
General government	725,876	725,876	746,408	(20,532)
Public safety	5,650,754	5,650,754	5,577,978	72,776
Health and human services	25,900	25,900	35,897	(9,997)
Public works - sanitation	201,500	201,500	199,804	1,696
Public works - highways and streets	1,663,011	1,663,011	1,640,081	22,930
Culture and recreation	607,917	607,917	607,301	616
Community development	43,880	43,880	43,879	1
Debt service:				
Principal	-	-	300,864	(300,864)
Interest	353,935	353,935	59,693	294,242
Benefits	31,680	31,680	109,590	(77,910)
Property and casualty insurance	206,035	206,035	214,691	(8,656)
Capital outlay	129,923	129,923	80,082	49,841
Miscellaneous	175,250	175,250	167,358	7,892
<b>Total Expenditures</b>	<b>9,815,661</b>	<b>9,815,661</b>	<b>9,783,626</b>	<b>32,035</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(502,630)</b>	<b>(502,630)</b>	<b>31,830</b>	<b>534,460</b>

## Exeter Township

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

Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 242,622	\$ 242,622	\$ 242,622	\$ -
Transfers out	-	-	(69,940)	(69,940)
Proceeds from disposal of assets	-	-	12,044	12,044
<b>Total Other Financing Sources (Uses)</b>	<u>242,622</u>	<u>242,622</u>	<u>184,726</u>	<u>(57,896)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (260,008)</u>	<u>\$ (260,008)</u>	216,556	<u>\$ 476,564</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,938,894</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 3,155,450</u>	

## **Exeter Township**

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Note to Budgetary Comparison Schedule

December 31, 2015

### **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, 2015

	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	\$ 30,371	\$ 68,980	\$ 79,955	\$ -	\$ 43,985	\$ -	\$ 461,584	\$ -	\$ -	\$ 828,417	\$ -	\$ -	\$ 1,513,292
Restricted	-	-	-	12,988	-	5,000	-	206,451	686,340	-	35,368	716,790	1,662,937
<b>Total Assets</b>	<b>\$ 30,371</b>	<b>\$ 68,980</b>	<b>\$ 79,955</b>	<b>\$ 12,988</b>	<b>\$ 43,985</b>	<b>\$ 5,000</b>	<b>\$ 461,584</b>	<b>\$ 206,451</b>	<b>\$ 686,340</b>	<b>\$ 828,417</b>	<b>\$ 35,368</b>	<b>\$ 716,790</b>	<b>\$ 3,176,229</b>
<b>Fund Balances</b>													
Restricted	\$ -	\$ -	\$ -	\$ 12,988	\$ -	\$ 5,000	\$ -	\$ 206,451	\$ 686,340	\$ -	\$ 35,368	\$ -	\$ 946,147
Committed	30,371	68,980	79,955	-	43,985	-	461,584	-	-	828,417	-	716,790	2,230,082
<b>Total Fund Balances</b>	<b>\$ 30,371</b>	<b>\$ 68,980</b>	<b>\$ 79,955</b>	<b>\$ 12,988</b>	<b>\$ 43,985</b>	<b>\$ 5,000</b>	<b>\$ 461,584</b>	<b>\$ 206,451</b>	<b>\$ 686,340</b>	<b>\$ 828,417</b>	<b>\$ 35,368</b>	<b>\$ 716,790</b>	<b>\$ 3,176,229</b>

**Exeter Township**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Other Governmental Funds  
 Year Ended December 31, 2015

