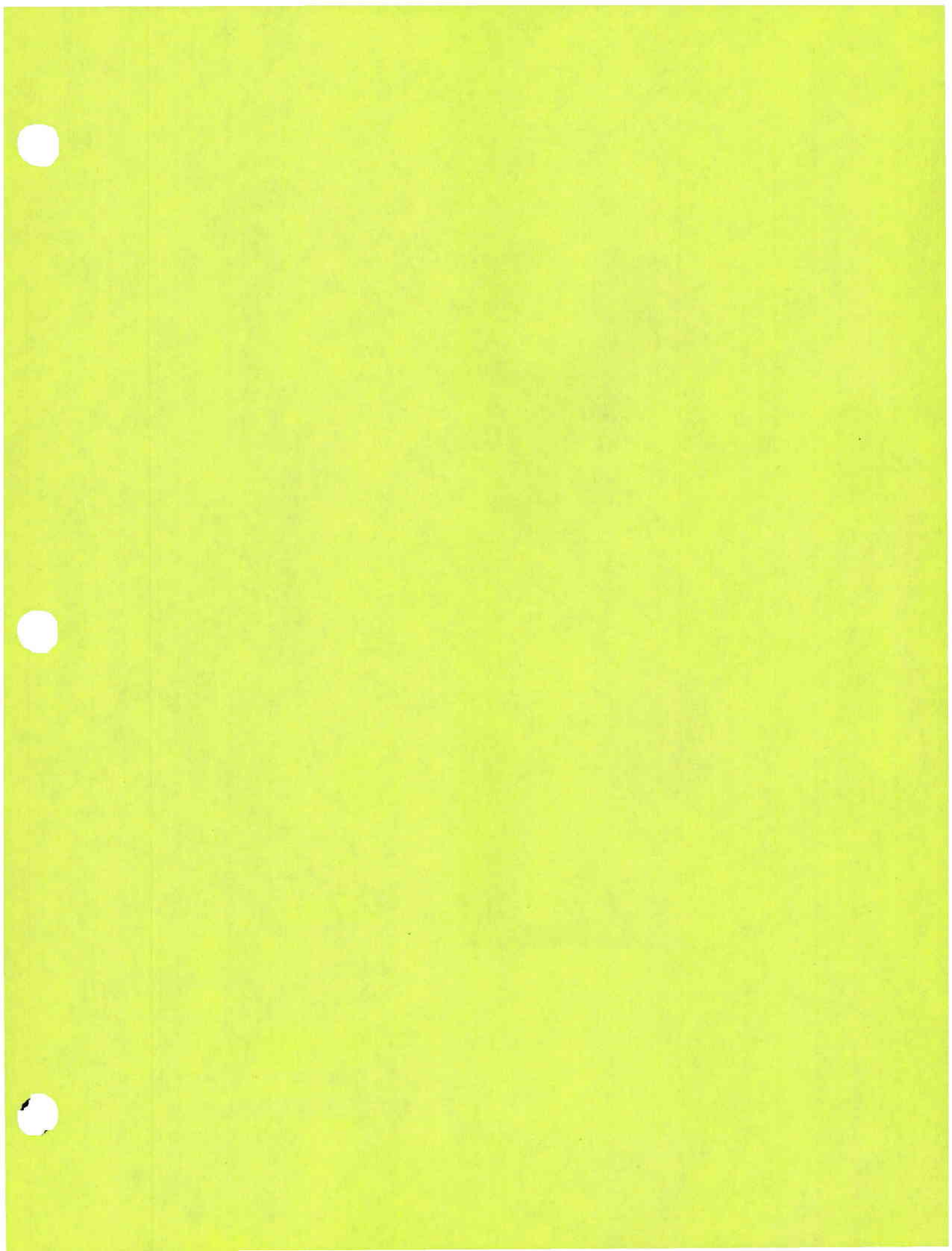


**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of the Township of Exeter  
66 Pa. C.S. §1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2018-\_\_\_\_\_**

19. Cost of Service.
- a. Provide a copy of the seller's audited financial statement for the previous two years.

**RESPONSE:**

- a. See enclosed audited financial statements provided by the Township for the previous two years (2016 and 2017) for the Township of Exeter.



**Exeter Township,  
Berks County, Pennsylvania**

**Financial Statements and  
Supplementary Information**

**December 31, 2016**



**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Exeter Township (the Township), Berks County, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

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

### **Basis for Adverse Opinion**

As discussed in Note 2 to the financial statements, the Township has not recorded capital assets and depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated. The amount by which this departure would affect assets, net position, and changes in fund balance/net position is not reasonably determinable.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the statement of net position, statement of activities, statement of net position - proprietary funds, and statement of revenues, expenditures, and changes in net position - proprietary funds do not present fairly the financial position of the governmental activities, business-type activities, and proprietary funds of the Township as of December 31, 2016, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the balance sheet - governmental funds, statement of revenues, expenditures, and changes in fund balances - governmental funds, statement of net position - fiduciary funds, and statement of changes in net position - fiduciary funds present fairly, in all material respects, represents the respective financial position of Exeter Township, Berks County, Pennsylvania, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 15 and other required supplementary information on Pages 69 to 76 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 that collectively comprise Exeter Township's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the 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.

RKL LLP

September 22, 2017  
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, 2016. We encourage readers to consider the information presented here in conjunction with the Township's financial statements beginning on page 16.

### FINANCIAL HIGHLIGHTS

- The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Township's financial statements do not include the recording of capital assets nor the related depreciation. Prior Township financial statements were presented on the modified cash basis of accounting where only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. The Township's 2015 financial statements were restated to provide comparative results.
- Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position does include general obligation debt and other long-term liabilities associated with the capital assets. Depreciation is also not recorded in the Township's expenditures.
- Due to the Township not recording capital assets, the liabilities of Exeter Township exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$29,303,162. Current assets, which may be used to meet the Township's on-going obligations to citizens and creditors, totaled \$22,540,179 at December 31, 2016.
- As of the close of fiscal year 2016, Exeter Township's governmental funds reported combined ending fund balances of \$7,552,010. Approximately 42.5% of this total amount is available for spending at the Township's discretion (*unassigned fund balance*). The remaining 57.5% is held for specific expenditures and capital projects.
- At the end of fiscal year 2016, the unassigned fund balance for the General Fund was \$3,207,304.
- The Township adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

## OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to Exeter Township's basic financial statements. Exeter Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide the readers with a broad overview of Exeter Township's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of Exeter Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Exeter Township is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Exeter Township that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Exeter Township include general government, public safety, health and human services, highways and streets, culture and recreation, community development, debt service, benefits, property and casualty insurance, capital outlay and miscellaneous. The business-type activities of Exeter Township include sewer and country club activities.

The government-wide financial statements can be found on pages 16 and 17 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Exeter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Exeter Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Exeter Township maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other 13 funds are combined into a single, aggregated presentation.

Exeter Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 22 of this report.

*Proprietary funds.* Exeter Township maintains one type of proprietary fund: enterprise funds to account for its sewer and country club operations. When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in proprietary funds. The Township's enterprise funds – the Sewer and Country Club Operations (components of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer and country club operations, both of which are considered to be major funds of Exeter Township.

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Exeter Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 and 28 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 68 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Exeter Township's Police and Employees' Pension Plans, post-employment benefits other than pensions and the budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 69 through 76 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the budgetary comparison schedule. Combining and individual fund statements and schedules can be found on pages 77 through 80 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Township's net position increased \$1,612,332 when comparing December 31, 2016 over the prior year. The Township's total liabilities exceed total assets due to the exclusion of capital assets (land, buildings, infrastructure, machinery and equipment) from the financial statements.

Governmental net position increased \$1,078,877 while business-type activity net position increased \$533,455.

A condensed summary of the Township's Statement of Net Position at December 31, 2016 and 2015 is presented below:

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Cash	\$ 7,279,510	\$ 6,381,512	\$ 3,788,994	\$ 4,915,982	\$ 11,068,504	\$ 11,297,494
Certificate of deposit	-	-	7,000,000	7,000,000	7,000,000	7,000,000
Receivables, prepaids and inventory	1,857,009	1,838,178	2,614,666	2,577,838	4,471,675	4,416,016
<b>TOTAL ASSETS</b>	<b>9,136,519</b>	<b>8,219,690</b>	<b>13,403,660</b>	<b>14,493,820</b>	<b>22,540,179</b>	<b>22,713,510</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,556,530</b>	<b>2,155,991</b>	<b>774,521</b>	<b>850,832</b>	<b>3,331,051</b>	<b>3,006,823</b>
<b>LIABILITIES</b>						
Other liabilities	1,477,459	1,354,713	2,419,074	2,322,927	3,896,533	3,677,640
Long-term liabilities	29,044,415	28,928,670	22,233,444	24,029,517	51,277,859	52,958,187
<b>TOTAL LIABILITIES</b>	<b>30,521,874</b>	<b>30,283,383</b>	<b>24,652,518</b>	<b>26,352,444</b>	<b>55,174,392</b>	<b>56,635,827</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(19,803,790)	(20,789,804)	(22,390,955)	(24,157,507)	(42,194,745)	(44,947,311)
Unrestricted	(694,900)	(118,526)	11,916,618	11,619,744	11,221,718	11,501,218
Restricted	1,669,865	1,000,628	-	1,529,971	1,669,865	2,530,599
<b>TOTAL NET POSITION</b>	<b>\$ (18,828,825)</b>	<b>\$ (19,907,702)</b>	<b>\$ (10,474,337)</b>	<b>\$ (11,007,792)</b>	<b>\$ (29,303,162)</b>	<b>\$ (30,915,494)</b>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$1,669,865 and \$2,530,599 at December 31, 2016 and 2015, respectively, is restricted.

## Statement of Activities

For the year ended December 31, 2016 and 2015, net position of the Township changed as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Taxes						
Real estate	\$ 4,464,152	\$ 4,244,417	\$ -	\$ -	\$ 4,464,152	\$ 4,244,417
Real estate transfer	829,882	381,125	-	-	829,882	381,125
Per capita	70,495	73,312	-	-	70,495	73,312
Earned income	3,537,569	4,200,627	-	-	3,537,569	4,200,627
Local services	353,830	336,111	-	-	353,830	336,111
Business privilege	496,583	504,976	-	-	496,583	504,976
Licenses and permits	370,891	533,238	-	-	370,891	533,238
Fines and forfeits	122,156	125,946	-	-	122,156	125,946
Interest and rents	94,011	87,197	378,767	367,278	472,778	454,475
Intergovernmental revenues	1,775,775	1,529,019	-	4,697	1,775,775	1,533,716
Charges for services	973,703	1,050,655	6,617,763	7,280,845	7,591,466	8,331,500
Miscellaneous	315,710	281,651	-	-	315,710	281,651
<b>Total revenues</b>	<b>\$ 13,404,757</b>	<b>\$ 13,348,274</b>	<b>\$ 6,996,530</b>	<b>\$ 7,652,820</b>	<b>\$ 20,401,287</b>	<b>\$ 21,001,094</b>
<b>Expenditures:</b>						
General government	1,647,433	821,676	-	-	1,647,433	821,676
Public safety	7,159,396	7,610,691	-	-	7,159,396	7,610,691
Health and human services	28,418	38,309	-	-	28,418	38,309
Public works - sanitation	181,656	216,486	-	-	181,656	216,486
Public works - highways and streets	2,013,370	2,089,659	-	-	2,013,370	2,089,659
Culture and recreation	680,735	694,034	-	-	680,735	694,034
Community development	65,756	58,143	-	-	65,756	58,143
Debt Service						
Interest	690,676	891,947	787,905	872,863	1,478,581	1,764,810
Bond Issuance Costs	213,751	273,645	-	-	213,751	273,645
Benefits	210,289	106,658	-	-	210,289	106,658
Property and casualty insurance	224,079	216,117	-	-	224,079	216,117
Capital outlay	1,071,002	864,484	-	-	1,071,002	864,484
Sewer	-	-	2,916,637	3,021,637	2,916,637	3,021,637
Country club	-	-	730,900	2,042,902	730,900	2,042,902
Miscellaneous	168,669	171,605	1,443	1,443	170,112	173,048
<b>Total expenditures</b>	<b>\$ 14,355,230</b>	<b>\$ 14,053,454</b>	<b>\$ 4,436,885</b>	<b>\$ 5,938,845</b>	<b>\$ 18,792,115</b>	<b>\$ 19,992,299</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (950,473)</b>	<b>\$ (705,180)</b>	<b>\$ 2,559,645</b>	<b>\$ 1,713,975</b>	<b>\$ 1,609,172</b>	<b>\$ 1,008,795</b>
<b>Other financing sources (uses)</b>						
Transfers in	2,026,190	528,028	-	-	2,026,190	528,028
Transfers out	-	-	(2,026,190)	(528,028)	(2,026,190)	(528,028)
Proceeds from disposal of assets	3,160	682,991	-	-	3,160	682,991
<b>Total other financing sources (uses)</b>	<b>\$ 2,029,350</b>	<b>\$ 1,211,019</b>	<b>\$ (2,026,190)</b>	<b>\$ (528,028)</b>	<b>\$ 3,160</b>	<b>\$ 682,991</b>
<b>Change in net position</b>	<b>\$ 1,078,877</b>	<b>\$ 505,839</b>	<b>\$ 533,455</b>	<b>\$ 1,185,947</b>	<b>\$ 1,612,332</b>	<b>\$ 1,691,786</b>
<b>Net position at beginning of year</b>	<b>(19,907,702)</b>	<b>(20,413,541)</b>	<b>(11,007,792)</b>	<b>(12,193,739)</b>	<b>(30,915,494)</b>	<b>(32,607,280)</b>
<b>Net position at end of year</b>	<b>\$(18,828,825)</b>	<b>\$(19,907,702)</b>	<b>\$(10,474,337)</b>	<b>\$(11,007,792)</b>	<b>\$(29,303,162)</b>	<b>\$(30,915,494)</b>

## **Governmental Activities**

The following table depicts revenues by source for governmental activities in 2016:

### **Revenues by Source – Governmental Activities**

Property taxes	\$ 4,464,152	33.3%
Earned income taxes	3,537,569	26.4%
Intergovernmental revenues	1,775,775	13.2%
Charges for services	973,703	7.3%
Real estate transfer taxes	829,882	6.2%
Business privilege taxes	496,583	3.7%
Taxes - other	424,325	3.2%
Licenses and permits	370,891	2.8%
Fines and forfeits	122,156	0.9%
Interest and rents	94,011	0.7%
Other	<u>315,710</u>	<u>2.4%</u>
TOTAL	\$ 13,404,757	100.0%

Government-wide revenues were primarily derived from property tax collections at 33.3% and earned income tax collections at 26.4% of the total. Intergovernmental grants, at 13.2%, are the third largest source of revenue.

For the years ended December 31, 2016 and 2015, total revenues for governmental activities amounted to \$13,404,757 and \$13,348,274, respectively.

The following table depicts an expense breakdown for governmental activities in 2016:

### **Expenses – Governmental Activities**

Public safety	\$ 7,159,396	49.9%
Highways and streets	\$ 2,013,370	14.0%
General government	\$ 1,647,433	11.5%
Debt service	\$ 904,427	6.3%
Capital outlay	\$ 1,071,002	7.5%
Culture and recreation	\$ 680,735	4.7%
Miscellaneous	<u>\$ 878,867</u>	<u>6.1%</u>
TOTAL	\$ 14,355,230	100.0%

The expenses reflect the delivery of a wide range of services, with the largest being public safety at 49.9%. The second largest program is highways and streets at 14.0%.

Governmental activities increased Exeter Township's net position by \$1,078,877.

Noteworthy events in 2016:

- The Township's real estate tax for 2016 was 2.145 mills for general purposes, .605 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. Real estate tax increased \$219,735 or 5% from 2015.
- Real estate transfer tax increased \$448,757 from 2015 due to the Exeter Commons retail property ownership transfer.
- Earned income tax decreased \$663,058 or 16% from 2015.
- Local services tax increased \$17,719 or 5% from 2015.
- During 2016, the Township advanced refunded portions of its General Obligation Note, Series of 2007. The Township issued General Obligation Bond, Series of 2016 in the amount of \$7,005,000.

**Business-Type Activities**

A review of the business-type activities for the year ended December 31, 2016 resulted in positive changes in net position for both the Sewer Fund and Country Club of \$483,174 and \$50,281, respectively. Operating income for the Sewer Fund was \$2,624,841 compared to \$2,331,915 for the year ended December 31, 2015. Country Club operating income increased \$456,297. 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 which includes monthly base rent and annual excess percentage rent payments.



Business-type activities increased Exeter Township's net position by \$533,455 in 2016.

	Sewer		Country Club		Totals	
	2016	2015	2016	2015	2016	2015
<b>Operating Revenues:</b>						
Sewer charges	\$ 5,421,493	\$ 5,178,802	\$ -	\$ -	\$ 5,421,493	\$ 5,178,802
Tapping fees	31,420	38,140	-	-	31,420	38,140
Charges for services	-	-	775,066	1,815,251	775,066	1,815,251
Intergovernmental revenue	-	4,697	-	-	-	4,697
Lease rental revenue	-	-	301,219	116,739	301,219	116,739
Miscellaneous	88,565	131,913	-	-	88,565	131,913
<b>Total Operating Revenues</b>	<b>5,541,478</b>	<b>5,353,552</b>	<b>1,076,285</b>	<b>1,931,990</b>	<b>6,617,763</b>	<b>7,285,542</b>
<b>Operating Expenditures:</b>						
Wastewater collection and treatment	2,916,637	3,021,637	-	-	2,916,637	3,021,637
Culture and recreation expenses	-	-	730,900	2,042,902	730,900	2,042,902
<b>Total expenditures</b>	<b>2,916,637</b>	<b>3,021,637</b>	<b>730,900</b>	<b>2,042,902</b>	<b>3,647,537</b>	<b>5,064,539</b>
<b>Operating Income</b>	<b>2,624,841</b>	<b>2,331,915</b>	<b>345,385</b>	<b>(110,912)</b>	<b>2,970,226</b>	<b>2,221,003</b>
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	377,652	365,891	1,115	1,387	378,767	367,278
Debt service						
Interest	(787,905)	(872,863)	-	-	(787,905)	(872,863)
Fiscal agent fees	(1,443)	(1,443)	-	-	(1,443)	(1,443)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(411,696)</b>	<b>(508,415)</b>	<b>1,115</b>	<b>1,387</b>	<b>(410,581)</b>	<b>(507,028)</b>
<b>Income before Other Financing Sources (Uses)</b>	<b>2,213,145</b>	<b>1,823,500</b>	<b>346,500</b>	<b>(109,525)</b>	<b>2,559,645</b>	<b>1,713,975</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	20,673	-	20,673	-
Transfers out	(1,729,971)	(242,622)	(316,892)	(285,406)	(2,046,863)	(528,028)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,729,971)</b>	<b>(242,622)</b>	<b>(296,219)</b>	<b>(285,406)</b>	<b>(2,026,190)</b>	<b>(528,028)</b>
<b>Change in Net Position</b>	<b>483,174</b>	<b>1,580,878</b>	<b>50,281</b>	<b>(394,931)</b>	<b>533,455</b>	<b>1,185,947</b>
<b>Fund balances at beginning of year</b>	<b>(11,228,202)</b>	<b>(12,809,081)</b>	<b>220,410</b>	<b>615,342</b>	<b>(11,007,792)</b>	<b>(12,193,739)</b>
<b>Fund balances at end of year</b>	<b>\$ (10,745,028)</b>	<b>\$ (11,228,203)</b>	<b>\$ 270,691</b>	<b>\$ 220,411</b>	<b>\$ (10,474,337)</b>	<b>\$ (11,007,792)</b>

## 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:

- Capital Projects Fund – During 2016, \$76,355 was expended to replace windows in the Township building, District Justice building, and Dunn Community Center. \$66,921 was expended for pump replacements at the Sewer Treatment facility.
- Apparatus Fund - \$97,688 was expended to refurbish a 1995 Seagrave Aerial.
- Park Improvement Fund - \$9,818 was expended for skate park equipment at Pineland Park. \$6,069 was expended for field repairs and other improvements at Community Park.

### **Capital Assets**

Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position includes general obligation debt and other long-term liabilities associated with the capital assets. At December 31, 2016, the capital assets associated with \$42,194,745 in long-term liabilities not included on the Statement of Net Position resulted in a deficit Net Position of \$29,303,162.

Depreciation is also not included in the Township's expenditures.

