

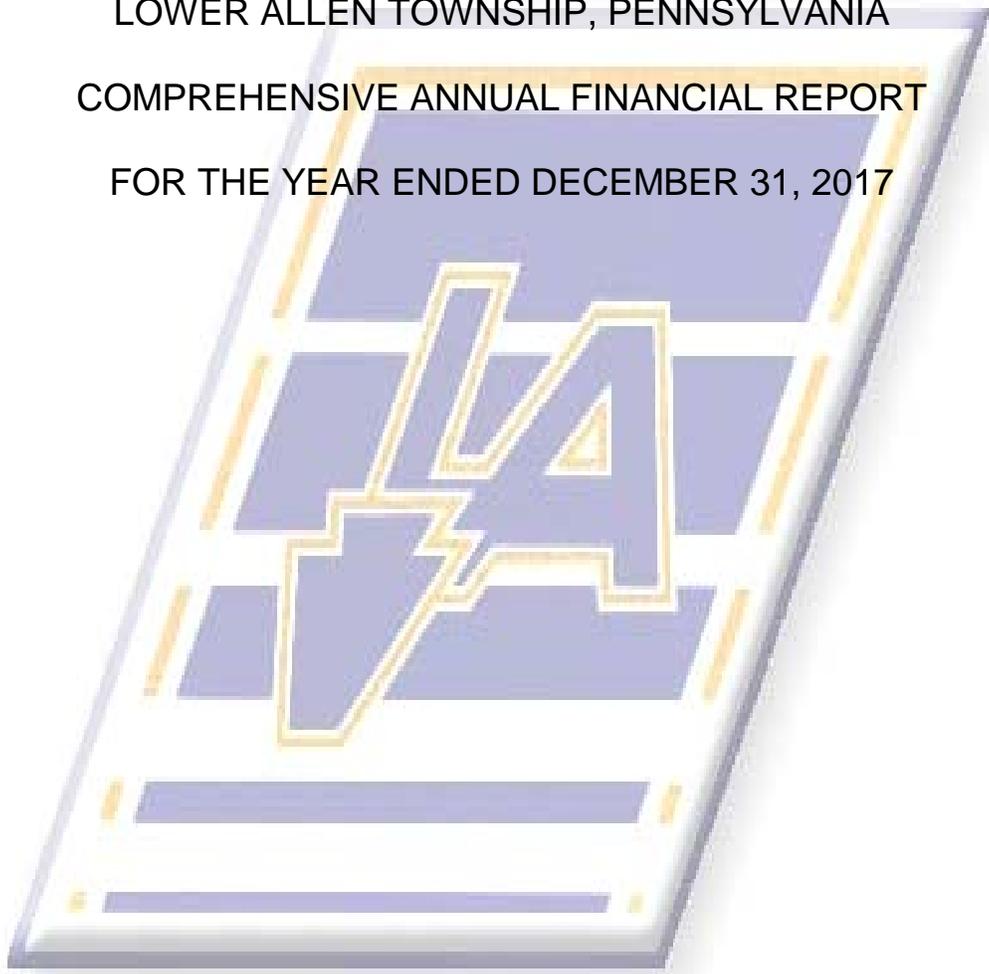
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017



Township of Lower Allen
Cumberland County, Pennsylvania

LOWER ALLEN TOWNSHIP, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017



Prepared by:
Department of Finance
Richard A. Grove, Finance Director

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



LOWER ALLEN TOWNSHIP

2233 GETTYSBURG ROAD • CAMP HILL, PENNSYLVANIA 17011

June 7, 2018

To the Citizens of Lower Allen Township
and to the Township Board of Commissioners
2233 Gettysburg Road
Camp Hill, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the Lower Allen Township (Township), Cumberland County, Pennsylvania, for the year ended December 31, 2017 is submitted herewith in. This report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants.

The financial statements herein were prepared by Township management, which is responsible for both the accuracy of the data presentation and the completeness and fairness of this report taken as a whole. To provide a reasonable basis for making these representations, management of the Township has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Township's financial statements in conformity with GAAP. Because internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. The data presented, we believe, is accurate in all material aspects; all disclosures necessary to enable the reader to acquire the maximum understanding of the Township's financial activity have been provided.