	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	\$ 208,866	\$ 709,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 640,352	\$ 1,558,364
Interest and rents	199	1,234	196	28	71	828	43,679	452	1,751	1,399	91	1,115	51,043
Intergovernmental revenues	-	-	-	-	33,800	701,532	-	-	-	-	-	-	735,332
Charges for services	-	-	-	-	25,862	-	-	-	-	-	-	-	25,862
Miscellaneous	-	-	3,025	2,028	-	-	-	-	-	-	-	-	5,053
<b>Total Revenues</b>	<b>209,065</b>	<b>710,380</b>	<b>3,221</b>	<b>2,056</b>	<b>59,733</b>	<b>702,360</b>	<b>43,679</b>	<b>452</b>	<b>1,751</b>	<b>1,399</b>	<b>91</b>	<b>641,467</b>	<b>2,375,654</b>
<b>Expenditures</b>													
Current:													
Public safety	97,144	710,623	-	-	-	-	-	-	-	369,441	-	-	1,177,208
Public works - highways and streets	80,919	-	1,196	-	-	313,056	-	-	-	-	2,475	-	397,646
Culture and recreation	-	-	-	-	65,786	-	-	-	5,500	-	-	-	71,286
Community development	2,176	-	-	-	-	-	-	-	-	-	-	12,088	14,264
Debt service:													
Principal	-	19,703	-	-	-	72,103	41,915	-	-	-	-	50,000	183,721
Interest	-	-	-	-	-	2,191	-	-	-	-	-	811,998	814,189
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	273,645	273,645
Capital outlay	-	-	-	-	3,169	438,972	164,990	32,395	143,876	-	-	-	783,402
Miscellaneous	-	-	3,700	-	-	-	-	-	-	-	-	547	4,247
<b>Total Expenditures</b>	<b>180,239</b>	<b>730,326</b>	<b>4,896</b>	<b>-</b>	<b>68,955</b>	<b>826,322</b>	<b>206,905</b>	<b>32,395</b>	<b>149,376</b>	<b>369,441</b>	<b>2,475</b>	<b>1,148,278</b>	<b>3,719,608</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>28,826</b>	<b>(19,946)</b>	<b>(1,675)</b>	<b>2,056</b>	<b>(9,222)</b>	<b>(123,962)</b>	<b>(163,226)</b>	<b>(31,943)</b>	<b>(147,625)</b>	<b>(368,042)</b>	<b>(2,384)</b>	<b>(506,811)</b>	<b>(1,343,954)</b>
<b>Other Financing Sources (Uses)</b>													
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	11,563,000	11,563,000
Discount on refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	(35,751)	(35,751)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	(11,233,596)	(11,233,596)
Transfers in	-	-	-	-	-	-	69,940	25,000	-	142,055	-	285,406	522,401
Transfers out	(25,000)	(142,055)	-	-	-	-	-	-	-	-	-	-	(167,055)
Proceeds from disposal of assets	-	-	-	-	-	-	-	-	120,947	550,000	-	-	670,947
<b>Total Other Financing Sources (Uses)</b>	<b>(25,000)</b>	<b>(142,055)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,940</b>	<b>25,000</b>	<b>120,947</b>	<b>692,055</b>	<b>-</b>	<b>579,059</b>	<b>1,319,946</b>
<b>Net Change in Fund Balances</b>	<b>3,826</b>	<b>(162,001)</b>	<b>(1,675)</b>	<b>2,056</b>	<b>(9,222)</b>	<b>(123,962)</b>	<b>(93,286)</b>	<b>(6,943)</b>	<b>(26,678)</b>	<b>324,013</b>	<b>(2,384)</b>	<b>72,248</b>	<b>(24,008)</b>
<b>Fund Balances at Beginning 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>
<b>Fund Balances at End of Year</b>	<b>\$ 30,371</b>	<b>\$ 68,980</b>	<b>\$ 79,955</b>	<b>\$ 12,988</b>	<b>\$ 43,985</b>	<b>\$ 5,000</b>	<b>\$ 461,584</b>	<b>\$ 206,451</b>	<b>\$ 686,340</b>	<b>\$ 828,417</b>	<b>\$ 35,368</b>	<b>\$ 716,790</b>	<b>\$ 3,176,229</b>

## Exeter Township

Combining Statement of Net Position - Modified Cash Basis - Fiduciary Funds

December 31, 2015

	<b>Pension Trust Funds</b>			
	<b>Police Pension Fund</b>	<b>Employees' Pension Fund</b>	<b>DROP Pension Funds</b>	<b>Total Pension Trust Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 205,133	\$ 15,711	\$ 9,263	\$ 230,107
Investments	14,478,586	1,493,575	173,008	16,145,169
<b>Total Assets</b>	<b>\$ 14,683,719</b>	<b>\$ 1,509,286</b>	<b>\$ 182,271</b>	<b>\$ 16,375,276</b>
<b>Net Position</b>				
Assets held in trust for pension benefits	\$ 14,683,719	\$ 1,509,286	\$ 182,271	\$ 16,375,276

## Exeter Township

Combining Statement of Changes in Net Position - Modified Cash Basis - Fiduciary Funds  
 Year Ended December 31, 2015

	Pension Trust Funds			
	Police Pension Fund	Employees' Pension Fund	DROP Pension Funds	Total Pension Trust Funds
<b>Additions</b>				
Contributions:				
Employer	\$ 577,080	\$ 124,753	\$ -	\$ 701,833
Employee	187,619	-	-	187,619
Total contributions	<u>764,699</u>	<u>124,753</u>	<u>-</u>	<u>889,452</u>
Investment income (loss):				
Realized and unrealized losses on investments	(262,985)	(22,700)	(16,165)	(301,850)
Interest and dividends	377,633	18,389	10,006	406,028
Total investment income (loss)	<u>114,648</u>	<u>(4,311)</u>	<u>(6,159)</u>	<u>104,178</u>
<b>Total Additions</b>	<u>879,347</u>	<u>120,442</u>	<u>(6,159)</u>	<u>993,630</u>
<b>Deductions</b>				
Benefit payments	341,976	25,698	248,962	616,636
Administrative expenses	77,655	19,506	-	97,161
<b>Total Deductions</b>	<u>419,631</u>	<u>45,204</u>	<u>248,962</u>	<u>713,797</u>
<b>Transfers (to) from Other Funds</b>	<u>(104,819)</u>	<u>-</u>	<u>104,819</u>	<u>-</u>
<b>Change in Net Position</b>	<u>354,897</u>	<u>75,238</u>	<u>(150,302)</u>	<u>279,833</u>
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<u>14,328,822</u>	<u>1,434,048</u>	<u>332,573</u>	<u>16,095,443</u>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<u>\$ 14,683,719</u>	<u>\$ 1,509,286</u>	<u>\$ 182,271</u>	<u>\$ 16,375,276</u>