### **Long-Term Debt**

As of December 31, 2016, the Township had \$21,203,644 and \$22,605,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note 8 to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning Balance at January 1, 2016	\$ 21,860,526	\$ 24,350,000
Additions	7,005,000	-
Refunding Payments	(7,070,000)	-
Principal Payments	<u>(591,882)</u>	<u>(1,745,000)</u>
Ending Balance at December 31, 2016	<u>\$ 21,203,644</u>	<u>\$ 22,605,000</u>

### **Budgetary Highlights**

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

For the year ended December 31, 2016, General Fund revenues were over budgetary estimates by \$791,350. Real estate transfer tax was \$499,882 over budget primarily due to the Exeter Commons retail district ownership transfer. General Fund expenditures were over budget \$607,100 which was mostly attributable to increased legal fees.

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

#### **Overview**

The Township instituted a number of positive actions in 2016 that will positively impact the Township not only in 2017 but for many years into the future. Several of these changes have their origin with Exeter's participation in the Early Investment Program funded through the Pennsylvania Department of Community and Economic Development.

The Township and Police Union entered into a fifteen (15) year Labor Agreement which reset wages and benefits for new hires. The Township anticipates a fifty percent (50%) turnover of police officers during the term of the agreement. New hires will have a wage scale approximately thirty eight percent (38%) less than existing officers, a modification to longevity payments which will be capped at \$2,000, modifications to the Pension Plan which includes an increase in the minimum age for retirement, the elimination of the COLA adjustments, the elimination of post-employment medical benefits and the elimination of the Deferred Retirement Option Program. The Administration estimates that the savings to the Township over the lifetime of the agreement will exceed \$20 million.

The Township retained a new collection agency for the collection of the Business Privilege Tax. It is anticipated that current year revenue will be increased by a minimum of five percent (5%) and that significant income from prior years and discovery actions will be realized. This work will lead to a more robust annual revenue stream from the tax source in future years.

The Board changed the manager of the golf course at the Reading Country Club in an effort to increase net revenue from the golf course operations.

Finally, the Board retained a consultant to study the Township's sewer rates. After an exhaustive analysis, the consultant recommended and the Board of Supervisor's approved a fifty-eight percent (58%) rate increase in sewer rates effective January 1, 2017.

#### Employment Base

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

Employer	Number of Employees
Boscov's	1099
Godiva Chocolatier	529
Wal-Mart	286
Giant Food Stores	221
Golden Living Center	157
Genesis Eldercare, Berkshire Center	153
Lowe's	141
Target	131
Redner's	99
Home Depot	96

### Capital Projects

During 2017, the Township has budgeted to 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:

- Playground equipment & mulch for Lorane Hollow Park \$ 32,556
- Reiffton street light replacement project 65,000

### Budget Highlights

All of these factors were considered in preparing the Township's budget for the 2017 fiscal year. General Fund revenues are anticipated to decrease 9.5 percent to \$10,254,046. In 2016, the Township received non-recurring Real Estate Transfer Tax revenue in the amount of \$448,757 for the Exeter Commons ownership transfer. Real Estate Transfer Tax is expected to return to normalized levels in 2017. Expenditures are budgeted to decrease .7 percent to \$10,838,825. Other governmental fund revenues for 2017 are budgeted at \$3,097,209 while expenditures are budgeted for \$4,459,863. The excess of expenditures over revenues will be covered by the fund balances at December 31, 2016. Proprietary fund revenues are budgeted at \$7,666,908 while expenditures are budgeted for \$6,313,620.

### **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Exeter Township's finances for all those with an interest in the government's finances. If you have any questions about this report or need additional financial information, contact the Finance Director at Exeter Township, 4975 DeMoss Road, Reading, PA 19606.

**Exeter Township**

Statement of Net Position

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash, unrestricted	\$ 4,584,461	\$ 3,788,994	\$ 8,373,455
Cash, restricted	2,695,049	-	2,695,049
Certificate of deposit	-	7,000,000	7,000,000
Accounts receivable	235,274	2,359,662	2,594,936
Accrued interest receivable	-	153,903	153,903
Taxes receivable	1,467,196	-	1,467,196
Prepays	154,539	65,296	219,835
Inventory	-	35,805	35,805
<b>Total Assets</b>	<b>9,136,519</b>	<b>13,403,660</b>	<b>22,540,179</b>
<b>Deferred Outflows of Resources</b>			
Loss on debt refinancing	1,629,794	711,166	2,340,960
Pension	926,736	63,355	990,091
<b>Total Deferred Outflows of Resources</b>	<b>2,556,530</b>	<b>774,521</b>	<b>3,331,051</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>11,693,049</b>	<b>14,178,181</b>	<b>25,871,230</b>
<b>Liabilities</b>			
Accounts payable	293,813	56,869	350,682
Accrued salaries	223,994	52,765	276,759
Accrued interest payable	270,177	345,831	616,008
Deposits held in escrow	49,902	30,000	79,902
Unearned revenue	-	103,609	103,609
Bonds payable, current portion	500,000	1,830,000	2,330,000
Bonds payable, long-term portion	20,343,415	21,272,121	41,615,536
Notes payable, current portion	83,294	-	83,294
Notes payable, long-term portion	276,350	-	276,350
Capital leases, current portion	56,279	-	56,279
Capital leases, long-term portion	174,246	-	174,246
Compensated absences payable	815,633	133,824	949,457
Net pension liability	2,006,080	214,423	2,220,503
OPEB liability	5,428,691	613,076	6,041,767
<b>Total Liabilities</b>	<b>30,521,874</b>	<b>24,652,518</b>	<b>55,174,392</b>
<b>Net Position (Deficit)</b>			
<b>Net Position (Deficit)</b>			
Net investment in capital assets	(19,803,790)	(22,390,955)	(42,194,745)
Unrestricted	(694,900)	11,916,618	11,221,718
Restricted	1,669,865	-	1,669,865
<b>Total Net Position (Deficit)</b>	<b>\$ (18,828,825)</b>	<b>\$ (10,474,337)</b>	<b>\$ (29,303,162)</b>

See accompanying notes.

**Exeter Township**

Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 1,647,433	\$ 450,798	\$ 385,325	\$ (811,310)	\$ -	\$ (811,310)
Public safety	7,159,396	263,534	380,051	(6,515,811)	-	(6,515,811)
Health and human services	28,418	-	-	(28,418)	-	(28,418)
Public works, sanitation	181,656	576,195	-	394,539	-	394,539
Public works, highways and streets	2,013,370	19,578	132,093	(1,861,699)	-	(1,861,699)
Culture and recreation	680,735	151,828	-	(528,907)	-	(528,907)
Community development	65,756	-	-	(65,756)	-	(65,756)
Debt service	904,427	-	93,207	(811,220)	-	(811,220)
Benefits	210,289	-	-	(210,289)	-	(210,289)
Property and casualty insurance	224,079	-	-	(224,079)	-	(224,079)
Capital outlay	1,071,002	-	618,668	(452,334)	-	(452,334)
Miscellaneous	168,669	4,817	166,431	2,579	-	2,579
<b>Total Governmental Activities</b>	<b>14,355,230</b>	<b>1,466,750</b>	<b>1,775,775</b>	<b>(11,112,705)</b>	<b>-</b>	<b>(11,112,705)</b>
<b>Business-Type Activities</b>						
Sewer	3,705,985	5,541,478	-	-	1,835,493	1,835,493
Country club	730,900	1,076,285	-	-	345,385	345,385
<b>Total Business-Type Activities</b>	<b>4,436,885</b>	<b>6,617,763</b>	<b>-</b>	<b>-</b>	<b>2,180,878</b>	<b>2,180,878</b>
	<b>\$ 18,792,115</b>	<b>\$ 8,084,513</b>	<b>\$ 1,775,775</b>	<b>(11,112,705)</b>	<b>2,180,878</b>	<b>(8,931,827)</b>
<b>General Revenues</b>						
Taxes						
Real estate				4,464,152	-	4,464,152
Real estate transfer				829,882	-	829,882
Per capita				70,495	-	70,495
Earned income				3,537,569	-	3,537,569
Local services				353,830	-	353,830
Business privilege				496,583	-	496,583
Interest income				94,011	378,767	472,778
Proceeds from disposal of assets				3,160	-	3,160
Miscellaneous				315,710	-	315,710
Transfers (to) from Other Funds				2,026,190	(2,026,190)	-
<b>Total General Revenues and Transfers</b>				<b>12,191,582</b>	<b>(1,647,423)</b>	<b>10,544,159</b>
<b>Change in Net Position</b>				<b>1,078,877</b>	<b>533,455</b>	<b>1,612,332</b>
<b>Net Position at Beginning of Year</b>				<b>(19,907,702)</b>	<b>(11,007,792)</b>	<b>(30,915,494)</b>
<b>Net Position at End of Year</b>				<b>\$ (18,828,825)</b>	<b>\$ (10,474,337)</b>	<b>\$ (29,303,162)</b>

See accompanying notes

## Exeter Township

### Balance Sheet - Governmental Funds

December 31, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash, unrestricted	\$ 3,164,956	\$ 1,419,505	\$ 4,584,461
Cash, restricted	185,836	2,509,213	2,695,049
Due (to) from other funds	150,000	(150,000)	-
Accounts receivable	235,274	-	235,274
Taxes receivable	1,381,219	85,977	1,467,196
Prepays	154,539	-	154,539
<b>Total Assets</b>	<b>\$ 5,271,824</b>	<b>\$ 3,864,695</b>	<b>\$ 9,136,519</b>
<b>Liabilities</b>			
Accounts payable	\$ 259,525	\$ 34,288	\$ 293,813
Accrued salaries	223,994	-	223,994
Deposits held in escrow	49,902	-	49,902
<b>Total Liabilities</b>	<b>533,421</b>	<b>34,288</b>	<b>567,709</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue, property taxes	136,076	69,814	205,890
Unavailable revenue, earned income taxes	810,910	-	810,910
<b>Total Deferred Inflows of Resources</b>	<b>946,986</b>	<b>69,814</b>	<b>1,016,800</b>
<b>Fund Balances</b>			
Nonspendable	154,539	-	154,539
Restricted	136,834	1,533,031	1,669,865
Committed	292,740	2,227,562	2,520,302
Unassigned	3,207,304	-	3,207,304
<b>Total Fund Balances</b>	<b>3,791,417</b>	<b>3,760,593</b>	<b>7,552,010</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>\$ 5,271,824</b>	<b>\$ 3,864,695</b>	<b>\$ 9,136,519</b>

See accompanying notes.

## Exeter Township

Reconciliation of the Governmental Funds -  
Balance Sheet to the Statement of Net Position  
December 31, 2016

**Total Fund Balances, Governmental Funds** **\$ 7,552,010**

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

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds. 1,016,800

Deferred outflows of resources related to the refinancing of debt will not be paid or received in the current period and, therefore, are not reported in the funds. 1,629,794

Deferred outflows of resources related to the pension plans will not be paid or received in the current period and, therefore, are not reported in the funds. 926,736

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2016 are as follows

Bonds payable	(20,844,000)
Bond premium	(33,997)
Bond discounts	34,582
Notes payable	(359,644)
Capital leases	(230,525)
Accrued interest payable	(270,177)
Net pension liability	(2,006,080)
OPEB liability	(5,428,691)
Compensated absences payable	(815,633)

**Total Net Position, Governmental Activities** **\$ (18,828,825)**



## Exeter Township

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes			
Real estate	\$ 2,864,148	\$ 1,622,984	\$ 4,487,132
Real estate transfer	829,882	-	829,882
Per capita	70,495	-	70,495
Earned income	3,591,618	-	3,591,618
Local services	326,086	-	326,086
Business privilege	487,766	-	487,766
Licenses and permits	370,891	-	370,891
Fines and forfeits	122,156	-	122,156
Interest and rents	39,186	54,825	94,011
Intergovernmental revenues	947,650	828,125	1,775,775
Charges for services	953,274	15,612	968,886
Miscellaneous	312,872	7,655	320,527
	<u>10,916,024</u>	<u>2,529,201</u>	<u>13,445,225</u>
<b>Total Revenues</b>	<b>10,916,024</b>	<b>2,529,201</b>	<b>13,445,225</b>
<b>Expenditures</b>			
Current			
General government	1,636,281	-	1,636,281
Public safety	5,656,352	875,041	6,531,393
Health and human services	28,418	-	28,418
Public works, sanitation	181,656	-	181,656
Public works, highways and streets	1,691,725	271,839	1,963,564
Culture and recreation	654,075	16,887	670,962
Community development	51,571	14,185	65,756
Debt service			
Principal	306,264	373,200	679,464
Interest	53,693	475,372	529,065
Bond issuance costs	-	213,751	213,751
Benefits	210,289	-	210,289
Property and casualty insurance	224,079	-	224,079
Capital outlay	70,594	1,000,408	1,071,002
Miscellaneous	166,630	2,039	168,669
	<u>10,931,627</u>	<u>3,242,722</u>	<u>14,174,349</u>
<b>Total Expenditures</b>	<b>10,931,627</b>	<b>3,242,722</b>	<b>14,174,349</b>

See accompanying notes.

## Exeter Township

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds (continued)  
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>\$ (15,603)</b>	<b>\$ (713,521)</b>	<b>\$ (729,124)</b>
<b>Other Financing Sources (Uses)</b>			
Debt proceeds	-	7,123,100	7,123,100
Discount on refunding bonds issued	-	28,768	28,768
Payment to refunded bond escrow agent	-	(7,497,504)	(7,497,504)
Transfers in	351,900	2,737,550	3,089,450
Transfers out	(53,200)	(1,010,060)	(1,063,260)
Proceeds from disposal of assets	3,160	-	3,160
<b>Total Other Financing Sources (Uses)</b>	<b>301,860</b>	<b>1,381,854</b>	<b>1,683,714</b>
<b>Net Change in Fund Balances</b>	<b>286,257</b>	<b>668,333</b>	<b>954,590</b>
<b>Fund Balances at Beginning of Year</b>	<b>3,505,160</b>	<b>3,092,260</b>	<b>6,597,420</b>
<b>Fund Balances at End of Year</b>	<b>\$ 3,791,417</b>	<b>\$ 3,760,593</b>	<b>\$ 7,552,010</b>

See accompanying notes.

## Exeter Township

### Reconciliation of the Governmental Funds -

Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities  
Year Ended December 31, 2016

**Net Change in Fund Balances, Governmental Funds** **\$ 954,590**

The change in net position reported for governmental activities in the statement of activities is different because

Some taxes will not be collected for several months after year-end.

These taxes are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased (increased) by this amount during the year

Real estate taxes	(22,980)	
Earned income taxes	(54,049)	
Local services taxes	27,744	
Business privilege taxes	<u>8,817</u>	
		(40,468)

Governmental funds report interest paid on bonds payable as expenditures. However, in the statement of activities, interest is matched to the period in which it was incurred. This amount is the net effect of matching interest expense to the proper period

(91,985)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effects of these differences in the current period are

Proceeds from bond issuance	(7,033,768)	
Payment to refunded bond escrow agent	7,497,504	
Principal repayments	591,882	
Amortization of premium discount, prepaid insurance, and refinancing loss	(69,626)	
Capital lease proceeds	(118,100)	
Payments on capital leases	<u>87,582</u>	
		955,474

Certain governmental activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Net pension expense	(170,449)	
Compensated absences payable	17,746	
Other postemployment benefits (OPEB) liability	<u>(546,031)</u>	
		<u>(698,734)</u>

**Change in Net Position, Governmental Activities** **\$ 1,078,877**

## Exeter Township

### Statement of Net Position - Proprietary Funds

December 31, 2016

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Assets</b>			
Cash, unrestricted	\$ 3,423,886	\$ 365,108	\$ 3,788,994
Certificate of deposit	7,000,000	-	7,000,000
Accounts receivable	2,359,662	-	2,359,662
Accrued interest receivable	153,903	-	153,903
Prepays	65,296	-	65,296
Inventory	-	35,805	35,805
	<u>13,002,747</u>	<u>400,913</u>	<u>13,403,660</u>
<b>Total Assets</b>			
<b>Deferred Outflows of Resources</b>			
Loss on debt refinancing	711,166	-	711,166
Pension	63,355	-	63,355
	<u>774,521</u>	<u>-</u>	<u>774,521</u>
<b>Total Deferred Outflows of Resources</b>			
<b>Total Assets and Deferred Outflows of Resources</b>			
	<u>13,777,268</u>	<u>400,913</u>	<u>14,178,181</u>
<b>Liabilities</b>			
Accounts payable	55,256	1,613	56,869
Accrued salaries	52,765	-	52,765
Accrued interest payable	345,831	-	345,831
Deposits held in escrow	5,000	25,000	30,000
Unearned revenue	-	103,609	103,609
Bonds payable, current portion	1,830,000	-	1,830,000
Bonds payable, long-term portion	21,272,121	-	21,272,121
Compensated absences payable	133,824	-	133,824
Net pension liability	214,423	-	214,423
OPEB liability	613,076	-	613,076
	<u>24,522,296</u>	<u>130,222</u>	<u>24,652,518</u>
<b>Total Liabilities</b>			
<b>Net Position</b>			
Net investment in capital assets	(22,390,955)	-	(22,390,955)
Unrestricted	11,645,927	270,691	11,916,618
	<u>\$ (10,745,028)</u>	<u>\$ 270,691</u>	<u>\$ (10,474,337)</u>
<b>Total Net Position</b>			

See accompanying notes.

## Exeter Township

Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds  
Year Ended December 31, 2016

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sewer charges	\$ 5,421,493	\$ -	\$ 5,421,493
Tapping fees	31,420	-	31,420
Charges for services	-	775,066	775,066
Lease rental revenue	-	301,219	301,219
Miscellaneous	88,565	-	88,565
<b>Total Operating Revenues</b>	<u>5,541,478</u>	<u>1,076,285</u>	<u>6,617,763</u>
<b>Operating Expenditures</b>			
Wastewater collection and treatment	2,916,637	-	2,916,637
Culture and recreation expenses	-	730,900	730,900
<b>Total Operating Expenditures</b>	<u>2,916,637</u>	<u>730,900</u>	<u>3,647,537</u>
<b>Operating Income</b>	<u>2,624,841</u>	<u>345,385</u>	<u>2,970,226</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	377,652	1,115	378,767
Debt service			
Interest	(787,905)	-	(787,905)
Fiscal agent fees	(1,443)	-	(1,443)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(411,696)</u>	<u>1,115</u>	<u>(410,581)</u>
<b>Income before Other Financing Sources (Uses)</b>	<u>2,213,145</u>	<u>346,500</u>	<u>2,559,645</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	20,673	20,673
Transfers out	(1,729,971)	(316,892)	(2,046,863)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,729,971)</u>	<u>(296,219)</u>	<u>(2,026,190)</u>
<b>Change in Net Position</b>	483,174	50,281	533,455
<b>Net Position at Beginning of Year</b>	<u>(11,228,202)</u>	<u>220,410</u>	<u>(11,007,792)</u>
<b>Net Position at End of Year</b>	<u>\$ (10,745,028)</u>	<u>\$ 270,691</u>	<u>\$ (10,474,337)</u>

See accompanying notes.

**Exeter Township**Statement of Cash Flows - Proprietary Funds  
Year Ended December 31, 2016

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 5,488,613	\$ 1,111,184	\$ 6,599,797
Payments to suppliers	(1,580,549)	(488,284)	(2,068,833)
Payments to employees	(1,190,270)	(232,851)	(1,423,121)
<b>Net Cash Provided by Operating Activities</b>	<u>2,717,794</u>	<u>390,049</u>	<u>3,107,843</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund activity	(1,729,971)	(296,219)	(2,026,190)
<b>Net Cash Used in Noncapital Financing Activities</b>	<u>(1,729,971)</u>	<u>(296,219)</u>	<u>(2,026,190)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest paid	(841,765)	-	(841,765)
Principal paid on bonds	(1,745,000)	-	(1,745,000)
Fiscal agent fees	(1,443)	-	(1,443)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(2,588,208)</u>	<u>-</u>	<u>(2,588,208)</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	378,452	1,115	379,567
<b>Net Cash Provided by Investing Activities</b>	<u>378,452</u>	<u>1,115</u>	<u>379,567</u>
<b>Net Increase (Decrease) in Cash</b>	(1,221,933)	94,945	(1,126,988)
<b>Cash at Beginning of Year</b>	<u>4,645,819</u>	<u>270,163</u>	<u>4,915,982</u>
<b>Cash at End of Year</b>	<u>\$ 3,423,886</u>	<u>\$ 365,108</u>	<u>\$ 3,788,994</u>

See accompanying notes.