The Township's financial statements have been audited by Brown Schultz Sheridan & Fritz, CPAs, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Township are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Township's financial statements for the year ended December 31, 2017, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Township's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity and Services Offered

This report includes all the funds under the auspices of the Township Board of Commissioners. As a result of the Township's guarantee of a Guaranteed Sewer Revenue Bond, Series of 2017 the Lower Allen Township Authority is included in this report. Included also is the Lower Allen Township Development Authority, which is a separate 501(c)(3) organization for which the Township appoints their board members and requires approval for certain activities. Other agencies containing the name Lower Allen in the agency title are financially and legally independent entities and are not included in this report. The agencies not meeting the criteria for inclusion in the Township's report are the Lower Allen Fire Company and the Lisburn Fire Company.

While the Lower Allen Township Authority and the Lower Allen Township Development Authority are legally separate entities, they are included as discretely presented component units because they have certain significant financial ties to the Township. Discretely presented component units are shown separate from Township funds.

The Township provides a full range of municipal services. The public safety program includes police, fire protection, ambulance, building inspection, planning, zoning, emergency management, school crossing guards, community development, storm water oversight and weed control. Highway programs include street sweeping, snow removal, traffic signalization and street markings, storm sewer maintenance and essential highway construction and maintenance. Independent contractors provide refuse, recycling and streetlight services throughout the Township. The Township owns and maintains numerous community and neighborhood parks and nature areas, and holds an annual Easter Egg Hunt and Gardener's Gathering free to the community.

In general, the Township maintains traffic control devices, roads and storm water facilities, including road resurfacing. Property owners are assessed for sidewalks and curb maintenance. New roads, traffic control devices and storm water facilities are paid for by developers, and if built according to code, they are dedicated and subsequently owned and maintained by the Township.

Additional services provided to the Township through outside contracts include an active recreation program provided by West Shore Recreation and Leisure Services; Cumberland County planning, land development and zoning review services, certain tax collection services provided by the Cumberland County Tax Collection Bureau and the benefits of membership in the Capital Region Council of Governments.

Summary of the Local Economy

The Township is located within the Harrisburg metropolitan statistical area. The area is noted as a government, transportation, medical services, finance and tourist center. It is surrounded by some of the nation's most productive farmland.

Currently, the predominant Township land use is residential, giving the Township a suburban atmosphere. Of all land suitable for development, over 50% is in residential use. Of the dwellings themselves, approximately 67% are single-family detached structures and 84% are owner-occupied. Most building activity has taken place since 1946. Prior to this date, virtually the entire Township was agricultural or woodland. Only 5% of the existing buildings were constructed prior to World War II.

Development occurred as population from neighboring boroughs spilled over into the Township. Generally, professional developers designed and constructed large tracts of land. Building codes and zoning restrictions, already in place, allowed oversight of the construction. The end products are attractive neighborhoods with adequate roads, utilities, recreation areas and schools.

The largest segment of the Township's population numbers arrived from 1954 to 1969. Slightly less than one-third of the Township resident numbers moved here at that time. Most were very similar in income, age distribution, social background and political affiliation. This wave of in-migration and their children has had a great impact upon the Township's economy.

As their children reached maturity during the 1970's and early 1980's, they were unable to find affordable housing within the Township boundaries. As a result, this time span saw a leveling in population growth, while per capita income and average age rose. Even though 1,278 dwelling units were added, population increased by only 310 people.

During the 1970's and beyond, the nature of new construction changed to better accommodate higher property values. The commercial land usage acreage doubled, upper-class housing developments sprang up and attractive apartments and condominiums appeared.

Beginning in 1985, the rate of new construction again increased and surpassed most previous records. Higher property value land use development dominated, especially multi-family dwellings, garden apartments and commercial and industrial park construction. The extension of the sewer line into a rural section of the Township resulted in a large development of residential and commercial dwellings that continue through the present.

The in-migration residents tended to be older, wealthier and have fewer children than those of previous growth periods. From 1980 to 1990, the retirement age group (age 65+) staged a gain of 11.7%. The productive age group (age 20 to 44) showed a small gain, while the school age group (age 0 to 19) and the mature age group (age 45 to 64) had declines of 5.2% and 9.7%, respectively.

Similar trends are seen in the 2000 and 2010 census. The number of school-age residents dropped, while the 19 to 64 age group gained about 80 individuals per decade, and the over-64 group gained about 80, for a total population gain of about 160 people per decade.

The 2010 census figures show about a 3.1% increase in population for the Township from 2000 to 2010. Cumberland County has experienced growth of about 10.2%. The 2010 population count for Cumberland County and the Township are 235,406 and 17,980, respectively. The 2000 count was 213,674 for the county and 17,437 for the Township.