**Exeter Township**Statement of Cash Flows - Proprietary Funds (continued)  
Year Ended December 31, 2016

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 2,624,841	\$ 345,385	\$ 2,970,226
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Accounts receivable	(52,865)	899	(51,966)
Prepays	(3,858)	3,682	(176)
Inventory	-	6,844	6,844
(Increase) decrease in deferred outflows of resources			
Pension	(9,254)	-	(9,254)
Increase (decrease) in liabilities			
Accounts payable	(1,200)	(761)	(1,961)
Accrued salaries	19,086	-	19,086
Compensated absences payable	(11,962)	-	(11,962)
Net pension liability	18,549	-	18,549
OPEB liability	134,457	-	134,457
Unearned revenue	-	34,000	34,000
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 2,717,794</u></b>	<b><u>\$ 390,049</u></b>	<b><u>\$ 3,107,843</u></b>

**Exeter Township**

## Statement of Net Position - Fiduciary Funds

December 31, 2016

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash	\$ 286,183
Investments	<u>17,540,632</u>
<b>Total Assets</b>	<b><u>17,826,815</u></b>
<b>Net Position</b>	
Assets held in trust for pension benefits	<b><u><u>\$ 17,826,815</u></u></b>



## Exeter Township

Statement of Changes in Net Position - Fiduciary Funds  
Year Ended December 31, 2016

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 600,929
Employee	<u>185,978</u>
Total contributions	<u>786,907</u>
Investment income	
Realized and unrealized losses on investments	733,289
Interest and dividends	<u>414,468</u>
Total investment income	<u>1,147,757</u>
<b>Total Additions</b>	<u><b>1,934,664</b></u>
<b>Deductions</b>	
Benefit payments	376,198
Administrative expenses	<u>113,879</u>
<b>Total Deductions</b>	<u><b>490,077</b></u>
<b>Change in Net Position</b>	<b>1,444,587</b>
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<u><b>16,382,228</b></u>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<u><u><b>\$ 17,826,815</b></u></u>

## **Exeter Township**

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### **Notes to Financial Statements**

December 31, 2016

#### **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**

Except for not recording the Township's capital assets and related depreciation, the Township follows the practice of presenting its financial statements in accordance with 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 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. There are no agencies or entities which should be presented with the Township.

##### **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.

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

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

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

##### **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 proprietary fund are at least 10% of the corresponding total for all funds of that category or type, 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 balance 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.

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.

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

### **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:

**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, 2016

### **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.

**GOB 2009 Capital Projects Fund** - is used to account for the financial resources to be used for improvements within the Township and 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.

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

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

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

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

###### **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.

###### **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.

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

The basic financial statements of the Township are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

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

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

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

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

##### **Government-Wide Financial Statements (continued)**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported instead as general revenues.

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

The fund financial statements are presented on a current financial resources and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for a specific purpose or project before any amounts will be paid to the Township, therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

## **Exeter Township**

Notes to Financial Statements  
December 31, 2016

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

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

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

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The Township's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the proprietary funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

#### **Assets, Liabilities, and Deferred Outflows and Inflows of Resources**

##### **Cash**

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

For the purpose of the statement of cash flows, 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.



## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

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

#### **Assets, Liabilities, and Deferred Outflows and Inflows of Resources (continued)**

##### **Investments (continued)**

Investments are carried at fair value.

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

##### **Accounts Receivable**

Accounts receivable are shown net of allowances for uncollectible amounts.

##### **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.

Accounting principles generally accepted in the United States of America requires the Township to report and depreciate capital assets. Management has not recorded the Township's capital assets and the related depreciation on those assets in accordance with these accounting principles.

##### **Bond Premiums and Discounts**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reports as other financing uses.

## **Exeter Township**

### **Notes to Financial Statements**

December 31, 2016

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

##### **Assets, Liabilities, and Deferred Outflows and Inflows of Resources (continued)**

###### **Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. A deferred charge on refunding and a deferred amount related to the Township's pension plans reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet - governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Township has one item that qualifies for reporting in this category. Unavailable revenue related to property taxes and earned income taxes are reported in the governmental funds balance sheet.

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

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

The Township accrues accumulated compensation and sick pay benefits when earned, or estimated to be earned, by the employee. Accrued vacation must be used during the calendar year without carryover to future years, except with advance approval of the Township Manager.

## **Exeter Township**

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### Notes to Financial Statements

December 31, 2016

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

##### **Equity**

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

The Township classifies net position into the following components:

**Net investment in capital assets** - This component of net position consists of the cost of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. The Township has not recorded the cost or accumulated depreciation on capital assets, but has recorded the debt incurred for capital assets. As a result, the Township reports a negative balance in this component.

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

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

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

Fund balance is classified into specifically designed classifications as follows:

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

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

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

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

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

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

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

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

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 and expenses of the Township's proprietary funds are interest income and interest expense.

##### **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 2016 was 3.25 mills, consisting of 2.145 mills for general purposes, .605 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.

## **Exeter Township**

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### **Notes to Financial Statements**

December 31, 2016

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

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

###### **Property Taxes (continued)**

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.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the Township regardless of when the cash is received. Over time, substantially all property taxes are collected.

In the fund financial statements, delinquent property taxes not paid within 60 days of December 31 are recorded as deferred inflows of resources.

###### **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.

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

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

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

###### **Interfund Services**

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

###### **Interfund Reimbursements**

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

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

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

## **Exeter Township**

Notes to Financial Statements  
December 31, 2016

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

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Recent Accounting Pronouncement**

Effective January 1, 2016, the Township adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements.

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

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

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

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

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2015, and the cash received for the year ended December 31, 2016. For the year ended December 31, 2016, expenditures exceeded appropriations in the General Fund by \$607,100.

### **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 equities, mutual funds, other investments, and collective investment funds. The carrying amount of cash and investments at December 31, 2016 consists of the following:

<b>Cash and Cash Equivalents</b>	
Demand deposits	\$ 11,353,887
Time and savings deposits	7,000,000
Petty cash	<u>800</u>
	<u>18,354,687</u>

## Exeter Township

Notes to Financial Statements  
December 31, 2016

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

#### Investments

Mutual funds	
Fixed income	\$ 4,999,295
Equities	10,404,099
Allocation	487,619
Common stocks	575,343
Other	345,018
Collective investment funds	<u>729,258</u>
	<u>17,540,632</u>
	<u>\$ 35,895,319</u>

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

##### Cash

Governmental activities	\$ 7,279,510
Business-type activities	10,788,994
Fiduciary funds	<u>286,183</u>
	18,354,687

##### Investments

Fiduciary funds	<u>17,540,632</u>
	<u>\$ 35,895,319</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, 2016, the carrying amounts of the Township's bank deposits were \$18,350,624, and the corresponding bank balances were \$18,836,607, of which \$500,000 was covered by Federal Depository Insurance. Pension fund deposits of \$286,183 were uninsured and uncollateralized. The remaining \$18,050,424 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

## Exeter Township

### Notes to Financial Statements

December 31, 2016

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

##### Investments

As of December 31, 2016, the Township's pension funds have the following investments in debt securities:

##### Police Pension Plan Fund

	<u>Cost</u>	<u>Fair Value</u>	<u>Average Investment Maturities</u>	<u>Rating as of Year-End</u>
Fixed income mutual funds	<u>\$ 5,065,380</u>	<u>\$ 4,999,295</u>	Less than 1 year	4 Star - 5 Star by Morningstar

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Average Investment Maturities</u>	<u>Rating as of Year-End</u>
BB&T RIS Income Collective Investment Fund	<u>\$ 460,318</u>	<u>\$ 562,241</u>	6.1 years	AA1

##### 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	9%
Metropolitan West Total Return Bond Fund	7%
Vanguard Interm-Term Investment-Grde Adm	9%
Vanguard Total Stock Market Index Admiral	34%

##### 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.



## Exeter Township

### Notes to Financial Statements

December 31, 2016

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

##### 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, 2016, \$17,540,632 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, 2016 consist of the following:

<b>Governmental Activities</b>	
General Fund	
Police equipment	\$ 126,605
Fire police	7,231
Developer escrows	49,002
Police National Night Out committee	2,998
K-9 Fund	11,794
State Liquid Fuels Highway Aid Fund	73,012
GOB 2009 Capital Projects Fund	1,221,372
Capital Improvement Fund	212,104
Traffic Improvement Fund	35,456
Debt Service Fund	955,475
	<hr/>
<b>Total Restricted Cash</b>	<b>\$ 2,695,049</b>

#### Note 6 - Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

## Exeter Township

### Notes to Financial Statements December 31, 2016

#### Note 6 - Fair Value Measurement (continued)

The following tables present the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investments by Fair Value Level</b>				
<b>Mutual Funds</b>				
Intermediate-Term Bond	\$ 2,893,505	\$ -	\$ -	\$ 2,893,505
High Yield Bond	453,253	-	-	453,253
Corporate Bond	1,652,537	-	-	1,652,537
Foreign Large Growth	1,605,244	-	-	1,605,244
Foreign Small/Mid Growth	419,997	-	-	419,997
Large Blend	6,495,185	-	-	6,495,185
Real Estate	357,911	-	-	357,911
Foreign Large Value	639,897	-	-	639,897
Small Blend	763,398	-	-	763,398
Foreign Large Blend	77,154	-	-	77,154
Small Growth	45,313	-	-	45,313
Allocation	387,222	-	-	387,222
World Allocation	100,397	-	-	100,397
<b>Total Mutual Funds</b>	<b>15,891,013</b>	<b>-</b>	<b>-</b>	<b>15,891,013</b>
<b>Equity Securities</b>				
Basic materials	14,451	-	-	14,451
Consumer goods	109,856	-	-	109,856
Financial	82,918	-	-	82,918
Healthcare	74,311	-	-	74,311
Industrial goods	37,075	-	-	37,075
Services	129,619	-	-	129,619
Technology	127,113	-	-	127,113
<b>Total Equity Securities</b>	<b>575,343</b>	<b>-</b>	<b>-</b>	<b>575,343</b>
<b>Other</b>				
BPG Investment Partnership	-	-	345,018	345,018
<b>Total Investments by Fair Value Level</b>	<b>\$ 16,466,356</b>	<b>\$ -</b>	<b>\$ 345,018</b>	<b>16,811,374</b>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Collective investment funds				729,258
<b>Total Investments Measured at Fair Value</b>				<b>\$ 17,540,632</b>

## Exeter Township

### Notes to Financial Statements

December 31, 2016

#### Note 6 - Fair Value Measurement (continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Collective investment funds are valued at net asset value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.

#### Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient:

		<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Collective</b>					
<b>Investment Funds</b>					
BB&T RIS Income Fund	(a)	\$ 562,241	\$ -	Immediate	None
BB&T RIS Diversified Managers Equity Fund	(b)	33,197	-	Immediate	None
BB&T RIS Mid-Cap Equity Fund	(c)	<u>133,820</u>	<u>-</u>	Immediate	None
		<u>\$ 729,258</u>	<u>\$ -</u>		

(a) This Fund invests principally in debt securities, including U.S. Treasury, U.S. Government Agencies, and U.S. Corporations, as well as various asset- and mortgage-backed bonds and preferred stock. The Fund seeks total returns through active management of a fixed-income security portfolio with heavy emphasis on current yield. Investments in this Fund can be redeemed daily at the current NAV per share based on the fair value of the underlying investments. The fair value of the investments in this Fund have been estimated using the NAV per share of the underlying investments.

(b) This Fund invests principally in no-load mutual funds that exhibit historic patterns of outperformance, reasonable diversification, adequate liquidity, and reasonable expense ratios. The Fund seeks long-term capital appreciation through the use of external mutual funds. Investments in the Fund can be redeemed daily at the current NAV per share based on the fair value of the underlying investments. The fair value of the investments in this Fund have been estimated using the NAV per share of the underlying investments.

## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 6 - Fair Value Measurement (continued)

#### Investments Measured Using the Net Asset Value per Share Practical Expedient (continued)

- (c) This Fund invests principally in equity securities of medium market capitalization U.S. companies. The Fund seeks long-term capital appreciation through active equity management utilizing a blended investment style that focuses on growth, value, financial strength, and price trend characteristics. Investments in this Fund can be redeemed daily at the current NAV per share based on the fair value of the underlying investments. The fair value of the investments in this Fund has been estimated using the NAV per share of the underlying investments.

### Note 7 - Interfund Transfers

Transfers between funds for the year ended December 31, 2016 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 351,900	\$ 53,200
Nonmajor governmental funds	<u>2,737,550</u>	<u>1,010,060</u>
<b>Total Governmental Funds</b>	<u><b>3,089,450</b></u>	<u><b>1,063,260</b></u>
<b>Proprietary Funds</b>		
Sewer Fund	-	1,729,971
Country Club Fund	<u>20,673</u>	<u>316,892</u>
<b>Total Proprietary Funds</b>	<u><b>20,673</b></u>	<u><b>2,046,863</b></u>
	<u><b>\$ 3,110,123</b></u>	<u><b>\$ 3,110,123</b></u>

In general, transfers are made from various funds to the Debt Service Fund for that fund's share of debt service payments and to cover capital outlays. During 2016, the Township also transferred \$1,529,971 from the Sewer Fund to a Capital Projects Fund to segregate these funds, which are to be used for the acquisition of assets and other improvements within the Township.

## Exeter Township

### Notes to Financial Statements December 31, 2016

#### Note 8 - Long-Term Debt

At December 31, 2016, long-term debt consists of the following:

	Balance Outstanding December 31, 2015	Additions	Payments	Balance Outstanding December 31, 2016	Due Within One Year
<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	\$ 169,560	\$ -	\$ 14,641	\$ 154,919	\$ 15,053
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	7,070,000	-	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	2,785,000	-	285,000	2,500,000	295,000
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	-	104,000	1,704,000	95,000
General Obligation Bonds, Series A of 2015, in the initial amount of \$9,755,000, interest due semiannually at rates ranging from 0.550% to 3.800%, principal due annually through August 2046	9,755,000	-	100,000	9,655,000	90,000
General Obligation Bonds, Series of 2016, in the initial amount of \$7,005,000, interest due semiannually at rates ranging from 1.500% to 3.450%, principal due annually through August 2046	-	7,005,000	20,000	6,985,000	20,000

**Exeter Township**

**Notes to Financial Statements  
December 31, 2016**

**Note 8 - Long-Term Debt (continued)**

	<b>Balance Outstanding December 31, 2015</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance Outstanding December 31, 2016</b>	<b>Due Within One Year</b>
<b>Governmental Activities (continued)</b>					
Loan payable to the County of Berks, original principal amount of \$261,411, without interest, annual payments of \$37,344 through June 2019	\$ 149,379	\$ -	\$ 37,344	\$ 112,035	\$ 37,344
Loan payable to the County of Berks, original principal amount of \$31,997, without interest, annual payments of \$4,571 through June 2019	18,284	-	4,571	13,713	4,571
Loan payable to the County of Berks, original principal amount of \$17,812, without interest, annual payments of \$2,545 through June 2019	10,177	-	2,545	7,632	2,545
Loan payable to the County of Berks, original principal amount of \$120,811, without interest, annual payments of \$17,259 through June 2019	69,034	-	17,259	51,775	17,259
Loan payable to the County of Berks, original principal amount of \$17,110, without interest, annual payments of \$2,444 through June 2019	9,778	-	2,444	7,334	2,444
Loan payable to the County of Berks, original principal amount of \$21,856, without interest, annual payments of \$3,122 through June 2019	12,490	-	3,122	9,368	3,122
Loan payable to the County of Berks, original principal amount of \$6,692, without interest, annual payments of \$956 through June 2019	3,824	-	956	2,868	956
<b>Total Governmental Activities</b>	<b>21,860,526</b>	<b>7,005,000</b>	<b>7,661,882</b>	<b>21,203,644</b>	<b>583,294</b>

**Exeter Township****Notes to Financial Statements  
December 31, 2016****Note 8 - Long-Term Debt (continued)**

	<u>Balance Outstanding December 31, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2016</u>	<u>Due Within One Year</u>
<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	\$ 11,020,000	\$ -	\$ 1,610,000	\$ 9,410,000	\$ 1,695,000
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	5,860,000	-	60,000	5,800,000	60,000
General Obligation Bonds, Series of 2013, in the initial amount of \$7,755,000, interest due semiannually at rates ranging from 0.400% to 2.000%, principal due annually through July 2024	<u>7,470,000</u>	<u>-</u>	<u>75,000</u>	<u>7,395,000</u>	<u>75,000</u>
<b>Total Business-Type Activities</b>	<u>24,350,000</u>	<u>-</u>	<u>1,745,000</u>	<u>22,605,000</u>	<u>1,830,000</u>
<b>Total Debt</b>	<u>\$ 46,210,526</u>	<u>\$ 7,005,000</u>	<u>\$ 9,406,882</u>	<u>\$ 43,808,644</u>	<u>\$ 2,413,294</u>

Aggregate maturities required on long-term debt at December 31, 2016 are as follows:

**Exeter Township****Notes to Financial Statements  
December 31, 2016****Note 8 - Long-Term Debt (continued)****Governmental Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 583,294	\$ 648,185	\$ 1,231,479
2018	591,716	636,815	1,228,531
2019	610,153	624,986	1,235,139
2020	550,357	614,361	1,164,718
2021	563,817	602,972	1,166,789
2022-2026	3,065,307	2,825,459	5,890,766
2027-2031	3,414,000	2,373,637	5,787,637
2032-2036	3,325,000	1,826,467	5,151,467
2037-2041	3,885,000	1,246,337	5,131,337
2042-2046	4,615,000	511,175	5,126,175
	<u>21,203,644</u>	<u>\$ 11,910,394</u>	<u>\$ 33,114,038</u>
Current maturities	(583,294)		
Unamortized premium	33,997		
Unamortized discount	(34,582)		
	<u>\$ 20,619,765</u>		

**Business-Type Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	2,285,000	356,177	2,641,177
2022-2026	12,400,000	743,665	13,143,665
	<u>22,605,000</u>	<u>\$ 3,547,074</u>	<u>\$ 26,152,074</u>
Current maturities	(1,830,000)		
Unamortized premium	503,783		
Unamortized discount	(6,662)		
	<u>\$ 21,272,121</u>		

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



## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 8 - Long-Term Debt (continued)

#### Debt Defeasance

In September 2015, December 2015, and April 2016, 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, 2016, there was \$17,470,000 of defeased debt outstanding.

### Note 9 - Capital Leases

At December 31, 2016, the Township's capital leases consisted of the following:

	Balance Outstanding December 31, 2015	Additions	Payments	Balance Outstanding December 31, 2016	Due Within One Year
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	\$ 37,389	\$ -	\$ 37,389	\$ -	-
2016 Mack dump truck, financed through a leasing company, payable in quarterly installments of \$9,056, including interest at a rate of 2.25%, through September 2020	162,618	-	32,789	129,829	33,544
2016 John Deere Loader, financed through a leasing company, payable in quarterly installments of \$6,265, including interest at a rate of 2.52%, through March 2021	-	118,100	17,404	100,696	22,735
	<u>\$ 200,007</u>	<u>\$ 118,100</u>	<u>\$ 87,582</u>	<u>\$ 230,525</u>	<u>\$ 56,279</u>

The following is a schedule of future minimum annual lease payments under the capital lease agreement as of December 31, 2016:

Total future minimum lease payments	\$ 241,339
Amount representing interest	<u>(10,814)</u>
Present value of net minimum lease payments	<u>\$ 230,525</u>

**Exeter Township****Notes to Financial Statements  
December 31, 2016****Note 10 - Changes in Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2016 are as follows:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
General obligation debt					
Bonds and notes payable	\$ 21,860,526	\$ 7,005,000	\$ 7,661,882	\$ 21,203,644	\$ 583,294
Less deferred amounts					
Bond and note premiums	6,477	28,768	1,248	33,997	-
Bond and note discounts	(84,313)	-	(49,731)	(34,582)	-
Capital leases	200,007	118,100	87,582	230,525	56,279
Compensated absences	833,379	102,908	120,654	815,633	-
Total governmental activities long-term liabilities	<u>\$ 22,816,076</u>	<u>\$ 7,254,776</u>	<u>\$ 7,821,635</u>	<u>\$ 22,249,217</u>	<u>\$ 639,573</u>
<b>Business-Type Activities</b>					
General obligation debt					
Bonds and notes payable	\$ 24,350,000	\$ -	\$ 1,745,000	\$ 22,605,000	\$ 1,830,000
Less deferred amounts					
Bond premiums	611,784	-	108,001	503,783	-
Bond discounts	(7,545)	-	(883)	(6,662)	-
Compensated absences	145,786	9,996	21,958	133,824	-
Total business-type activities long-term liabilities	<u>\$ 25,100,025</u>	<u>\$ 9,996</u>	<u>\$ 1,874,076</u>	<u>\$ 23,235,945</u>	<u>\$ 1,830,000</u>

Compensated absences have been liquidated in the General Fund in prior years.

## Exeter Township

### Notes to Financial Statements December 31, 2016

#### Note 11 - Fund Balance

The fund balances of the Township's governmental funds at December 31, 2016 consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in					
General Fund	<u>\$ 154,539</u>	<u>\$ 136,834</u>	<u>\$ 292,740</u>	<u>\$ 3,207,304</u>	<u>\$ 3,791,417</u>
Other governmental funds					
Utility Fund	-	-	17,126	-	17,126
Fire Protection	-	-	31,254	-	31,254
Detention Pond/Storm Water Maintenance	-	-	82,320	-	82,320
K-9 Program	-	11,794	-	-	11,794
Parks	-	-	42,803	-	42,803
Public Works, Highways, and Streets	-	72,628	-	-	72,628
Debt Service	-	-	811,870	-	811,870
Capital Projects	-	1,448,609	1,242,189	-	2,690,798
	<u>-</u>	<u>1,533,031</u>	<u>2,227,562</u>	<u>-</u>	<u>3,760,593</u>
	<u>\$ 154,539</u>	<u>\$ 1,669,865</u>	<u>\$ 2,520,302</u>	<u>\$ 3,207,304</u>	<u>\$ 7,552,010</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, 2016

### **Note 11 - 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**

##### **Nonspendable - General Fund**

The nonspendable fund balance in the Township's General Fund is related to prepaid expenses.

##### **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 GOB 2009 Capital Projects Fund and Capital Improvement Fund consist of unspent bond proceeds which are restricted for specific capital projects. The Township's restricted fund balance in the Traffic Improvement Fund consists of contributions from third parties restricted for expenditures for traffic improvements.

## **Exeter Township**

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Notes to Financial Statements  
December 31, 2016

### **Note 11 - Fund Balance (continued)**

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

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

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

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

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

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

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

## **Exeter Township**

Notes to Financial Statements  
December 31, 2016

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### **Note 11 - Fund Balance (continued)**

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

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

### **Note 12 - 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, 2016, the following employees were covered by the Police Pension Plan:

Inactive members or beneficiaries currently receiving benefits	19
Inactive members entitled to but not yet receiving benefits	-
Active members	<u>23</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.

## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 12 - Exeter Township Police Pension Plan (continued)

#### Net Pension Liability

The Township's net pension liability was measured as of December 31, 2016 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	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>	

## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 12 - Exeter Township Police Pension Plan (continued)

#### 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.

#### Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2016.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2015</b>	<b>\$ 16,550,053</b>	<b>\$ 14,872,192</b>	<b>\$ 1,677,861</b>
Changes for the year			
Service cost	434,661	-	434,661
Interest cost	1,340,840	-	1,340,840
Contributions - employer	-	485,992	(485,992)
Contributions - member	-	185,978	(185,978)
Net investment income	-	966,854	(966,854)
Benefit payments, including refunds of member contributions	(350,500)	(350,500)	-
Administrative expense	-	(1,800)	1,800
<b>Balance at December 31, 2016</b>	<b>\$ 17,975,054</b>	<b>\$ 16,158,716</b>	<b>\$ 1,816,338</b>

#### Net Pension Liability Sensitivity

The following presents the net pension liability 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 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	<b>\$ 3,984,057</b>	<b>\$ 1,816,338</b>	<b>\$ 35,581</b>



## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 12 - Exeter Township Police Pension Plan (continued)

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

For the year ended December 31, 2016, the Township recognized pension expense of \$663,272. The Township has deferred outflows of resources related to the Police Pension Plan from the following source at December 31, 2016:

Differences between projected and actual investment earnings	<u>\$ 870,674</u>
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Actuarially determined deferred outflows of resources related to the Police Pension Plan are as follows for the year ended December 31, 2016:

2017	\$ 274,511
2018	274,511
2019	274,511
2020	47,141

### Note 13 - 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, 1995, an additional monthly benefit is payable of \$10 multiplied by the number of years of service as of December 31, 1995. Average monthly pay is based upon the 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, 2016, the following employees were covered by the Employees' Pension Plan:

Inactive members or beneficiaries currently receiving benefits	7
Inactive members entitled to but not yet receiving benefits	4
Active members	<u>8</u>
	<u>19</u>

## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 13 - 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, 2016, 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%
Cash	1.00	0.00 - 1.00%
	<b>100.00%</b>	

## Exeter Township

### Notes to Financial Statements

December 31, 2016

#### Note 13 - 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, 2016.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2015</b>	<b>\$ 1,900,040</b>	<b>\$ 1,510,034</b>	<b>\$ 390,006</b>
Changes for the year			
Service cost	49,007	-	49,007
Interest cost	148,916	-	148,916
Contributions - employer	-	114,937	(114,937)
Net investment income	-	72,077	(72,077)
Benefit payments, including refunds of member contributions	(25,698)	(25,698)	-
Administrative expense	-	(3,250)	3,250
<b>Balance at December 31, 2016</b>	<b>\$ 2,072,265</b>	<b>\$ 1,668,100</b>	<b>\$ 404,165</b>

##### 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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Plan's net pension liability	<b>\$ 640,704</b>	<b>\$ 404,165</b>	<b>\$ 200,438</b>

**Exeter Township**

Notes to Financial Statements  
December 31, 2016

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**Note 13 - Exeter Township Employees' Pension Plan (continued)**

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

For the year ended December 31, 2016, the Township recognized pension expense of \$117,401. The Township has deferred outflows of resources related to the Employees' Pension Plan from the following sources at December 31, 2016:

Differences between projected and actual investment earnings	<u>\$ 119,417</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, 2016:

2017	\$ 36,588
2018	36,588
2019	36,588
2020	9,653

**Note 14 - Central Pennsylvania Teamsters Pension Fund**

The Township contributes to the Central Pennsylvania Teamsters Pension Fund, a union sponsored, multi-employer retirement plan in accordance with negotiated labor contracts. The plan covers all of the Township's eligible union employees. Contributions to the plan are based on varying rates for hours worked by the employees. Contributions totaled \$190,920 for the year ended December 31, 2016.

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

**Note 15 - Post-Employment Benefits Other than Pensions**

**Plan Descriptions**

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

## Exeter Township

Notes to Financial Statements  
December 31, 2016

### Note 15 - Post-Employment Benefits Other than Pensions (continued)

#### Funding Policy and Annual OPEB Cost

The Township currently funds other post-employment benefit (OPEB) costs as they occur. For 2016, the Township's contribution to the plan was \$179,960 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 2016 and the related information for each plan are as follows:

Annual required contribution	\$ 948,327
Interest on net OPEB obligation	241,258
Adjustment to the annual required contribution	<u>(329,137)</u>
Annual OPEB cost	860,448
Contributions made	<u>(179,960)</u>
Increase in net OPEB obligation	680,488
Net OPEB obligation at beginning of year	<u>5,361,279</u>
Net OPEB obligation at end of year	<u>\$ 6,041,767</u>

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

Year Ended	Annual OPEB Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/14	\$ 885,250	13%	\$ 4,621,669
12/31/15	872,571	15%	5,361,279
12/31/16	860,448	21%	6,041,767

**Exeter Township****Notes to Financial Statements**

December 31, 2016

**Note 15 - 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/>
Covered payroll	\$ 5,082,182
	<hr/>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	169%
	<hr/>
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, 2016

#### Note 15 - 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 16 - 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 2016, the Township remitted \$65,756 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

## **Exeter Township**

Notes to Financial Statements  
December 31, 2016

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### **Note 16 - Exeter Township Tax Increment Financing District (continued)**

At December 31, 2016, the outstanding balance was \$4,396,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

### **Note 17 - Restatement of 2015 Financial Statements**

The Township's beginning entity-wide, governmental activities and business-type activities, governmental funds, proprietary funds, and fiduciary funds net positions have been restated to properly reflect the conversion from the modified cash basis of accounting to the full accrual and modified accrual basis, as applicable.

### **Note 18 - Commitments and Contingencies**

#### **Commitments**

##### **Capital Projects**

The Township is committed to make payments on various capital construction projects in the approximate amount of \$1,673,100 at December 31, 2016.

##### **Leases**

The Township has entered into lease agreements for financing the acquisition of vehicles and other equipment. The leases have expiration dates extending through 2020.

As of December 31, 2016, the future minimum lease payments are as follows:

2017	\$	19,345
2018		17,182
2019		15,060
2020		<u>7,530</u>
	\$	<u>59,117</u>

#### **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.



**Exeter Township**

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Notes to Financial Statements  
December 31, 2016

**Note 18 - Commitments and Contingencies (continued)****Contingencies (continued)****Concentration of Labor**

The Township entered into a collective bargaining agreement with the Police Officers Association effective January 1, 2017 through December 31, 2032. 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, 39% is covered by the agreement with the police officers and 46% is covered by the agreement with the nonuniform employees.

**Note 19 - Subsequent Events**

The Township has evaluated subsequent events through September 22, 2017. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2016 were noted.

## Exeter Township

### Schedule of Changes in Net Pension Liability and Related Ratios - Police Pension Plan Last Ten Fiscal Years\*

	Years Ended December 31,	
	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 434,661	\$ 413,963
Interest	1,340,840	1,240,342
Benefit payments, including refunds of member contributions	<u>(350,500)</u>	<u>(590,938)</u>
<b>Net Change in Total Pension Liability</b>	1,425,001	1,063,367
<b>Total Pension Liability, Beginning</b>	<u>16,550,053</u>	<u>15,486,686</u>
<b>Total Pension Liability, Ending</b>	<u><u>\$ 17,975,054</u></u>	<u><u>\$ 16,550,053</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 485,992	\$ 577,080
Contributions - member	185,978	187,619
Net investment income	966,854	42,786
Benefit payments, including refunds of member contributions	<u>(350,500)</u>	<u>(590,938)</u>
Administrative expense	<u>(1,800)</u>	<u>(5,750)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	1,286,524	210,797
<b>Plan Net Position, Beginning</b>	<u>14,872,192</u>	<u>14,661,395</u>
<b>Plan Net Position, Ending</b>	<u><u>\$ 16,158,716</u></u>	<u><u>\$ 14,872,192</u></u>
<b>Township's Net Pension Liability</b>	<u><u>\$ 1,816,338</u></u>	<u><u>\$ 1,677,861</u></u>
<b>Plan Net Position as a Percentage of the Total Pension Liability</b>	<u>89.9%</u>	<u>89.9%</u>
<b>Covered Employee Payroll</b>	<u><u>\$ 2,491,272</u></u>	<u><u>\$ 2,510,781</u></u>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u>72.9%</u>	<u>66.8%</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 Changes in Net Pension Liability and Related Ratios - Employees' Pension Plan Last Ten Fiscal Years\*

	Years Ended December 31,	
	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 49,007	\$ 46,673
Interest	148,916	137,586
Benefit payments, including refunds of member contributions	<u>(25,698)</u>	<u>(25,698)</u>
<b>Net Change in Total Pension Liability</b>	172,225	158,561
<b>Total Pension Liability, Beginning</b>	<u>1,900,040</u>	<u>1,741,479</u>
<b>Total Pension Liability, Ending</b>	<u>\$ 2,072,265</u>	<u>\$ 1,900,040</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 114,937	\$ 124,753
Net investment income (loss)	72,077	(19,771)
Benefit payments, including refunds of member contributions	(25,698)	(25,698)
Administrative expense	<u>(3,250)</u>	<u>(4,150)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	158,066	75,134
<b>Plan Net Position, Beginning</b>	<u>1,510,034</u>	<u>1,434,900</u>
<b>Plan Net Position, Ending</b>	<u>\$ 1,668,100</u>	<u>\$ 1,510,034</u>
<b>Township's Net Pension Liability</b>	<u>\$ 404,165</u>	<u>\$ 390,006</u>
<b>Plan Net Position as a Percentage of the Total Pension Liability</b>	<u>80.5%</u>	<u>79.5%</u>
<b>Covered Employee Payroll</b>	<u>\$ 431,842</u>	<u>\$ 484,984</u>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u>93.6%</u>	<u>80.4%</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>
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%
2016	485,992	485,992	-	2,491,272	19.51%

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>	1/1/2015
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	9 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, 2015

**Exeter Township**

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

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
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%
2016	114,937	114,937	-	431,842	26.62%

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>	1/1/2015
<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, 2015

**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 - General Fund  
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Real estate	\$ 2,938,053	\$ 2,938,053	\$ 2,864,148	\$ (73,905)
Real estate transfer	330,000	330,000	829,882	499,882
Per capita	73,000	73,000	70,495	(2,505)
Earned income	3,535,000	3,535,000	3,591,618	56,618
Local services	325,000	325,000	326,086	1,086
Business privilege	470,000	470,000	487,766	17,766
Licenses and permits	368,000	368,000	370,891	2,891
Fines and forfeits	119,000	119,000	122,156	3,156
Interest and rents	37,661	37,661	39,186	1,525
Intergovernmental revenues	825,762	825,762	947,650	121,888
Charges for services	995,198	995,198	953,274	(41,924)
Miscellaneous	108,000	108,000	312,872	204,872
<b>Total Revenues</b>	<b>10,124,674</b>	<b>10,124,674</b>	<b>10,916,024</b>	<b>791,350</b>
<b>Expenditures</b>				
Current				
General government	923,802	923,802	1,636,281	(712,479)
Public safety	5,832,142	5,832,142	5,656,352	175,790
Health and human services	36,500	36,500	28,418	8,082
Public works, sanitation	204,814	204,814	181,656	23,158
Public works, highways and streets	1,770,873	1,770,873	1,691,725	79,148
Culture and recreation	629,696	629,696	654,075	(24,379)
Community development	43,880	43,880	51,571	(7,691)
Debt service				
Principal	300,630	300,630	306,264	(5,634)
Interest	52,705	52,705	53,693	(988)
Benefits	31,500	31,500	210,289	(178,789)
Property and casualty insurance	228,390	228,390	224,079	4,311
Capital outlay	94,345	94,345	70,594	23,751
Miscellaneous	175,250	175,250	166,630	8,620
<b>Total Expenditures</b>	<b>10,324,527</b>	<b>10,324,527</b>	<b>10,931,627</b>	<b>(607,100)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>				
	<b>(199,853)</b>	<b>(199,853)</b>	<b>(15,603)</b>	<b>184,250</b>

**Exeter Township**Budgetary Comparison Schedule - General Fund (continued)  
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 350,000	\$ 350,000	\$ 351,900	\$ 1,900
Transfers out	-	-	(53,200)	(53,200)
Proceeds from disposal of assets	-	-	3,160	3,160
<b>Total Other Financing Sources (Uses)</b>	<u>350,000</u>	<u>350,000</u>	<u>301,860</u>	<u>(48,140)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 150,147</u>	<u>\$ 150,147</u>	<u>286,257</u>	<u>\$ 136,110</u>
<b>Fund Balance at Beginning of Year</b>			<u>3,505,160</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 3,791,417</u>	



## **Exeter Township**

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Note to Budgetary Comparison Schedule  
December 31, 2016

### **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.

**Exeter Township**

Combining Balance Sheet - Other Governmental Funds  
December 31, 2016

	Special Revenue Funds						Capital Project Funds						Debt Service Fund	Total Other Governmental Funds
	Utility	Fire	Detention Pond/ Storm Water	K-8	Park Improvement	State Liquid Fuels Highway Aid	Capital Expenditure	GOB 2008 Capital Projects	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
<b>Assets</b>														
Cash, unrestricted	\$ 23,038	\$ 23,667	\$ 82,320	\$ -	\$ 42,803	\$ -	\$ 388,834	\$ -	\$ -	\$ -	\$ 880,843	\$ -	\$ -	\$ 1,418,505
Cash, restricted	-	-	-	11,784	-	73,012	-	1,221,372	212,104	-	-	35,458	855,475	2,508,213
Due (to) from other funds	-	-	-	-	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Taxes receivable	8,514	41,884	-	-	-	-	-	-	-	-	-	-	34,588	85,977
<b>Total Assets</b>	<b>\$ 32,552</b>	<b>\$ 65,531</b>	<b>\$ 82,320</b>	<b>\$ 11,784</b>	<b>\$ 42,803</b>	<b>\$ 73,012</b>	<b>\$ 388,834</b>	<b>\$ 1,221,372</b>	<b>\$ 212,104</b>	<b>\$ -</b>	<b>\$ 880,843</b>	<b>\$ 35,458</b>	<b>\$ 840,074</b>	<b>\$ 3,884,085</b>
<b>Liabilities</b>														
Accounts payable	\$ 7,483	\$ 150	\$ -	\$ -	\$ -	\$ 384	\$ 5,488	\$ 20,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,288
<b>Deferred Inflows or Resources</b>														
Unavailable revenue, property taxes	7,483	34,127	-	-	-	-	-	-	-	-	-	-	28,204	88,814
<b>Fund Balances</b>														
Restricted	-	-	-	11,784	-	72,828	-	1,201,048	212,104	-	-	35,458	-	1,533,031
Committed	17,128	31,254	82,320	-	42,803	-	381,348	-	-	-	880,843	-	811,870	2,227,582
<b>Total Fund Balances</b>	<b>17,128</b>	<b>31,254</b>	<b>82,320</b>	<b>11,784</b>	<b>42,803</b>	<b>72,828</b>	<b>381,348</b>	<b>1,201,048</b>	<b>212,104</b>	<b>-</b>	<b>880,843</b>	<b>35,458</b>	<b>811,870</b>	<b>3,780,583</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 32,552</b>	<b>\$ 65,531</b>	<b>\$ 82,320</b>	<b>\$ 11,784</b>	<b>\$ 42,803</b>	<b>\$ 73,012</b>	<b>\$ 388,834</b>	<b>\$ 1,221,372</b>	<b>\$ 212,104</b>	<b>\$ -</b>	<b>\$ 880,843</b>	<b>\$ 35,458</b>	<b>\$ 840,074</b>	<b>\$ 3,884,085</b>

**Exeter Township**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds  
 Year Ended December 31, 2016

	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	GOB 2008 Capital Projects	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement		
<b>Revenues</b>														
Taxes, real estate	\$ 206,887	\$ 774,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 636,852	\$ 1,822,884
Interest and rents	181	1,018	202	31	83	731	44,387	3,560	481	504	1,788	88	1,730	54,825
Intergovernmental revenues	-	-	-	-	-	813,125	-	15,000	-	-	-	-	-	828,125
Charges for services	-	-	-	-	15,812	-	-	-	-	-	-	-	-	15,812
Miscellaneous	-	-	2,183	875	-	-	-	4,817	-	-	-	-	-	7,855
<b>Total Revenues</b>	<b>206,078</b>	<b>775,264</b>	<b>2,385</b>	<b>706</b>	<b>15,705</b>	<b>813,856</b>	<b>44,387</b>	<b>23,377</b>	<b>481</b>	<b>504</b>	<b>1,788</b>	<b>88</b>	<b>841,582</b>	<b>2,529,201</b>
<b>Expenditures</b>														
Current														
Public safety	105,001	852,588	-	-	-	-	88,451	-	-	-	18,000	-	-	875,041
Public works, highways and streets	81,780	740	-	-	-	179,308	-	-	-	-	-	-	-	271,838
Culture and recreation	-	-	-	-	16,887	-	-	-	-	-	-	-	-	16,887
Community development	2,164	-	-	-	-	-	-	-	-	-	-	-	12,021	14,185
Debt service														
Principal	-	18,703	-	-	-	87,582	41,815	-	-	-	-	-	224,000	373,200
Interest	-	-	-	-	-	5,825	-	-	-	-	-	-	488,747	475,372
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	213,751	213,751
Capital outlay	-	-	-	-	-	581,812	36,458	352,288	18,838	-	-	-	-	1,000,408
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	2,038	2,038
<b>Total Expenditures</b>	<b>188,855</b>	<b>873,032</b>	<b>-</b>	<b>-</b>	<b>16,887</b>	<b>884,328</b>	<b>177,825</b>	<b>352,288</b>	<b>18,838</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>821,558</b>	<b>3,242,722</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>10,123</b>	<b>102,232</b>	<b>2,386</b>	<b>706</b>	<b>(1,182)</b>	<b>(60,472)</b>	<b>(133,438)</b>	<b>(328,922)</b>	<b>(18,347)</b>	<b>504</b>	<b>(16,202)</b>	<b>88</b>	<b>(278,976)</b>	<b>(713,521)</b>
<b>Other Financing Sources (Uses)</b>														
Debt proceeds	-	-	-	-	-	118,100	-	-	-	-	-	-	7,005,000	7,123,100
Discount on refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	28,788	28,788
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	(7,487,504)	(7,487,504)
Transfers in	-	-	-	-	-	-	53,200	1,528,871	25,000	-	146,318	-	883,083	2,737,550
Transfers out	(25,000)	(148,318)	-	(1,800)	-	-	-	-	-	(888,844)	-	-	(150,000)	(1,010,080)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,000)</b>	<b>(148,318)</b>	<b>-</b>	<b>(1,800)</b>	<b>-</b>	<b>118,100</b>	<b>53,200</b>	<b>1,528,871</b>	<b>25,000</b>	<b>(888,844)</b>	<b>146,318</b>	<b>-</b>	<b>388,327</b>	<b>1,381,854</b>
<b>Net Change in Fund Balances</b>	<b>(14,877)</b>	<b>(44,084)</b>	<b>2,386</b>	<b>(1,184)</b>	<b>(1,182)</b>	<b>67,628</b>	<b>(80,238)</b>	<b>1,201,049</b>	<b>5,653</b>	<b>(888,340)</b>	<b>130,114</b>	<b>88</b>	<b>89,351</b>	<b>688,333</b>
<b>Fund Balances at Beginning of Year</b>	<b>32,003</b>	<b>75,338</b>	<b>78,855</b>	<b>12,888</b>	<b>43,885</b>	<b>5,000</b>	<b>481,584</b>	<b>-</b>	<b>208,451</b>	<b>888,340</b>	<b>730,728</b>	<b>35,388</b>	<b>722,518</b>	<b>3,082,260</b>
<b>Fund Balances at End of Year</b>	<b>\$ 17,126</b>	<b>\$ 31,254</b>	<b>\$ 82,320</b>	<b>\$ 11,794</b>	<b>\$ 42,803</b>	<b>\$ 72,628</b>	<b>\$ 381,346</b>	<b>\$ 1,201,049</b>	<b>\$ 212,104</b>	<b>\$ -</b>	<b>\$ 880,843</b>	<b>\$ 35,458</b>	<b>\$ 811,870</b>	<b>\$ 3,780,593</b>