The following is a list of the top five employers within a ten-mile radius of the Township¹:

Commonwealth of PA	Government
United States Government	Government
Pinnacle Health System	Healthcare
JFC Staffing	Service
Highmark Blue Shield	Health insurance

The Greater Harrisburg Area employer list has been refined to concentrate on businesses close to the Township's border. The Commonwealth of Pennsylvania and U.S. government have remained at the top of the list since at least 1918 when the New Cumberland Army Depot was opened.

Traditionally the Harrisburg Area, due to a high percentage of employees in non-cyclical industries, does not show a big fluctuation in unemployment rates. The unemployment rate for Lower Allen Township, Pennsylvania and the nation was 3.4%, 4.4% and 4.1%, respectively, in December 2017. The same numbers for October 2009 – the high point of the recession - were 6.5%, 7.9% and 10.0%, respectively².

New employers are being sought to locate in the Township and, as of this writing, several large commercial land-development plans are under construction. The Township's Economic Development Office, using closer support links with the Lower Allen Township Development Authority, has already begun to demonstrate effectiveness. The number of jobs within the Township have recently grown 2.17% according to Bestplaces.net, compared to the national increase of 1.59%; and job growth over the next 10 years is estimated at 39.95%, compared to 37.98% nationally.

The percent of Township residents in the occupations of management, business, finance, engineering, computers and science outpaced the national average by the highest percentages, while production, transportation, material moving, construction, extraction and maintenance/repair under-paced the national averages by the highest percentages. The largest occupation categories for Township residents are sales, office administration and support (26.33% compared to 24.89% nationally) and management, business and finance (20.48% compared to 14.36% nationally), perhaps because of the large number of jobs with the Commonwealth of Pennsylvania in the area.

The Township's population mix is stable with a gradual increase of families in their economically productive years according to the 2010 census figures. The 2010 census statistics suggest that the ratio of one-income households and of young children are now outpacing the growth of other segments. The annual family median income in December 2016 according to Bestplaces.net was \$74,719 for the Township, compared to \$65,443 nationally. Compared to the nation as a whole, there are fewer household incomes at the lower and upper ends, with 70% between \$30,000 and \$150,000 in 2016, compared to 62% nationally.

¹ *Central Penn Business Journal*

² Homefacts.com

Sales of existing homes continue to rebound with a median sale price of \$176,300 for 2017 compared to \$166,100 for 2013 (both as reported by Zillow.com). Lower Allen Township's housing market is historically very stable with available homes turning over quickly due to the desirability of the residential community.

The number of building permits issued decreased from 1,415 in 2016 to 1,320 in 2017. The value of construction grew from \$54,671,076 in 2016, to \$58,101,975 in 2017. The average annual value of construction over the last decade was \$35,552,933, but the higher 2016/2017 levels are expected to be the norm for a few more years as a large land development project by Charter Homes & Neighborhoods continues.

The long-term outlook remains stable and favorable. One major reason for this is the high level of government-sector and other non-cyclical employment in the Harrisburg area that tends to mitigate the effect of national economic fluctuations. Also, the area has easy access to transportation routes, with more than half of the nation's consumer markets within a two-day delivery area. Local economists agree that the Harrisburg area is not over built and the Harrisburg-Lebanon-Carlisle area is seen as a location with much growth potential. In 2013, Standard & Poor's advanced the Township's long-term rating from AA- Stable, to AA+ Stable. The AA+ Stable status was reconfirmed in 2014.

Risk of natural disaster causing significant damage in Lower Allen Township is low. While floods are the greatest risk for the Commonwealth, the vast preponderance of structures in the Township are well above the floodplain. Sinkholes, while uncommon, are caused by underlying limestone in much of the Township. Radon levels have required mitigation in some area residences. The Pennsylvania Department of Natural Resources describes earthquake risk as such, "although rarely felt in Pennsylvania, over the years, a few earthquakes have caused minor damage to structures." There is no known risk in the Township of landslides, carbon dioxide or methane ground seepage or mine collapse.

Major Initiatives

While there is no official Township financial goal, Township staff have re-suggested in 2017 that the following overarching financial goal has been in place for at least 60 years; "To maximize the standard of living of Township residents and businesses. More specifically to attract incoming residents and businesses whom existing residents would value as neighbors and business partners, and where those incoming are willing to pay a relative premium for property or rent." This goal requires a consistent mind-set over the decades, with an on-going willingness to make sacrifices today for greater gains in the future.

A 1998 study by Schmidt and Hunter showed that leaders with high intelligence coupled with integrity tend to be the most successful in the long run. To achieve the suggested Township financial goal would require such leadership with consistent integrity even though individual leaders come and go over time.