**Exeter Township**

Combining Statement of Net Position - Fiduciary Funds

December 31, 2016

	<b>Pension Trust Funds</b>		
	<b>Police Pension Fund</b>	<b>Employees' Pension Fund</b>	<b>Total Pension Trust Funds</b>
<b>Assets</b>			
Cash	\$ 269,912	\$ 16,271	\$ 286,183
Investments	15,888,804	1,651,828	17,540,632
<b>Total Assets</b>	<b>\$ 16,158,716</b>	<b>\$ 1,668,099</b>	<b>\$ 17,826,815</b>
<b>Net Position</b>			
Assets held in trust for pension benefits	\$ 16,158,716	\$ 1,668,099	\$ 17,826,815

## Exeter Township

Combining Statement of Changes in Net Position - Fiduciary Funds

Year Ended December 31, 2016

	Pension Trust Funds		
	Police Pension Fund	Employees' Pension Fund	Total Pension Trust Funds
<b>Additions</b>			
Contributions			
Employer	\$ 485,992	\$ 114,937	\$ 600,929
Employee	185,978	-	185,978
Total contributions	671,970	114,937	786,907
Investment income			
Realized and unrealized losses on investments	662,975	70,314	733,289
Interest and dividends	396,144	18,324	414,468
Total investment income	1,059,119	88,638	1,147,757
<b>Total Additions</b>	<b>1,731,089</b>	<b>203,575</b>	<b>1,934,664</b>
<b>Deductions</b>			
Benefit payments	350,500	25,698	376,198
Administrative expenses	94,065	19,814	113,879
<b>Total Deductions</b>	<b>444,565</b>	<b>45,512</b>	<b>490,077</b>
<b>Change in Net Position</b>	<b>1,286,524</b>	<b>158,063</b>	<b>1,444,587</b>
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<b>14,872,192</b>	<b>1,510,036</b>	<b>16,382,228</b>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<b>\$ 16,158,716</b>	<b>\$ 1,668,099</b>	<b>\$ 17,826,815</b>



**EXETER TOWNSHIP,  
BERKS COUNTY, PENNSYLVANIA**

**ANNUAL FINANCIAL REPORT**

***Year Ended December 31, 2017***



*Expertise Beyond The Numbers*®

*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**



**EXETER TOWNSHIP**  
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**YEAR ENDED DECEMBER 31, 2017**

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**YEAR ENDED DECEMBER 31, 2017**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Supervisors  
Exeter Township  
Exeter, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Exeter Township (the Township), Berks County, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Exeter 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Basis for Adverse Opinion***

As discussed in Note B to the financial statements, the Township has not recorded capital assets and depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated. The amount by which this departure would affect assets, net position, and changes in fund balance/net position is not reasonably determinable.

To the Board of Supervisors  
Exeter Township  
Exeter, Pennsylvania

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the statement of net position, statement of activities, statement of net position - proprietary funds, statement of revenues, expenditures and changes in net position - proprietary funds and statement of cash flows - proprietary funds do not present fairly the financial position of the governmental activities, business-type activities, and proprietary funds of the Township as of December 31, 2017, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the balance sheet - governmental funds, statement of revenues, expenditures, and changes in fund balances - governmental funds, statement of net position - fiduciary funds, and statement of changes in net position - fiduciary funds present fairly, in all material respects, the respective financial position of Exeter Township, Berks County, Pennsylvania, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 and other required supplementary information on pages 62 to 71 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 that collectively comprise Exeter Township's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the 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.



Oaks, Pennsylvania  
August 1, 2018

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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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, 2017. We encourage readers to consider the information presented here in conjunction with the Township's financial statements beginning on page 16.

#### FINANCIAL HIGHLIGHTS

- The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. The Township's financial statements do not include the recording of capital assets nor the related depreciation. Prior to fiscal year ended December 31, 2016, the Township financial statements were presented on the modified cash basis of accounting where only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded.
- Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position does include general obligation debt and other long-term liabilities associated with the capital assets. Depreciation is also not recorded in the Township's expenditures.
- Due to the Township not recording capital assets, the liabilities of Exeter Township exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$29,073,552. Current assets, which may be used to meet the Township's on-going obligations to citizens and creditors, totaled \$21,393,913 at December 31, 2017.
- As of the close of fiscal year 2017, Exeter Township's governmental funds reported combined ending fund balances of \$4,874,185. Approximately 58.0% of this total amount is available for spending at the Township's discretion (unassigned fund balance). The remaining 42% is held for specific expenditures and capital projects.
- At the end of fiscal year 2017, the unassigned fund balance for the General Fund was \$2,826,661.

#### OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to Exeter Township's basic financial statements. Exeter Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide the readers with a broad overview of Exeter Township's finances, in a manner similar to a private sector business.

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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The statement of net position presents information on all of Exeter Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Exeter Township is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Exeter Township that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Exeter Township include general government, public safety, health and human services, highways and streets, culture and recreation, community development, debt service, benefits, property and casualty insurance, capital outlay and miscellaneous. The business-type activities of Exeter Township include sewer and country club activities.

The government-wide financial statements can be found on pages 16 and 17 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Exeter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Exeter Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Exeter Township maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other 13 funds are combined into a single, aggregated presentation.



## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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Exeter Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

**Proprietary funds.** Exeter Township maintains one type of proprietary fund: enterprise funds to account for its sewer and country club operations. When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in proprietary funds. The Township's enterprise funds - the Sewer and Country Club Operations (components of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer and country club operations, both of which are considered to be major funds of Exeter Township.

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Exeter Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 61 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Exeter Township's Police and Employees' Pension Plans, post-employment benefits other than pensions and the budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 62 and 71 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the budgetary comparison schedule. Combining and individual fund statements and schedules can be found on pages 72 through 75 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Township's net position increased \$229,610 when comparing December 31, 2017 over the prior year. The Township's total liabilities exceed total assets due to the exclusion of capital assets (land, buildings, infrastructure, machinery and equipment) from the financial statements.

Governmental net position decreased \$3,326,996 while business-type activity net position increased \$3,556,606.



**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

A condensed summary of the Township's Statement of Net Position at December 31, 2017 and 2016 is presented below:

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Cash	\$ 4,985,924	\$ 7,279,510	\$ 4,143,947	\$ 3,788,994	\$ 9,129,871	\$ 11,068,504
Certificate of deposit	-	-	7,000,000	7,000,000	7,000,000	7,000,000
Receivables, prepaids and inventory	1,704,561	1,857,009	3,559,481	2,614,666	5,264,042	4,471,675
<b>TOTAL ASSETS</b>	<b>6,690,485</b>	<b>9,136,519</b>	<b>14,703,428</b>	<b>13,403,660</b>	<b>21,393,913</b>	<b>22,540,179</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	2,189,760	2,556,530	670,580	774,521	2,860,340	3,331,051
<b>LIABILITIES</b>						
Other liabilities	1,167,310	1,477,459	523,305	2,419,074	1,690,615	3,896,533
Long-term liabilities	28,441,593	29,044,415	21,571,893	22,233,444	50,013,486	51,277,859
<b>TOTAL LIABILITIES</b>	<b>29,608,903</b>	<b>30,521,874</b>	<b>22,095,198</b>	<b>24,652,518</b>	<b>51,704,101</b>	<b>55,174,392</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	1,427,163	-	196,541	-	1,623,704	-
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(19,422,283)	(19,803,790)	(20,539,401)	(22,390,955)	(39,961,684)	(42,194,745)
Restricted	1,142,882	1,669,865	-	-	1,142,882	1,669,865
Unrestricted	(3,876,420)	(694,900)	13,621,670	11,916,618	9,745,250	11,221,718
<b>TOTAL NET POSITION</b>	<b>\$ (22,155,821)</b>	<b>\$ (18,828,825)</b>	<b>\$ (6,917,731)</b>	<b>\$ (10,474,337)</b>	<b>\$ (29,073,552)</b>	<b>\$ (29,303,162)</b>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$9,745,250 and \$1,669,865 at December 31, 2017 and 2016, respectively, is restricted.

**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

**Statement of Activities**

For the year ended December 31, 2017 and 2016, net position of the Township changed as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,169,244	\$ 1,466,750	\$ 7,962,186	\$ 6,617,763	\$ 10,131,430	\$ 8,084,513
Operating grants and contributions	1,636,504	1,775,775	-	-	1,636,504	1,775,775
General revenues						
Taxes						
Real estate	4,560,166	4,464,152	-	-	4,560,166	4,464,152
Real estate transfer	556,148	829,882	-	-	556,148	829,882
Per capita	64,302	70,495	-	-	64,302	70,495
Earned income	3,594,487	3,537,569	-	-	3,594,487	3,537,569
Local services	393,276	353,830	-	-	393,276	353,830
Business privilege	668,460	496,583	-	-	668,460	496,583
Interest income	111,433	94,011	380,523	378,767	491,956	472,778
Proceeds from sale of assets	28,002	3,160	-	-	28,002	3,160
Miscellaneous	171,482	315,710	-	-	171,482	315,710
<b>TOTAL REVENUES</b>	<b>13,953,504</b>	<b>13,407,917</b>	<b>8,342,709</b>	<b>6,996,530</b>	<b>22,296,213</b>	<b>20,404,447</b>
<b>EXPENDITURES</b>						
General government	3,056,259	1,647,433	-	-	3,056,259	1,647,433
Public safety	9,430,731	7,159,396	-	-	9,430,731	7,159,396
Health and human services	-	28,418	-	-	-	28,418
Public works - sanitation	227,775	181,656	-	-	227,775	181,656
Public works - highways and streets	2,834,280	2,013,370	-	-	2,834,280	2,013,370
Culture and recreation	1,068,242	680,735	-	-	1,068,242	680,735
Community development	138,708	65,756	-	-	138,708	65,756
Debt service	695,851	904,427	-	-	695,851	904,427
Insurance	417,825	434,368	-	-	417,825	434,368
Capital outlay	-	1,071,002	-	-	-	1,071,002
Sewer	-	-	3,320,993	3,705,985	3,320,993	3,705,985
Country club	-	-	870,242	730,900	870,242	730,900
Miscellaneous	5,697	168,669	-	-	5,697	168,669
<b>TOTAL EXPENDITURES</b>	<b>17,875,368</b>	<b>14,355,230</b>	<b>4,191,235</b>	<b>4,436,885</b>	<b>22,066,603</b>	<b>18,792,115</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,921,864)</b>	<b>(947,313)</b>	<b>4,151,474</b>	<b>2,559,645</b>	<b>229,610</b>	<b>1,612,332</b>
<b>TRANSFERS</b>	<b>594,868</b>	<b>2,026,190</b>	<b>(594,868)</b>	<b>(2,026,190)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(3,326,996)</b>	<b>1,078,877</b>	<b>3,556,606</b>	<b>533,455</b>	<b>229,610</b>	<b>1,612,332</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>(18,828,825)</b>	<b>(19,907,702)</b>	<b>(10,474,337)</b>	<b>(11,007,792)</b>	<b>(29,303,162)</b>	<b>(30,915,494)</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ (22,155,821)</b>	<b>\$ (18,828,825)</b>	<b>\$ (6,917,731)</b>	<b>\$ (10,474,337)</b>	<b>\$ (29,073,552)</b>	<b>\$ (29,303,162)</b>

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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The following table depicts revenues by source for governmental activities in 2017:

#### Revenues by Source - Governmental Activities

Property taxes	\$	4,560,166	32.68%
Earned income taxes		3,594,487	25.76%
Charges for services		2,169,244	15.55%
Operating grants and contributions		1,636,504	11.73%
Business privilege taxes		668,460	4.79%
Real estate transfer taxes		556,148	3.99%
Taxes - other		457,578	3.27%
Interest and rents		111,433	0.80%
Other		199,484	1.43%
		<u>13,953,504</u>	<u>100.00%</u>
TOTAL	\$	<u>13,953,504</u>	<u>100.00%</u>

Government-wide revenues were primarily derived from property tax collections at 32.68% and earned income tax collections at 25.76% of the total. Charges for services, at 15.55%, are the third largest source of revenue.

For the years ended December 31, 2017 and 2016, total revenues for governmental activities amounted to \$13,953,504 and \$13,407,917, respectively.

The following table depicts an expense breakdown for governmental activities in 2017:

#### Expenses - Governmental Activities

Public safety	\$	9,430,731	52.76%
General government		3,056,259	17.10%
Highways and streets		2,834,280	15.86%
Culture and recreation		1,068,242	5.98%
Debt service		695,851	3.89%
Other		790,005	4.42%
		<u>17,875,368</u>	<u>100.00%</u>
TOTAL	\$	<u>17,875,368</u>	<u>100.00%</u>

The expenses reflect the delivery of a wide range of services, with the largest being public safety at 52.76%. The second largest program is general government at 17.10%.

Governmental activities decreased Exeter Township's net position by \$3,326,996.

## **EXETER TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017**

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#### Noteworthy events in 2017:

- The Township's real estate tax for 2017 was 2.145 mills for general purposes, .605 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. Real estate tax increased \$96,014 or 2% from 2016.
- Real estate transfer tax decreased \$273,734 in 2017 due to the Exeter Commons retail property ownership transfer which occurred in 2016.
- Earned income tax increased \$56,918 or 2% from 2016.
- Local services tax increased \$39,446 or 11% from 2016.
- Business privilege tax increased \$171,877 or 35% from 2016. The Township retained a new business privilege tax collection agency in 2016. The discovery actions of the new agency resulted in a more robust annual revenue stream.

#### **Business-Type Activities**

A review of the business-type activities for the year ended December 31, 2017 resulted in changes in net position for both the Sewer Fund and Country Club of \$3,813,249 and \$(256,643), respectively. Operating income for the Sewer Fund was \$4,433,156 compared to \$2,624,841 for the year ended December 31, 2016. Country Club operating income was \$36,429 compared to \$345,385 for the year ended December 31, 2016.

**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

Business-type activities increased Exeter Township's net position by \$3,556,606 in 2017.

	Sewer		Country Club		Totals	
	2017	2016	2017	2016	2017	2016
<b>OPERATING REVENUES</b>						
Sewer charges	\$ 6,924,015	\$ 5,421,493	\$ -	\$ -	\$ 6,924,015	\$ 5,421,493
Tapping fees	36,695	31,420	-	-	36,695	31,420
Charges for services	-	-	662,636	775,066	662,636	775,066
Lease rental revenues	-	-	244,035	301,219	244,035	301,219
Miscellaneous	94,805	88,565	-	-	94,805	88,565
<b>TOTAL OPERATING REVENUES</b>	<b>7,055,515</b>	<b>5,541,478</b>	<b>906,671</b>	<b>1,076,285</b>	<b>7,962,186</b>	<b>6,617,763</b>
<b>OPERATING EXPENDITURES</b>						
Wastewater collection and treatment	2,622,359	2,916,637	-	-	2,622,359	2,916,637
Culture and recreation expenses	-	-	870,242	730,900	870,242	730,900
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,622,359</b>	<b>2,916,637</b>	<b>870,242</b>	<b>730,900</b>	<b>3,492,601</b>	<b>3,647,537</b>
<b>OPERATING INCOME</b>	<b>4,433,156</b>	<b>2,624,841</b>	<b>36,429</b>	<b>345,385</b>	<b>4,469,585</b>	<b>2,970,226</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	378,727	377,652	1796	115	380,523	378,767
Debt service						
Interest	(698,634)	(787,905)	-	-	(698,634)	(787,905)
Fiscal agent fees	-	(1,443)	-	-	-	(1,443)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(319,907)</b>	<b>(411,696)</b>	<b>1796</b>	<b>115</b>	<b>(318,111)</b>	<b>(410,581)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>4,113,249</b>	<b>2,213,145</b>	<b>38,225</b>	<b>346,500</b>	<b>4,151,474</b>	<b>2,559,645</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	20,673	-	20,673
Transfers out	(300,000)	(1,729,971)	(294,868)	(316,892)	(594,868)	(2,046,863)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(300,000)</b>	<b>(1,729,971)</b>	<b>(294,868)</b>	<b>(296,219)</b>	<b>(594,868)</b>	<b>(2,026,190)</b>
<b>CHANGE IN NET POSITION</b>	<b>3,813,249</b>	<b>483,174</b>	<b>(256,643)</b>	<b>50,281</b>	<b>3,556,606</b>	<b>533,455</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>(10,745,028)</b>	<b>(11,228,202)</b>	<b>270,691</b>	<b>220,410</b>	<b>(10,474,337)</b>	<b>(11,007,792)</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (6,931,779)</b>	<b>\$ (10,745,028)</b>	<b>\$ 14,048</b>	<b>\$ 270,691</b>	<b>\$ (6,917,731)</b>	<b>\$ (10,474,337)</b>

## EXETER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2017

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### 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:

- Capital Projects Fund - During 2017, the following equipment was purchased:
  - \* 2018 Ford F-550 with lift gate
  - \* 2018 Chevrolet Silverado 3500H
  - \* 2017 Ford Explorer
  - \* 2017 Ford Utility Police Interceptor
  - \* 2017 Ford Utility Police Interceptor
  - \* 2017 Chevrolet Tahoe
  - \* 2017 Chevrolet Tahoe
  - \* 2017 Chevrolet Tahoe
  - \* 2017 Ford Fusion
  - \* Crafcoc crack sealer
  - \* 2017 Elgin Whirlwind street sweeper
  - \* Erskine Model 925FM snowblower
  - \* Pole building for ambulance building
  - \* Rooftop HVAC replacement at Reading Country Club
  - \* Food service equipment and building upgrades at Reading Country Club
  - \* Sewer treatment equipment (headworks fan, collector chain, chopper pumps, & flame bank assembly)
  - \* Lorane Hollow Park upgrades
  - \* Engineering Department Office Furniture
- Capital Improvement Fund - \$48,000 was expended to install LED street light fixtures in the Reiffon area.
- Apparatus Fund – a 2017 Seagrave Marauder Rescue Engine was purchased for \$722,007.

### **Capital Assets**

Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position includes general obligation debt and other long-term liabilities associated with the capital assets. At December 31, 2017, the capital assets associated with \$39,961,684 in long-term liabilities not included on the Statement of Net Position resulted in a deficit Net Position of \$29,073,552.

Depreciation is also not included in the Township's expenditures.

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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#### Long-Term Debt

As of December 31, 2017, the Township had \$20,620,351 and \$20,775,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note H to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
BEGINNING BALANCE AT JANUARY 1, 2017	\$ 21,203,644	\$ 22,605,000
Principal payments	<u>(583,293)</u>	<u>(1,830,000)</u>
ENDING BALANCE AT DECEMBER 31, 2017	<u>\$ 20,620,351</u>	<u>\$ 20,775,000</u>

#### Budgetary Highlights

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

For the year ended December 31, 2017, General Fund revenues were over budgetary estimates by \$1,472,036. Real estate transfer tax was \$220,942 over budget. Earned income tax was \$88,703 over budget. Business privilege tax was \$183,849 over budget. Landfill host fees were \$200,000 over budget. Engineering fees were \$69,303 over budget. General Fund expenditures were over budget \$1,441,363 which was mostly attributable to increased legal fees.

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

##### Overview

The Township continued to institute a number of positive initiatives in 2017 that will positively impact the Township not only in 2018 but for many years into the future. Several of these changes have their origin with Exeter's participation in the Early Intervention Program funded through the Pennsylvania Department of Community and Economic Development.

The new collection agency retained for the collection of the Business Privilege Tax exceeded expectations. The actual collections for 2017 totaled \$631,849 which exceeded budget by \$183,849.

Following an analysis of the cost to operate and maintain the Brush Recycling Center at Trout Run, the Board decided to outsource the mulching operation and to reduce the hours of availability for mulch. The Township reassigned the employee working at that site to the Highway Department. This effort resulted in a savings to the Township of \$80,000.

The most important action undertaken in 2017 was the authorization to accept proposals from qualified vendors for the potential sale of the wastewater system. The Township accepted proposals and reviewed them during the year.

To assist with the potential sale of the wastewater system, the Township applied for and received an Early Intervention Program Phase 3 grant from the Pennsylvania Department of Community and Economic Development in the amount of \$80,000. This funding assisted the Township in determining the potential use of proceeds of a sale and the impact on the General Fund that the use of the proceeds would have.

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

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The Township embarked on a Master Plan for the Township wide park and recreation system. This endeavor was funded in part (50%) from a grant from the Pennsylvania Department of Conservation and Natural Resources.

#### Employment Base

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

<u>Employer</u>	<u>Number of Employees</u>
Boscov's	960
Godiva Chocolatier	529
Wal-Mart	318
Giant Food Stores	231
Fairlane Gardens	144
Genesis Eldercare, Berkshire Center	153
Lowe's	141
Target	131
Redner's	100
Home Depot	96

#### Capital Projects

During 2018, the Township has budgeted to 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:

- Lorane Hollow Park Improvements \$100,000
- Traffic Camera Installation (Gibraltar/DeMoss/422) 69,000
- Trout Run Master Plan 36,000
- Dunn Center Improvements 25,000
- Reiffton LED Street Light Installation (Phase II) 17,000

#### Budget Highlights

All of these factors were considered in preparing the Township's budget for the 2018 fiscal year. General Fund revenues are anticipated to decrease 1.9 percent to \$11,499,373. Expenditures are budgeted to decrease 3.1 percent to \$11,894,605. Other governmental fund revenues for 2018 are budgeted at \$2,878,187 while expenditures are budgeted at \$2,975,963. The excess of expenditures over revenues will be covered by the fund balances at December 31, 2017. Proprietary fund revenues are budgeted at \$7,550,972 while expenditures are budgeted at \$6,907,047.

#### **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Exeter Township's finances for all those with an interest in the government's finances. If you have any questions about this report or need additional financial information, contact the Finance Director at Exeter Township, 4975 DeMoss Road, Reading, PA 19606.



**EXETER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash - unrestricted	\$ 3,640,785	\$ 4,143,947	\$ 7,784,732
Cash - restricted	1,345,139	-	1,345,139
Certificate of deposit	-	7,000,000	7,000,000
Accounts receivable	183,614	3,307,684	3,491,298
Accrued interest receivable	-	150,653	150,653
Taxes receivable	1,464,764	-	1,464,764
Prepays	56,183	26,848	83,031
Inventory	-	38,402	38,402
Net pension asset	-	35,894	35,894
TOTAL ASSETS	<u>6,690,485</u>	<u>14,703,428</u>	<u>21,393,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refinancing	1,555,747	625,601	2,181,348
Pension	634,013	44,979	678,992
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,189,760</u>	<u>670,580</u>	<u>2,860,340</u>
<b>LIABILITIES</b>			
Accounts payable	504,350	105,301	609,651
Accrued salaries	347,688	47,166	394,854
Accrued interest payable	265,370	303,807	569,177
Deposits held in escrow	49,902	30,000	79,902
Unearned revenues	-	37,031	37,031
Long-term liabilities			
Bonds and notes payable, current portion	591,716	1,920,000	2,511,716
Bonds and notes payable, long-term portion	19,999,519	19,245,002	39,244,521
Capital leases, current portion	96,191	-	96,191
Capital leases, long-term portion	290,604	-	290,604
Compensated absences payable	915,603	107,432	1,023,035
Net pension liability	32,381	-	32,381
OPEB liability	6,515,579	299,459	6,815,038
TOTAL LIABILITIES	<u>29,608,903</u>	<u>22,095,198</u>	<u>51,704,101</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	1,427,163	196,541	1,623,704
<b>NET POSITION</b>			
Net investment in capital assets	(19,422,283)	(20,539,401)	(39,961,684)
Restricted	1,142,882	-	1,142,882
Unrestricted	(3,876,420)	13,621,670	9,745,250
TOTAL NET POSITION	<u>\$ (22,155,821)</u>	<u>\$ (6,917,731)</u>	<u>\$ (29,073,552)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 3,056,259	\$ 861,416	\$ 189,734
Public safety	9,430,731	417,693	576,209
Public works - sanitation	227,775	742,905	-
Public works - highways and streets	2,834,280	20,416	870,561
Culture and recreation	1,068,242	126,814	-
Community development	138,708	-	-
Debt service	695,851	-	-
Insurance	417,825	-	-
Miscellaneous	5,697	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,875,368</b>	<b>2,169,244</b>	<b>1,636,504</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Sewer	3,320,993	7,055,515	-
Country Club	870,242	906,671	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>4,191,235</b>	<b>7,962,186</b>	<b>-</b>
	<b>\$ 22,066,603</b>	<b>\$ 10,131,430</b>	<b>\$ 1,636,504</b>

**GENERAL REVENUES**

Taxes

Real estate taxes  
Real estate transfer  
Per capita  
Earned income  
Local services  
Business privilege

Interest income

Proceeds from disposal of assets

Miscellaneous

**TRANSFERS (TO) AND FROM OTHER FUNDS**

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (2,005,109)	\$ -	\$ (2,005,109)
(8,436,829)	-	(8,436,829)
515,130	-	515,130
(1,943,303)	-	(1,943,303)
(941,428)	-	(941,428)
(138,708)	-	(138,708)
(695,851)	-	(695,851)
(417,825)	-	(417,825)
<u>(5,697)</u>	<u>-</u>	<u>(5,697)</u>
<u>(14,069,620)</u>	<u>-</u>	<u>(14,069,620)</u>
-	3,734,522	3,734,522
-	36,429	36,429
<u>-</u>	<u>3,770,951</u>	<u>3,770,951</u>
<u>(14,069,620)</u>	<u>3,770,951</u>	<u>(10,298,669)</u>
4,560,166	-	4,560,166
556,148	-	556,148
64,302	-	64,302
3,594,487	-	3,594,487
393,276	-	393,276
668,460	-	668,460
111,433	380,523	491,956
28,002	-	28,002
171,482	-	171,482
<u>594,868</u>	<u>(594,868)</u>	<u>-</u>
<u>10,742,624</u>	<u>(214,345)</u>	<u>10,528,279</u>
(3,326,996)	3,556,606	229,610
<u>(18,828,825)</u>	<u>(10,474,337)</u>	<u>(29,303,162)</u>
<u>\$ (22,155,821)</u>	<u>\$ (6,917,731)</u>	<u>\$ (29,073,552)</u>

**EXETER TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash, unrestricted	\$ 2,788,011	\$ 852,774	\$ 3,640,785
Cash, restricted	83,009	1,262,130	1,345,139
Accounts receivable	183,614	-	183,614
Taxes receivable	1,396,638	68,126	1,464,764
Prepays	56,183	-	56,183
	<u>4,507,455</u>	<u>2,183,030</u>	<u>6,690,485</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,507,455</b>	<b>\$ 2,183,030</b>	<b>\$ 6,690,485</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 363,229	\$ 141,121	\$ 504,350
Accrued salaries	347,688	-	347,688
Deposits held in escrow	49,902	-	49,902
<b>TOTAL LIABILITIES</b>	<u>760,819</u>	<u>141,121</u>	<u>901,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	107,951	50,568	158,519
Unavailable revenue, earned income taxes	755,841	-	755,841
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>863,792</u>	<u>50,568</u>	<u>914,360</u>
<b>FUND BALANCES</b>			
Nonspendable	56,183	-	56,183
Restricted	-	1,142,882	1,142,882
Committed	-	848,612	848,612
Unassigned	2,826,661	(153)	2,826,508
<b>TOTAL FUND BALANCES</b>	<u>2,882,844</u>	<u>1,991,341</u>	<u>4,874,185</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,507,455</b>	<b>\$ 2,183,030</b>	<b>\$ 6,690,485</b>

See accompanying notes to the basic financial statements.

## EXETER TOWNSHIP

### RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

---

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 4,874,185
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	914,360
Deferred outflows of resources related to the refinancing of debt will not be paid or received in the current period and, therefore, are not reported in the funds.	1,555,747
Deferred outflows and inflows of resources related to the pension plans will not be paid or received in the current period and, therefore, are not reported in the funds	(793,150)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in as liabilities in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2017 are as follows:</p>	
Bonds and notes payable	(20,620,351)
Bond premium	(4,297)
Bond discounts	33,413
Capital leases	(386,795)
Accrued interest payable	(265,370)
Net pension liability	(32,381)
OPEB liability	(6,515,579)
Compensated absences payable	(915,603)
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ (22,155,821)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Real estate	\$ 2,949,612	\$ 1,657,925	\$ 4,607,537
Real estate transfer	556,148	-	556,148
Per capita	64,302	-	64,302
Earned income	3,649,556	-	3,649,556
Local services	393,276	-	393,276
Business privilege	668,460	-	668,460
Licenses and permits	864,268	-	864,268
Fines and forfeits	107,555	-	107,555
Interest and rents	43,728	67,705	111,433
Intergovernmental revenues	747,031	846,855	1,593,886
Charges for services	1,197,671	20,000	1,217,671
Miscellaneous	172,204	21,646	193,850
<b>TOTAL REVENUES</b>	<u>11,413,811</u>	<u>2,614,131</u>	<u>14,027,942</u>
<b>EXPENDITURES</b>			
Current			
General government	2,311,127	669,728	2,980,855
Public safety	6,839,955	1,770,613	8,610,568
Public works - sanitation	227,775	-	227,775
Public works - highway and streets	1,508,682	1,302,531	2,811,213
Culture and recreation	875,618	178,213	1,053,831
Community development	105,147	33,561	138,708
Debt service			
Principal	316,675	336,912	653,587
Interest	47,582	605,560	653,142
Insurance	417,825	-	417,825
Miscellaneous	-	5,697	5,697
<b>TOTAL EXPENDITURES</b>	<u>12,650,386</u>	<u>4,902,815</u>	<u>17,553,201</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(1,236,575)</u>	<u>(2,288,684)</u>	<u>(3,525,259)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	-	224,564	224,564
Transfers in	300,000	517,274	817,274
Transfers out	-	(222,406)	(222,406)
Proceeds from disposal of assets	28,002	-	28,002
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>328,002</u>	<u>519,432</u>	<u>847,434</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(908,573)</u>	<u>(1,769,252)</u>	<u>(2,677,825)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,791,417</u>	<u>3,760,593</u>	<u>7,552,010</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,882,844</u>	<u>\$ 1,991,341</u>	<u>\$ 4,874,185</u>

See accompanying notes to the basic financial statements.

## EXETER TOWNSHIP

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,677,825)

The change in net position reported for governmental activities in the statement of activities is different because:

Some taxes will not be collected for several months after year-end. These taxes are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased (increased) by this amount during the year.

Real estate	(47,371)	
Earned income taxes	<u>(55,069)</u>	
		(102,440)

Governmental funds report interest paid on bonds payable as expenditures. However, in the statement of activities, interest is matched to the period in which it was incurred. This amount is the net effect of matching interest expense to the proper period.

4,807

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt uses current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effects of these differences in the current period are:

Principal repayments	583,293	
Amortization of premium discount, prepaid insurance, and refinancing loss	(45,516)	
Capital lease proceeds	(224,564)	
Payments on capital leases	<u>68,294</u>	
		381,507

Certain governmental activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension expense	253,813	
Compensated absences payable	(99,970)	
Other postemployment benefits (OPEB) liability	<u>(1,086,888)</u>	
		(933,045)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,326,996)

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash, unrestricted	\$ 4,036,528	\$ 107,419	\$ 4,143,947
Certificate of deposit	7,000,000	-	7,000,000
Accounts receivable	3,307,684	-	3,307,684
Accrued interest receivable	150,653	-	150,653
Prepays	26,848	-	26,848
Inventory	-	38,402	38,402
Net pension asset	35,894	-	35,894
TOTAL CURRENT ASSETS	<u>14,557,607</u>	<u>145,821</u>	<u>14,703,428</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refinancing	625,601	-	625,601
Pension	44,979	-	44,979
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>670,580</u>	<u>-</u>	<u>670,580</u>
<b>LIABILITIES</b>			
Accounts payable	44,851	60,450	105,301
Accrued salaries	37,874	9,292	47,166
Accrued interest payable	303,807	-	303,807
Deposits held in escrow	5,000	25,000	30,000
Unearned revenue	-	37,031	37,031
Bonds payable, current portion	1,920,000	-	1,920,000
Bonds payable, long-term portion	19,245,002	-	19,245,002
Compensated absences payable	107,432	-	107,432
OPEB liability	299,459	-	299,459
TOTAL LIABILITIES	<u>21,963,425</u>	<u>131,773</u>	<u>22,095,198</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	196,541	-	196,541
<b>NET POSITION</b>			
Net investment in capital assets	(20,539,401)	-	(20,539,401)
Unrestricted	13,607,622	14,048	13,621,670
TOTAL NET POSITION	<u>\$ (6,931,779)</u>	<u>\$ 14,048</u>	<u>\$ (6,917,731)</u>

See accompanying notes to the basic financial statements.



**EXETER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Sewer</u>	<u>Country Club</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Sewer charges	\$ 6,924,015	\$ -	\$ 6,924,015
Tapping fees	36,695	-	36,695
Charges for services	-	662,636	662,636
Lease rental revenue	-	244,035	244,035
Miscellaneous	94,805	-	94,805
<b>TOTAL OPERATING REVENUES</b>	<u>7,055,515</u>	<u>906,671</u>	<u>7,962,186</u>
<b>OPERATING EXPENSES</b>			
Wastewater collection treatment	2,622,359	-	2,622,359
Culture and recreation expenses	-	870,242	870,242
<b>TOTAL OPERATING EXPENSES</b>	<u>2,622,359</u>	<u>870,242</u>	<u>3,492,601</u>
<b>OPERATING INCOME</b>	<u>4,433,156</u>	<u>36,429</u>	<u>4,469,585</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	378,727	1,796	380,523
Debt service			
Interest	(698,634)	-	(698,634)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(319,907)</u>	<u>1,796</u>	<u>(318,111)</u>
<b>INCOME BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>4,113,249</u>	<u>38,225</u>	<u>4,151,474</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(300,000)	(294,868)	(594,868)
<b>CHANGE IN NET POSITION</b>	3,813,249	(256,643)	3,556,606
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>(10,745,028)</u>	<u>270,691</u>	<u>(10,474,337)</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ (6,931,779)</u>	<u>\$ 14,048</u>	<u>\$ (6,917,731)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Sewer	Country Club	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,107,493	\$ 840,093	\$ 6,947,586
Payments to suppliers	(1,278,405)	(366,555)	(1,644,960)
Payments to employees	(1,706,211)	(438,155)	(2,144,366)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,122,877</u>	<u>35,383</u>	<u>3,158,260</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund activity	(300,000)	(294,868)	(594,868)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	(762,212)	-	(762,212)
Principal paid on bonds	(1,830,000)	-	(1,830,000)
NET CASH USED BY IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,592,212)</u>	<u>-</u>	<u>(2,592,212)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	381,977	1,796	383,773
NET INCREASE (DECREASE) IN CASH	612,642	(257,689)	354,953
CASH AT BEGINNING OF YEAR	<u>3,423,886</u>	<u>365,108</u>	<u>3,788,994</u>
CASH AT END OF YEAR	<u>\$ 4,036,528</u>	<u>\$ 107,419</u>	<u>\$ 4,143,947</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 4,433,156	\$ 36,429	\$ 4,469,585
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Accounts receivable	(948,022)	-	(948,022)
Prepays	38,448	-	38,448
Inventory	-	(2,597)	(2,597)
Net pension asset	(250,317)	-	(250,317)
Decrease in deferred outflows of resources			
Pension	18,376	-	18,376
Increase (decrease) in liabilities			
Accounts payable	(10,405)	58,837	48,432
Accrued salaries	(14,891)	9,292	(5,599)
Compensated absences payable	(26,392)	-	(26,392)
OPEB liability	(313,617)	-	(313,617)
Unearned revenue	-	(66,578)	(66,578)
Increase in deferred inflows of resources			
Pension	196,541	-	196,541
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,122,877</u>	<u>\$ 35,383</u>	<u>\$ 3,158,260</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

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	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash	\$ 286,282
Investments	<u>20,647,824</u>
<b>TOTAL ASSETS</b>	<u>20,934,106</u>
<b>NET POSITION</b>	
Assets held in trust for pension benefits	<u>\$ 20,934,106</u>

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 573,905
Employee	205,799
<b>TOTAL CONTRIBUTIONS</b>	<u>779,704</u>
Investment income	
Realized and unrealized losses on investments	2,381,299
Interest and dividends	422,338
<b>TOTAL INVESTMENT EARNINGS</b>	<u>2,803,637</u>
Less investment expense	(93,158)
<b>NET INVESTMENT EARNINGS</b>	<u>2,710,479</u>
<b>TOTAL ADDITIONS</b>	<u>3,490,183</u>
<b>DEDUCTIONS</b>	
Benefit payments	370,668
Administrative expenses	12,224
<b>TOTAL DEDUCTIONS</b>	<u>382,892</u>
<b>CHANGE IN NET POSITION</b>	3,107,291
<b>NET POSITION OF ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR</b>	<u>17,826,815</u>
<b>NET POSITION OF ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR</b>	<u>\$ 20,934,106</u>

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE A - 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 B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for not recording the Township's capital assets and related depreciation, the Township follows the practice of presenting its financial statements in accordance with 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 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. There are no agencies or entities which should be presented with the Township.

**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.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 proprietary fund are at least 10% of the corresponding total for all funds of that category or type, 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 balance 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.

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.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fire Fund** - is used to account for revenues generated from the .605 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.

**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.

**GOB 2009 Capital Projects Fund** - is used to account for the financial resources to be used for improvements within the Township and 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.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

***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.

**Measurement Focus and Basis of Accounting**

The basic financial statements of the Township are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

***Government-Wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.



**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported instead as general revenues.

***Fund Financial Statements***

The fund financial statements are presented on a current financial resources and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for a specific purpose or project before any amounts will be paid to the Township, therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

Investment income is recognized as earned.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the proprietary funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**Assets, Liabilities, and Deferred Outflows and Inflows of Resources**

**Cash**

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

For the purpose of the statement of cash flows, 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**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

Accounts receivable are shown net of allowances for uncollectible amounts.

**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.

Accounting principles generally accepted in the United States of America requires the Township to report and depreciate capital assets. Management has not recorded the Township's capital assets and the related depreciation on those assets in accordance with these accounting principles.

**Bond Premiums and Discounts**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reports as other financing uses.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. A deferred charge on refunding and a deferred amount related to the Township's pension plans reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources related to pensions is reported in the government-wide and proprietary fund statement of net position and is the result of the difference between projected and actual investment earnings on pension plan investments.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and earned income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide and proprietary fund statement of net position and is the result of the difference between expected and actual experience of the pension plan and the difference between projected and actual investment earnings on pension plan investments.

**Long-Term Debt**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**Compensated Absences**

The Township accrues accumulated compensation and sick pay benefits when earned, or estimated to be earned, by the employee. Accrued vacation must be used during the calendar year without carryover to future years, except with advance approval of the Township Manager.