It is possible to empirically understand how the attributes of the goal can be approached. Property value is maximized as the comparative value of a location increases. The most recent American Housing Survey for the nation as a whole by the U.S Census Bureau gives the highest four answers to "Main reason for choice of present neighborhood" in order as the house (itself), convenient to friends and family, convenient to job and safety of neighborhood. One of these four was the main reason given by 67% of responding owner-occupied residents, suggesting that property maintenance/zoning and public safety are the most important services that the Township provides for enhancing property values.

The Township has historically channeled resources into land use laws, construction codes, property maintenance enforcement and crime and fire loss avoidance. For example, the Township was one of the first Pennsylvania municipalities to adopt a modern zoning ordinance and had the first full-time zoning officer in the immediate area. The most recent crime overview by Bestplaces.net rates Lower Allen (on a scale from 1 to 100, where lower is better) as 21 for violent crime and 20 for property crime, compared to 31 and 38, respectively, for the United States as a whole. A resident at one recent Township planning meeting summarized, "If you want to commit a crime or not maintain your property, you will be much happier in another community."

Long-term legacy has been enhanced by a long-term financial outlook. The Township, for example, has always made the minimum actuarial required pension contributions and has gone as far as floating a pension obligation bond when the recession eroded plan asset value. An OPEB (other post-retirement benefits) Trust Fund was established in 2015, with a sizable initial contribution made to help reduce the long-term impact of that liability. There has been a multiyear real estate tax levy outlook, where the timing of tax increases attempts to fit into the economic cycle so as to advance when it is most affordable for the taxpayer. Reserves are generally sufficient to accommodate unforeseeable natural disaster costs, to take advantage of spontaneously arising opportunities and to otherwise avoid the expense that comes with living "paycheck to paycheck". One such beneficial use of reserve buildup occurred this year, where \$450,000 was "loaned" to the General Fund by the Capital Improvement Fund to make capital purchases that would otherwise have been funded through a capital lease with a bank or lending institution. The General Fund will make payments with "interest" so that future Capital Improvement Fund loans can keep pace with inflation. This action expects to save over \$50,000 per year for perpetuity. The Township constantly looks for new efficiencies and other long-term cost-saving opportunities.

The Township supports the modest risk in thinking and acting outside the box. Prudent progressiveness is necessary when long-term legacy is a central theme. For example, the Township authorized a pension obligation bond in 2013 because interest rates were historically low and investment markets appeared to have good long-term upside potential. While the long-term odds are heavily stacked in the Township's favor, it is not risk free. Likewise, in late 2013 the Township's Pension Committee authorized a shift in Police and Non-Uniform Pension Plan assets from 50% equity/50% debt, to a 60/40 mix; and in 2015 they authorized some assets to be reallocated into an alternative investment. Subsequently, in mid-2016, the Committee authorized a shift of most investments from an active management approach into passive index funds.

The volunteer firefighters pension realized a total portfolio return of 15.90% for the year (with a 15.54% benchmark), at a three-year standard deviation of 7.12% (compared to a benchmark of 6.48%). The OPEB Fund had an annual portfolio return of 16.42% (with a 15.98% benchmark), at a three-year standard deviation of 7.33% (compared to the benchmark 6.71%).

The Township maintains a number of long-term financial plans. These include a five-year plan for capital outlays, a separate plan through 2029 for fire apparatus, a schedule for resurfacing all Township roads and a replacement schedule for all Township vehicles. While a real estate tax levy plan is envisioned to tie into the economic cycle, there is no multi-year operating plan that extends beyond two years. Within that time, the nation's top economists project economic variables that can be correlated to Township revenues, but it is near impossible to project beyond that limit. The timing of economic cycle downturns are particularly difficult to forecast, and these can have a significant impact on Township revenue.

Township management believes that the cost of obtaining awards and certifications is returned manifold through enhanced property values for the residents. As abridged examples, in 2001, 2002 and 2016, the Township was awarded the Governor's Award for Local Government Excellence. Awarding of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting began in 1988. The Township's police department continues accreditation (now having received its sixth renewal) from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA), and in 2012 the Meritorious Advanced Accreditation status was awarded. Improvements were made to the Township's ISO rating for fire suppression and building code effectiveness. There are also a host of miscellaneous awards such as the American Institute of Architects Citation in 2008 for the new municipal building; the Keystone Athletic Field Managers Organization's, Field Of Distinction in 2011 for Yetter Field and the Central Penn Parent's, Best Playground/Park award for the Lower Allen Community Park in 2008.