**Equity**

**Government-Wide Statements**

The Township classifies net position into the following components:

**Net Investment in Capital Assets** - This component of net position consists of the cost of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. The Township has not recorded the cost or accumulated depreciation on capital assets, but has recorded the debt incurred for capital assets. As a result, the Township reports a negative balance in this component.

**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.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

***Governmental Fund Financial Statements***

Fund balance is classified into specifically designed classifications as follows:

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

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

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

**Assigned** - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted, nor committed. The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose.

**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 earned.

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

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



**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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 2017 was 3.34 mills, consisting of 2.145 mills for general purposes, .605 mills for fire services/purchase of fire apparatus, .09 mills for hydrant service 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.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the Township regardless of when the cash is received. Over time, substantially all property taxes are collected.

In the fund financial statements, delinquent property taxes not paid within 60 days of December 31 are recorded as deferred inflows of resources.

**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.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal and Interfund Balances and Activities**

***Fund Financial Statements***

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

**Interfund Services** - Sales or purchases of goods and services between funds are reported as revenues and expenditures.

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

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

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

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2016, and the cash received for the year ended December 31, 2017. For the year ended December 31, 2017, expenditures exceeded appropriations in the General Fund by \$1,811,562.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE D - 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 equities, mutual funds, other investments, and collective investment funds. The carrying amount of cash and investments at December 31, 2017 consists of the following:

Cash	
Demand deposits	\$ 9,415,153
Petty cash	<u>1,000</u>
	<u>\$ 9,416,153</u>
Investments	
Certificates of deposit	\$ <u>7,000,000</u>
Mutual Funds	
Fixed income	5,310,766
Equities	13,749,198
Real estate	261,872
Other	768,907
Common stock	<u>557,081</u>
	<u>27,647,824</u>
	<u>\$ 37,063,977</u>

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

Cash	
Governmental activities	\$ 4,985,924
Business-type activities	4,143,947
Fiduciary funds	<u>286,282</u>
	<u>9,416,153</u>
Investments	
Business-type activities	7,000,000
Fiduciary funds	<u>20,647,824</u>
	<u>27,647,824</u>
	<u>\$ 37,063,977</u>



**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2017, the carrying amounts of the Township's bank deposits were \$9,416,153, and the corresponding bank balances were \$9,713,327, of which \$250,000 was covered by Federal Depository Insurance. Pension fund deposits of \$286,282 were uninsured and uncollateralized. The remaining \$9,213,327 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.

**Investments**

As of December 31, 2017, the Township had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value Level 1</u>	<u>Investment Maturities Less Than One Year</u>
<b>PROPRIETARY ACTIVITIES</b>			
Certificates of deposit	\$ 7,000,000	\$ -	\$ 7,000,000
<b>PENSION ACTIVITIES</b>			
Mutual funds, fixed income	\$ -	\$ 5,310,766	\$ 5,310,766
Mutual funds, equities	-	13,749,198	13,749,198
Mutual funds, real estate	-	261,872	261,872
Mutual funds, other	-	768,907	768,907
Common stocks	-	557,081	557,081
<b>TOTAL PENSION ACTIVITIES</b>	<b>\$ -</b>	<b>\$ 20,647,824</b>	<b>\$ 20,647,824</b>

**Fair Value Measurement** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2017:

Investments in mutual funds, fixed income of \$5,310,766, mutual funds, equities of \$13,749,198, mutual funds, real estate of \$261,872, mutual funds, other of \$768,907 and common stocks of \$557,081 are valued using quoted market prices (Level 1 inputs).

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

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

**Credit Risk** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of government funds as described in Note B. The Township limits the type of investments permitted as defined in the Township Code. 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** - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. There were no investments that exceeded 5% of the total investments reported in the Governmental, Proprietary, or Fiduciary Funds that would be considered a concentration of credit risk.

**NOTE E - 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, 2017 consist of the following:

**GOVERNMENTAL ACTIVITIES**

General Fund		
Police equipment	\$	24,658
Fire police		6,251
Developer escrows		49,002
Police National Night Out committee		2,998
Other		100
K-9 Fund		29,844
State Liquid Fuels Highway Aid Fund		29,978
GOB 2009 Capital Projects Fund		87,416
Capital Improvement Fund		154,192
Traffic Improvement Fund		35,660
Debt Service Fund		925,040
		<hr/>
TOTAL RESTRICTED CASH	\$	<u>1,345,139</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE F - INTERFUND TRANSFERS**

Transfers between funds for the year ended December 31, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Fund	\$ 300,000	\$ -
Nonmajor governmental funds	<u>517,274</u>	<u>222,406</u>
TOTAL GOVERNMENTAL FUNDS	<u>817,274</u>	<u>222,406</u>
<b>PROPRIETARY FUNDS</b>		
Sewer Fund	-	300,000
Country Club Fund	<u>-</u>	<u>294,868</u>
TOTAL PROPRIETARY FUNDS	<u>-</u>	<u>594,868</u>
	<u>\$ 817,274</u>	<u>\$ 817,274</u>

In general, transfers are made from various funds to the Debt Service Fund for that fund's share of debt service payments and to capital project funds to cover capital outlays. During 2017, the Township also transferred \$300,000 from the Sewer Fund to the General Fund as reimbursement for expenses paid by the General Fund on behalf of the Sewer Fund.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE G - LONG-TERM DEBT**

At December 31, 2017, long-term debt consists of the following:

	Balance Outstanding December 31, 2016	Additions	Payments	Balance Outstanding December 31, 2017	Due Within One Year
<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	\$ 154,919	\$ -	\$ (15,052)	\$ 139,867	\$ 15,475
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	2,500,000	-	(295,000)	2,205,000	300,000
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	1,704,000	-	(95,000)	1,609,000	98,000
General Obligation Bonds, Series A of 2015, in the initial amount of \$9,755,000, interest due semiannually at rates ranging from 0.550% to 3.800% principal due annually through August 2046	9,655,000	-	(90,000)	9,565,000	90,000
General Obligation Bonds, Series of 2016, in the initial amount of \$7,005,000, interest due semiannually at rates ranging from 1.500% to 3.450% principal due annually through August 2046	6,985,000	-	(20,000)	6,965,000	20,000
<b>SUBTOTAL FORWARD</b>	<b>\$ 20,998,919</b>	<b>\$ -</b>	<b>\$ (515,052)</b>	<b>\$ 20,483,867</b>	<b>\$ 523,475</b>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE G - LONG-TERM DEBT (Continued)**

	Balance Outstanding December 31, 2016	Additions	Payments	Balance Outstanding December 31, 2017	Due Within One Year
SUBTOTAL FORWARDED	\$ 20,998,919	\$ -	\$ (515,052)	\$ 20,483,867	\$ 523,475
Loan payable to the County of Berks original principal amount of \$261,411, without interest, annual payments of \$37,344 through June 2019	112,035	-	(37,344)	74,691	37,344
Loan payable to the County of Berks, original principal amount of \$31,997, without interest, annual payments of \$4,571 through June 2019	13,713	-	(4,571)	9,142	4,571
Loan payable to the County of Berks, original principal amount of \$17,812, without interest, annual payments of \$2,545 through June 2019	7,632	-	(2,545)	5,087	2,545
Loan payable to the County of Berks, original principal amount of \$120,811, without interest, annual payments of \$17,259 through June 2019	51,775	-	(17,259)	34,516	17,259
Loan payable to the County of Berks, original principal amount of \$17,110, without interest, annual payments of \$2,444 through June 2019	7,334	-	(2,444)	4,890	2,444
Loan payable to the County of Berks, original principal amount of \$21,856, without interest, annual payments of \$3,122 through June 2019	9,368	-	(3,122)	6,246	3,122
Loan payable to the County of Berks, original principal amount of \$6,692, without interest, annual payments of \$956 through June 2019	2,868	-	(956)	1,912	956
TOTAL GOVERNMENTAL ACTIVITIES FORWARD	\$ 21,203,644	\$ -	\$ (583,293)	\$ 20,620,351	\$ 591,716

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE G - LONG-TERM DEBT (Continued)**

	Balance Outstanding December 31, 2016	Additions	Payments	Balance Outstanding December 31, 2017	Due Within One Year
TOTAL GOVERNMENTAL ACTIVITIES FORWARDED	\$ 21,203,644	\$ -	\$ (583,293)	\$ 20,620,351	\$ 591,716
<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	9,410,000	-	(1,695,000)	7,715,000	1,780,000
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	5,800,000	-	(60,000)	5,740,000	65,000
General Obligation Notes, Series of 2013, in the initial amount of \$7,755,000, interest due semiannually at rates ranging from 0.400% to 2.000%, principal due annually through July 2024	7,395,000	-	(75,000)	7,320,000	75,000
TOTAL BUSINESS-TYPE ACTIVITIES	<u>22,605,000</u>	<u>-</u>	<u>(1,830,000)</u>	<u>20,775,000</u>	<u>1,920,000</u>
TOTAL DEBT	<u>\$ 43,808,644</u>	<u>\$ -</u>	<u>\$ (2,413,293)</u>	<u>\$ 41,395,351</u>	<u>\$ 2,511,716</u>

Aggregate maturities required on long-term debt at December 31, 2017 are as follows:

**Governmental Activities**

Year Ending December 31,	Principal	Interest	Total Debt Service
2018	\$ 591,716	\$ 636,815	\$ 1,228,531
2019	610,153	624,986	1,235,139
2020	550,357	614,361	1,164,718
2021	563,817	602,972	1,166,789
2022	572,289	590,650	1,162,939
2023 to 2027	3,158,019	2,759,895	5,917,914
2028 to 2032	3,379,000	2,252,725	5,631,725
2033 to 2037	3,420,000	1,723,360	5,143,360
2038 to 2042	4,015,000	1,111,183	5,126,183
2043 to 2046	3,760,000	345,265	4,105,265
	<u>\$ 20,620,351</u>	<u>\$ 11,262,212</u>	<u>\$ 31,882,563</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE G - LONG-TERM DEBT (Continued)**

**Business-Type Activities**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,920,000	\$ 662,853	\$ 2,582,853
2019	2,020,000	565,713	2,585,713
2020	2,150,000	464,128	2,614,128
2021	2,285,000	356,178	2,641,178
2022	2,400,000	241,965	2,641,965
2023 to 2026	10,000,000	501,700	10,501,700
	<u>\$ 20,775,000</u>	<u>\$ 2,792,535</u>	<u>\$ 23,567,535</u>

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

**NOTE H - CAPITAL LEASES**

At December 31, 2017, the Township's capital leases consisted of the following:

	<u>Balance Outstanding December 31, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2017</u>	<u>Due Within One Year</u>
2016 Mack dump truck, financed through a leasing company, payable in quarterly installments of \$9,056, including interest at a rate of 2.25%, through September 2020	\$ 129,829	\$ -	\$ 33,544	\$ 96,285	\$ 34,317
2016 John Deere loader, financed through a leasing company, payable in quarterly installments of \$6,265, including interest at a rate of 2.52%, through March 2021	100,696	-	22,735	77,961	23,314
2018 Elgin Whirlwind street sweeper, financed through a leasing company, payable in quarterly installments of \$12,015, including interest at a rate of 2.61%, through December 2022	-	224,564	12,015	212,549	38,560
	<u>\$ 230,525</u>	<u>\$ 224,564</u>	<u>\$ 68,294</u>	<u>\$ 386,795</u>	<u>\$ 96,191</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE H - CAPITAL LEASES (Continued)**

The following is a schedule of future minimum annual lease payments under the capital lease agreement as of December 31, 2017:

Year Ended December 31,	Principal	Interest
2018	\$ 96,190	\$ 13,151
2019	99,455	9,886
2020	93,790	6,496
2021	50,708	3,615
2022	46,652	1,405
	<u>\$ 386,795</u>	<u>\$ 34,553</u>
Total future minimum lease payments		\$ 421,348
Amount representing interest		<u>34,553</u>
Present value of net minimum lease payments		<u>\$ 386,795</u>

**NOTE I - CHANGES IN LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended December 31, 2017 are as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation debt					
Bonds and notes payable	\$ 21,203,644	\$ -	\$ (583,293)	\$ 20,620,351	\$ 591,716
Less deferred amounts					
Bond and note premiums	33,997	-	(29,700)	4,297	-
Bond and note discounts	(34,582)	-	1,169	(33,413)	-
Capital leases	230,525	224,564	(68,294)	386,795	96,191
Compensated absences	815,633	99,970	-	915,603	-
Net pension liability	2,006,080	-	(1,973,699)	32,381	-
Net OPEB liability	5,428,691	1,086,888	-	6,515,579	-
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>	<u>\$ 29,683,988</u>	<u>\$ 1,411,422</u>	<u>\$ (2,653,817)</u>	<u>\$ 28,441,593</u>	<u>\$ 687,907</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation debt					
Bonds and notes payable	\$ 22,605,000	\$ -	\$ (1,830,000)	\$ 20,775,000	\$ 1,920,000
Less deferred amounts					
Bond premiums	503,783	-	(108,002)	395,781	-
Bond discounts	(6,662)	-	883	(5,779)	-
Compensated absences	133,824	-	(26,392)	107,432	-
Net pension liability	214,423	-	(214,423)	-	-
Net OPEB liability	613,076	-	(313,617)	299,459	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES</b>	<u>\$ 24,063,444</u>	<u>\$ -</u>	<u>\$ (2,491,551)</u>	<u>\$ 21,571,893</u>	<u>\$ 1,920,000</u>

Compensated absences have been liquidated in the General Fund in prior years.



**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE J - FUND BALANCE**

The fund balances of the Township's governmental funds at December 31, 2017 consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in					
General Fund	\$ 56,183	\$ -	\$ -	\$ 2,826,661	\$ 2,882,844
Other governmental funds					
Utility Fund	-	-	-	(153)	(153)
Fire Protection Fund	-	-	28,942	-	28,942
Detention Pond/ Storm					
Water Maintenance	-	-	85,047	-	85,047
K-9 Program Fund	-	29,844	-	-	29,844
Park Improvement Fund	-	-	59,912	-	59,912
State Liquid Fuels					
Highway Aid Fund	-	3,545	-	-	3,545
Debt Service Fund	-	931,471	-	-	931,471
Capital Projects Funds	-	178,022	674,711	-	852,733
	<u>-</u>	<u>1,142,882</u>	<u>848,612</u>	<u>(153)</u>	<u>1,991,341</u>
	<u>\$ 56,183</u>	<u>\$ 1,142,882</u>	<u>\$ 848,612</u>	<u>\$ 2,826,508</u>	<u>\$ 4,874,185</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**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE J - FUND BALANCE (Continued)**

**Reservations of Fund Balance**

***Nonspendable - General Fund***

The nonspendable fund balance in the Township's General Fund is related to prepaid expenses.

***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 Fund** - 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.

**State Liquid Fuels Highway Aid Fund** - 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 Funds** - The Township's restricted fund balances in the GOB 2009 Capital Projects Fund and Capital Improvement 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 - Other Governmental Funds***

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

**Utility Fund** - 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 Fund** - 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 .605 mill assessment received from Township residents.

**Detention Pond/Storm Water Maintenance Fund** - 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.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

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**NOTE J - FUND BALANCE (Continued)**

**Park Improvement Fund** - 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 Fund** - 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 Funds** - 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.

**NOTE K - 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 available to all officers hired before January 1, 2017, who have attained the age of fifty (50) years, and all officers hired after January 1, 2017 who have attained the age of fifty-five (55) years. All officers must also have completed 25 years of service. 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.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE K - EXETER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Employees Covered by Benefit Terms**

At December 31, 2017, the following employees were covered by the Police Pension Plan:

Inactive members or beneficiaries currently receiving benefits	20
Inactive members entitled to but not yet receiving benefits	-
Active members	<u>26</u>
	<u>46</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, 2017 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 19,064,008
Plan fiduciary net position	<u>(18,973,277)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>90,731</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.52%</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE K - EXETER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Actuarial Assumptions**

The total pension liability in the January 1, 2017 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:

ASSET CLASS	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	60%	5.50 - 7.50%
International equity	3%	4.50 - 6.50%
Fixed income	34%	1.00 - 3.00%
Real estate	2%	4.50 - 6.50%
Cash	1%	0.00 - 1.00%
	100%	

**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.

**Rate of Return** - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE K - 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, 2017.

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
BALANCE AT DECEMBER 31, 2016	\$ 17,975,054	\$ 16,158,716	\$ 1,816,338
Changes for the year			
Service cost	393,335	-	393,335
Interest cost	1,399,522	-	1,399,522
Changes for experience	(352,605)	-	(352,605)
Contributions - employer	-	473,035	(473,035)
Contributions - member	-	205,799	(205,799)
Net investment income	-	2,493,400	(2,493,400)
Benefit payments, including refunds of member contributions	(351,298)	(351,298)	-
Administrative expense	-	(6,375)	6,375
BALANCE AT DECEMBER 31, 2017	<u>\$ 19,064,008</u>	<u>\$ 18,973,277</u>	<u>\$ 90,731</u>

**Net Pension Liability Sensitivity**

The following presents the net pension liability 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 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>\$ 2,284,954</u>	<u>\$ 90,731</u>	<u>\$ (1,763,768)</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE K - EXETER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the Township recognized pension expense of \$254,308. The Township has deferred outflows and inflows of resources related to the Police Pension Plan from the following source at December 31, 2017:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 282,084
Net difference between projected and actual earnings on pension plan investments	<u>596,163</u>	<u>950,285</u>
Total	<u>\$ 596,163</u>	<u>\$ 1,232,369</u>

Actuarially determined deferred outflows and inflows of resources related to the Police Pension Plan are as follows for the year ended December 31, 2017:

2018	\$ (33,581)
2019	(33,581)
2020	(260,951)
2021	(308,093)

**NOTE L - 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, 1995, an additional monthly benefit is payable of \$10 multiplied by the number of years of service as of December 31, 1995. Average monthly pay is based upon the 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.



**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE L - EXETER TOWNSHIP EMPLOYEES' PENSION PLAN (Continued)**

**Employees Covered by Benefit Terms**

At December 31, 2017, the following employees were covered by the Employees' Pension Plan:

Inactive members or beneficiaries currently receiving benefits	6
Inactive members entitled to but not yet receiving benefits	5
Active members	<u>11</u>
	<u>22</u>

**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 (Asset)**

The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability (asset) of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 1,866,585
Plan fiduciary net position	<u>(1,960,829)</u>
<b>NET PENSION LIABILITY (ASSET)</b>	<b>\$ <u>(94,244)</u></b>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>105.05%</u>



**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE L - EXETER TOWNSHIP EMPLOYEES' PENSION PLAN (Continued)**

**Actuarial Assumptions**

The total pension liability in the January 1, 2017 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:

ASSET CLASS	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	51%	5.50 - 7.50%
International equity	13%	4.50 - 6.50%
Fixed income	35%	1.00 - 3.00%
Cash	1%	0.00 - 1.00%
	<u>100%</u>	

**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.

**Rate of Return** - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.87%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE L - EXETER TOWNSHIP EMPLOYEES' PENSION PLAN (Continued)**

**Changes in Net Pension Liability (Asset)**

The following table shows the changes in net pension liability (asset) for the year ended December 31, 2017.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2016	\$ 2,072,265	\$ 1,668,099	\$ 404,166
Changes for the year			
Service cost	51,159	-	51,159
Interest cost	139,877	-	139,877
Changes for experience	(377,346)	-	(377,346)
Contributions - employer	-	100,870	(100,870)
Net investment income	-	217,079	(217,079)
Benefit payments, including refunds of member contributions	(19,370)	(19,370)	-
Administrative expense	-	(5,849)	5,849
BALANCE AT DECEMBER 31, 2017	<u>\$ 1,866,585</u>	<u>\$ 1,960,829</u>	<u>\$ (94,244)</u>

**Net Pension Liability (Asset) 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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
PLAN'S NET PENSION LIABILITY (ASSET)	<u>\$ 93,836</u>	<u>\$ (94,244)</u>	<u>\$ (254,627)</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE L - EXETER TOWNSHIP EMPLOYEES' PENSION PLAN (Continued)**

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the Township recognized pension expense of \$65,784. The Township has deferred outflows and inflows of resources related to the Employees' Pension Plan from the following sources at December 31, 2017:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 160,997
Net difference between projected and actual earnings on pension plan investments	<u>37,850</u>	<u>33,796</u>
Total	<u>\$ 37,850</u>	<u>\$ 194,794</u>

	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 162,442
Net difference between projected and actual earnings on pension plan investments	<u>44,979</u>	<u>34,100</u>
Total	<u>\$ 44,979</u>	<u>\$ 196,541</u>

Actuarially determined deferred outflows and inflows of resources related to the Employees' Pension Plan are as follows for the year ended December 31, 2017:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ (17,446)	\$ (16,848)
2019	(17,447)	(16,848)
2020	(31,147)	(30,078)
2021	(36,058)	(34,822)
2022	(27,423)	(26,483)
Thereafter	(27,423)	(26,483)

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE M - CENTRAL PENNSYLVANIA TEAMSTERS PENSION FUND**

The Township contributes to the Central Pennsylvania Teamsters Pension Fund, a union sponsored, cost-sharing multi-employer retirement plan in accordance with negotiated labor contracts. The plan covers all of the Township's eligible union employees. The plan issues a publicly available financial report available upon request from the Board of Trustees for the Central Pennsylvania Teamsters Defined Benefit Plan.

As of December 31, 2017, 33 employees of the Township are covered under this plan. Contributions to the plan are based on varying rates for hours worked by the employees. Employer contribution rates for 2017 were \$440 per month for each full-time employee, and \$220 per month for each part-time employee working at least 86 hours per month. Teamster employees do not contribute to the plan. Contributions totaled \$188,455 for the year ended December 31, 2017.

The collective bargaining agreement requiring contributions to the plan expired December 31, 2017, with negotiations for a new agreement underway as of year-end. Governmental regulations impose certain requirements relative to multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Township has not received information from the plan's administrators to determine its share of unfunded vested benefits. The Township does not anticipate withdrawal from the plan, nor is the Township aware of any expected plan termination.

**NOTE N - 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 2017, the Township's contribution to the plan was \$152,859.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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 2016 and the related information for each plan are as follows:

Annual required contribution	\$ 1,025,163
Interest on net OPEB obligation	271,880
Adjustment to the annual required contribution	<u>(370,913)</u>
Annual OPEB cost	926,130
Contributions made	<u>(152,859)</u>
Increase in net OPEB obligation	773,271
Net OPEB obligation at beginning of year	<u>6,041,767</u>
<b>NET OPEB OBLIGATION AT END OF YEAR</b>	<b><u>\$ 6,815,038</u></b>

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>
12/31/2015	\$ 872,571	15%	\$ 5,361,279
12/31/2016	860,448	21%	6,041,767
12/31/2017	926,130	17%	6,815,038

**Funded Status and Funding Progress**

The funded status of the plan as of January 1, 2017, the most recent actuarial valuation, was as follows:

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
\$ -	\$ 9,594,856	\$ 9,594,856	0.00%	\$ 5,830,243	164.57%

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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.

**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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar method
Remaining amortization period	30-year open 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	6.0% in 2017, 5.5% in 2018 to 2023, then decreasing from 5.4% in 2024 to 3.8% in 2075 and later

**NOTE O - 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 2017, the Township remitted \$134,068 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE O - EXETER TOWNSHIP TAX INCREMENT FINANCING DISTRICT (Continued)**

At December 31, 2017, the outstanding balance was \$4,075,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

**NOTE P - COMMITMENTS AND CONTINGENCIES**

**Contingencies**

***Litigation***

The Township is a defendant in lawsuits that have been referred to 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, 2017 through December 31, 2032. 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, 39% is covered by the agreement with the police officers and 46% is covered by the agreement with the nonuniform employees.

**NOTE Q - SUBSEQUENT EVENTS**

In June 2018, the Township issued General Obligation Note, Series of 2018, in the amount of \$3,050,000. The purpose of the Note was to refund a portion of the Township's General Obligation Bonds, Series A of 2015 and to pay the costs and expenses of issuing the Note.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**EXETER TOWNSHIP**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 393,335	\$ 434,661	\$ 413,963
Interest	1,399,522	1,340,840	1,240,342
Changes for experience	(352,605)	-	-
Benefit payments, including refunds of member contributions	<u>(351,298)</u>	<u>(350,500)</u>	<u>(590,938)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,088,954	1,425,001	1,063,367
Total pension liability, beginning	<u>17,975,054</u>	<u>16,550,053</u>	<u>15,486,686</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 19,064,008</u>	<u>\$ 17,975,054</u>	<u>\$ 16,550,053</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 473,035	\$ 485,992	\$ 577,080
Contributions - member	205,799	185,978	187,619
Net investment income	2,493,400	966,854	42,786
Benefit payments, including refunds of member contributions	(351,298)	(350,500)	(590,938)
Administrative expense	<u>(6,375)</u>	<u>(1,800)</u>	<u>(5,750)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,814,561	1,286,524	210,797
Plan net position, beginning	<u>16,158,716</u>	<u>14,872,192</u>	<u>14,661,395</u>
PLAN NET POSITION, ENDING	<u>\$ 18,973,277</u>	<u>\$ 16,158,716</u>	<u>\$ 14,872,192</u>
TOWNSHIP'S NET PENSION LIABILITY	<u>\$ 90,731</u>	<u>\$ 1,816,338</u>	<u>\$ 1,677,861</u>
PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>99.5%</u>	<u>89.9%</u>	<u>89.9%</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 2,767,887</u>	<u>\$ 2,491,272</u>	<u>\$ 2,510,781</u>
TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>3.3%</u>	<u>72.9%</u>	<u>66.8%</u>

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

**EXETER TOWNSHIP**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - EMPLOYEES' PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 51,159	\$ 49,007	\$ 46,673
Interest	139,877	148,916	137,586
Changes for experience	(377,346)	-	-
Benefit payments, including refunds of member contributions	<u>(19,370)</u>	<u>(25,696)</u>	<u>(25,698)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(205,680)	172,227	158,561
Total pension liability, beginning	<u>2,072,265</u>	<u>1,900,040</u>	<u>1,741,479</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 1,866,585</u>	<u>\$ 2,072,267</u>	<u>\$ 1,900,040</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 100,870	\$ 114,937	\$ 124,753
Net investment income (loss)	217,079	72,077	(19,771)
Benefit payments, including refunds of member contributions	(19,370)	(25,698)	(25,698)
Administrative expense	<u>(5,849)</u>	<u>(3,250)</u>	<u>(4,150)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	292,730	158,066	75,134
Plan net position, beginning	<u>1,668,099</u>	<u>1,510,034</u>	<u>1,434,900</u>
PLAN NET POSITION, ENDING	<u>\$ 1,960,829</u>	<u>\$ 1,668,100</u>	<u>\$ 1,510,034</u>
TOWNSHIP'S NET PENSION LIABILITY	<u>\$ (94,244)</u>	<u>\$ 404,167</u>	<u>\$ 390,006</u>
PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>105.0%</u>	<u>80.5%</u>	<u>79.5%</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 506,325</u>	<u>\$ 431,842</u>	<u>\$ 484,984</u>
TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>-18.6%</u>	<u>93.6%</u>	<u>80.4%</u>

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

**EXETER TOWNSHIP**  
**SCHEDULE OF PENSION CONTRIBUTIONS -**  
**POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS**

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
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%
2016	485,992	485,992	-	2,491,272	19.51%
2017	473,035	473,035	-	2,767,887	17.09%

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:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	9 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	8.00%
Retirement age	Normal retirement age
Mortality	RP-2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: Non since January 1, 2015.

**EXETER TOWNSHIP**  
**SCHEDULE OF PENSION CONTRIBUTIONS -**  
**EMPLOYEES' PENSION PLAN**  
**LAST TEN FISCAL YEARS**

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
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%
2016	114,937	114,937	-	431,842	26.62%
2017	100,870	100,870	-	506,325	19.92%

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:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	10 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.75%
Retirement age	Normal retirement age
Mortality	RP-2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: Non since January 1, 2015.

**EXETER TOWNSHIP**  
**SCHEDULE OF PENSION PLAN INVESTMENT RETURNS -**  
**POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>16.63%</u>	<u>6.61%</u>	<u>0.98%</u>

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

**EXETER TOWNSHIP**  
**SCHEDULE OF PENSION PLAN INVESTMENT RETURNS -**  
**EMPLOYEES' PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>12.87%</u>	<u>5.38%</u>	<u>-0.30%</u>

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

**EXETER TOWNSHIP**  
**SCHEDULE OF PENSION PLAN CONTRIBUTIONS -**  
**CENTRAL PENNSYLVANIA TEAMSTERS PENSION FUND**  
**LAST TEN FISCAL YEARS\***

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Township contributions	\$ <u>188,455</u>	\$ <u>190,920</u>	\$ <u>181,440</u>

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

**EXETER TOWNSHIP**  
**SCHEDULE OF FUNDING PROGRESS -**  
**POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Underfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2011	\$ -	\$ 7,207,203	\$ 7,207,203	\$ -	\$ 4,995,780	144.30%
January 1, 2014	-	8,596,069	8,596,069	-	5,082,182	169.10%
January 1, 2017	-	9,594,856	9,594,856	-	5,830,243	164.57%



**EXETER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Real estate	\$ 2,965,839	\$ 2,965,839	\$ 2,949,612	\$ (16,227)
Real estate transfer	330,000	330,000	556,148	226,148
Per capita	73,100	73,100	64,302	(8,798)
Earned income	3,570,350	3,570,350	3,649,556	79,206
Local services	330,000	330,000	393,276	63,276
Business privilege	448,000	448,000	668,460	220,460
Licenses and permits	388,550	388,550	864,268	475,718
Fines and forfeits	126,500	126,500	107,555	(18,945)
Interest and rents	50,000	50,000	43,728	(6,272)
Intergovernmental revenues	814,725	814,725	747,031	(67,694)
Charges for services	1,048,482	1,048,482	1,197,671	149,189
Miscellaneous	108,500	108,500	172,204	63,704
<b>TOTAL REVENUES</b>	<b>10,254,046</b>	<b>10,254,046</b>	<b>11,413,811</b>	<b>1,159,765</b>
<b>EXPENDITURES</b>				
Current				
General government	1,334,538	1,334,538	2,311,127	(976,589)
Public safety	6,331,452	6,331,452	6,839,955	(508,503)
Public works, sanitation	-	-	227,775	(227,775)
Public works, highways and streets	1,806,528	1,806,528	1,508,682	297,846
Culture and recreation	685,476	685,476	875,618	(190,142)
Community development	-	-	105,147	(105,147)
Debt service				
Principal	316,675	316,675	316,675	-
Interest	92,781	92,781	47,582	45,199
Insurance	271,374	271,374	417,825	(146,451)
<b>TOTAL EXPENDITURES</b>	<b>10,838,824</b>	<b>10,838,824</b>	<b>12,650,386</b>	<b>(1,811,562)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<b>(584,778)</b>	<b>(584,778)</b>	<b>(1,236,575)</b>	<b>(651,797)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	300,000	300,000
Proceeds from disposal of assets	-	-	28,002	28,002
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>328,002</b>	<b>328,002</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	<b>\$ (584,778)</b>	<b>\$ (584,778)</b>	<b>(908,573)</b>	<b>\$ (323,795)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<b>3,791,417</b>	
<b>FUND BALANCE AT END OF YEAR</b>			<b>\$ 2,882,844</b>	

**EXETER TOWNSHIP**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE A - 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.

## **SUPPLEMENTARY INFORMATION SECTION**

**EXETER TOWNSHIP**  
**COMBINING BALANCE SHEET -**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Special Revenue Funds					
	Utility	Fire Protection	Detention Pond/ Storm Water Maintenance	K-9 Program	Park Improvement	State Liquid Fuels Highway Aid
<b>ASSETS</b>						
Cash, unrestricted	\$ 10,632	\$ 22,472	\$ 85,047	\$ -	\$ 59,912	\$ -
Cash, restricted	-	-	-	29,844	-	29,978
Taxes receivable	8,386	32,708	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 19,018</b>	<b>\$ 55,180</b>	<b>\$ 85,047</b>	<b>\$ 29,844</b>	<b>\$ 59,912</b>	<b>\$ 29,978</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 13,027	\$ 1,915	\$ -	\$ -	\$ -	\$ 26,433
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue, property taxes	6,144	24,323	-	-	-	-
<b>FUND BALANCES</b>						
Restricted	-	-	-	29,844	-	3,545
Committed	-	28,942	85,047	-	59,912	-
Unassigned	(153)	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>(153)</b>	<b>28,942</b>	<b>85,047</b>	<b>29,844</b>	<b>59,912</b>	<b>3,545</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 19,018</b>	<b>\$ 55,180</b>	<b>\$ 85,047</b>	<b>\$ 29,844</b>	<b>\$ 59,912</b>	<b>\$ 29,978</b>

Capital Project Funds							
Capital Expenditure	GOB 2009 Capital Projects	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement	Debt Service Fund	Total Other Governmental Funds
\$ 380,436	\$ -	\$ -	\$ -	\$ 294,275	\$ -	\$ -	\$ 852,774
-	87,416	154,192	-	-	35,660	925,040	1,262,130
-	-	-	-	-	-	27,032	68,126
<u>\$ 380,436</u>	<u>\$ 87,416</u>	<u>\$ 154,192</u>	<u>\$ -</u>	<u>\$ 294,275</u>	<u>\$ 35,660</u>	<u>\$ 952,072</u>	<u>\$ 2,183,030</u>
\$ -	\$ 50,105	\$ 49,141	\$ -	\$ -	\$ -	\$ 500	\$ 141,121
-	-	-	-	-	-	20,101	50,568
-	37,311	105,051	-	-	35,660	931,471	1,142,882
380,436	-	-	-	294,275	-	-	848,612
-	-	-	-	-	-	-	(153)
<u>380,436</u>	<u>37,311</u>	<u>105,051</u>	<u>-</u>	<u>294,275</u>	<u>35,660</u>	<u>931,471</u>	<u>1,991,341</u>
<u>\$ 380,436</u>	<u>\$ 87,416</u>	<u>\$ 154,192</u>	<u>\$ -</u>	<u>\$ 294,275</u>	<u>\$ 35,660</u>	<u>\$ 952,072</u>	<u>\$ 2,183,030</u>

# EXETER TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds					
	Utility	Fire Protection	Detention Pond/ Storm Water Maintenance	K-9 Program	Park Improvement	State Liquid Fuels Highway Aid
<b>REVENUES</b>						
Taxes, real estate	\$ 211,596	\$ 791,884	\$ -	\$ -	\$ -	\$ -
Interest and rents	515	2,429	479	110	309	1,984
Intergovernmental revenues	-	-	-	-	-	846,855
Charges for services	-	-	-	-	20,000	-
Miscellaneous	-	-	3,706	17,940	-	-
<b>TOTAL REVENUES</b>	<u>212,111</u>	<u>794,313</u>	<u>4,185</u>	<u>18,050</u>	<u>20,309</u>	<u>848,839</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	97,695	626,216	-	-	-	-
Public works - highway and streets	102,283	-	-	-	-	1,067,188
Culture and recreation	-	-	-	-	3,200	-
Community development	4,412	-	-	-	-	-
Debt service						
Principal	-	19,703	-	-	-	70,294
Interest	-	-	-	-	-	5,004
Miscellaneous	-	-	1,458	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>204,390</u>	<u>645,919</u>	<u>1,458</u>	<u>-</u>	<u>3,200</u>	<u>1,142,486</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>7,721</u>	<u>148,394</u>	<u>2,727</u>	<u>18,050</u>	<u>17,109</u>	<u>(293,647)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt proceeds	-	-	-	-	-	224,564
Transfers in	-	-	-	-	-	-
Transfers out	(25,000)	(150,706)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,000)</u>	<u>(150,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,564</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(17,279)</u>	<u>(2,312)</u>	<u>2,727</u>	<u>18,050</u>	<u>17,109</u>	<u>(69,083)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>17,126</u>	<u>31,254</u>	<u>82,320</u>	<u>11,794</u>	<u>42,803</u>	<u>72,628</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (153)</u>	<u>\$ 28,942</u>	<u>\$ 85,047</u>	<u>\$ 29,844</u>	<u>\$ 59,912</u>	<u>\$ 3,545</u>

Capital Project Funds

Capital Expenditure	GOB 2009 Capital Projects	Capital Improvement	Golf Acquisition	Apparatus	Traffic Improvement	Debt Service Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,445	\$ 1,657,925
46,241	5,101	1,007	-	4,733	204	4,593	67,705
-	-	-	-	-	-	-	846,855
-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	21,646
<u>46,241</u>	<u>5,101</u>	<u>1,007</u>	<u>-</u>	<u>4,733</u>	<u>204</u>	<u>659,038</u>	<u>2,614,131</u>
-	669,728	-	-	-	-	-	669,728
47,297	277,398	-	-	722,007	-	-	1,770,613
-	-	133,060	-	-	-	-	1,302,531
-	175,013	-	-	-	-	-	178,213
4,639	-	-	-	-	-	24,510	33,561
41,915	-	-	-	-	-	205,000	336,912
-	-	-	-	-	-	600,556	605,560
-	-	-	-	-	-	4,239	5,697
<u>93,851</u>	<u>1,122,139</u>	<u>133,060</u>	<u>-</u>	<u>722,007</u>	<u>-</u>	<u>834,305</u>	<u>4,902,815</u>
<u>(47,610)</u>	<u>(1,117,038)</u>	<u>(132,053)</u>	<u>-</u>	<u>(717,274)</u>	<u>204</u>	<u>(175,267)</u>	<u>(2,288,684)</u>
-	-	-	-	-	-	-	224,564
46,700	-	25,000	-	150,706	-	294,868	517,274
-	(46,700)	-	-	-	-	-	(222,406)
<u>46,700</u>	<u>(46,700)</u>	<u>25,000</u>	<u>-</u>	<u>150,706</u>	<u>-</u>	<u>294,868</u>	<u>519,432</u>
(910)	(1,163,738)	(107,053)	-	(566,568)	204	119,601	(1,769,252)
<u>381,346</u>	<u>1,201,049</u>	<u>212,104</u>	<u>-</u>	<u>860,843</u>	<u>35,456</u>	<u>811,870</u>	<u>3,760,593</u>
<u>\$ 380,436</u>	<u>\$ 37,311</u>	<u>\$ 105,051</u>	<u>\$ -</u>	<u>\$ 294,275</u>	<u>\$ 35,660</u>	<u>\$ 931,471</u>	<u>\$ 1,991,341</u>

**EXETER TOWNSHIP**  
**COMBINING STATEMENT OF NET POSITION -**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Pension Trust Funds		
	Police Pension Fund	Employees' Pension Fund	Total Pension Trust Funds
<b>ASSETS</b>			
Cash	\$ 268,626	\$ 17,656	\$ 286,282
Investments	<u>18,704,651</u>	<u>1,943,173</u>	<u>20,647,824</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,973,277</u>	<u>\$ 1,960,829</u>	<u>\$ 20,934,106</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 18,973,277</u>	<u>\$ 1,960,829</u>	<u>\$ 20,934,106</u>



**EXETER TOWNSHIP**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION -**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Pension Trust Funds		
	Police Pension Fund	Employees' Pension Fund	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 473,035	\$ 100,870	\$ 573,905
Employee	205,799	-	205,799
<b>TOTAL CONTRIBUTIONS</b>	<u>678,834</u>	<u>100,870</u>	<u>779,704</u>
Investment income			
Realized and unrealized losses on investments	2,185,084	196,215	2,381,299
Interest and dividends	382,886	39,452	422,338
<b>TOTAL INVESTMENT INCOME</b>	<u>2,567,970</u>	<u>235,667</u>	<u>2,803,637</u>
Less investment expense	(74,570)	(18,588)	(93,158)
<b>NET INVESTMENT EARNINGS</b>	<u>2,493,400</u>	<u>217,079</u>	<u>2,710,479</u>
<b>TOTAL ADDITIONS</b>	<u>3,172,234</u>	<u>317,949</u>	<u>3,490,183</u>
<b>DEDUCTIONS</b>			
Benefit payments	351,298	19,370	370,668
Administrative expenses	6,375	5,849	12,224
<b>TOTAL DEDUCTIONS</b>	<u>357,673</u>	<u>25,219</u>	<u>382,892</u>
<b>CHANGE IN NET POSITION</b>	2,814,561	292,730	3,107,291
<b>NET POSITION OF ASSETS HELD IN TRUST</b> <b>FOR BENEFITS AT BEGINNING OF YEAR</b>	<u>16,158,716</u>	<u>1,668,099</u>	<u>17,826,815</u>
<b>NET POSITION OF ASSETS HELD</b> <b>IN TRUST AT END OF YEAR</b>	<u>\$ 18,973,277</u>	<u>\$ 1,960,829</u>	<u>\$ 20,934,106</u>