Township staff are selected for their leadership, and are expected to take an active role in outside trade organizations. Some of the current positions held include:

- Association of Professional Municipal Managers, 1st Vice President
- Association of Professional Municipal Managers, Emerging Leaders governing board
- American Public Works Association, Central PA. Chapter, governing board
- International City Management Association, Northeast Region Nomination Committee
- Keystone Municipal Insurance Trust, Vice President
- Cumberland County EMS Council, Vice President
- Federal Communications Commission Task Force on Optimal Public Safety Answering Point Architecture, Working Group Chair
- Pennsylvania Police Accreditation Coalition, President
- Pennsylvania Law Enforcement Accreditation Commission, governing board
- American Public Works Association, Capital Branch, governing board
- Harrisburg Area Transportation Study, representative to their Technical Committee
- Government Finance Officers Association - PA, Founding member
- Government Finance Officers Association - Central PA, President
- Pennsylvania 9-1-1 Advisory Board membership
- FEMA Regional Emergency Communications Coordination Working Group membership
- FCC Task Force and Optimal PSAP Architecture, Working Group Chairman
- Cumberland County Public Safety Advisory Board membership
- Cumberland County Visitors Bureau, Branding Committee member
- Pennsylvania Law Enforcement Accreditation for Law Enforcement Agencies, membership

Several staff changes occurred in 2017. One new full-time MS4 Coordinator was added to address storm water control mandates. The Emergency Medical Captain and Park Superintendent positions were vacant at year end.

A Transportation Development District, in partnership with neighboring Upper Allen Township, is now in its fourth year. The district creates a system of special assessments to improve the west end of Gettysburg Road which receives heavy truck traffic from local businesses and is prone to small stream flooding. Upper Allen Township began collecting assessments in 2014, and Lower Allen began to collect in 2015. The improvements are in the design phase now, and construction is expected to begin in 2018.

Overall, 2017 in Lower Allen reflected mostly better economic trends than the nation as a whole. The outlook remains optimistic for the next two years. The continuation of the aforementioned overarching financial goal appears stable for now, but change could occur as early as the next municipal election in 2019, or as a latent effect of the 2017 elections.

When pondering an apparent change in national focus away from governmental decisions that expect a duty-first sacrifice from constituents (i.e., My fellow Americans, ask not what your country can do for you, ask what you can do for your country: JFK, 1961), it may be inevitable someday that such influence moves Lower Allen into a new dawn. There are many opportunities to begin deferring current costs to future taxpayers without any immediately noticeable effect. This has become the norm at the federal and state level with pensions, entitlement programs and infrastructure maintenance. So far in the Township, there has been no major push to adopt these decisions that were once considered selfish.

Some attributes compelling focus away from a long-term perspective emanate from Pennsylvania laws and generally accepted accounting principles (GAAP). Pennsylvania law, for example, prohibits the adoption of legal multiyear budgets. GAAP calls for the use of fund accounting and of reporting results using the modified accrual basis of accounting. With today's professional staff and modern computer software, neither remains effective. Modified accrual, in particular, promotes short-term insight by hiding long-term commitments, by not recognizing the economic impact of capital asset consumption, and by treating borrowed money virtually the same as revenue. The Township overcomes some of this by including in the Management Discussion and Analysis part of the report a detailed analysis of the full-accrual statements of net position and activities, along with a cash flow statement for governmental funds. The cash flow statement was improved this year to disclose maintenance and capital replacement efforts.

Accounting Systems, Budgetary Control and Policies

The Township has a commissioner-manager form of government with five commissioners comprising the governing body. The Commissioners are elected at-large for staggered four-year terms. The Township Manager is appointed by, and serves at the pleasure of, the Board of Commissioners. The Board of Commissioners annually adopts a balanced budget and establishes a tax rate for the support of the Township programs. The Township Manager has the responsibility of administering these programs in accordance with policies and the annual budget adopted by the Board of Commissioners.

The budgets are adopted for each department and are an integral part of the accounting systems, providing management control over expenditures in the General Fund and Other Governmental Funds. Commitments that would result in an over-expenditure of budget by more than 25% for each department, or 10% for each fund, are not approved for release unless additional appropriations are made available. The Board of Commissioners must formally approve these appropriations. The Township maintains all of its financial management through a computer system that contains the following modules: general ledger, accounts payable, accounts receivable, payroll, capital assets, utility billing, cash receipts and human resources. The Township also uses personal computers with spreadsheet software to perform financial analysis.

All accounting systems are designed to enhance internal accounting controls. The controls are in place to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss of unauthorized use or disposition and the reliability of the financial data used in preparing financial statements. The relationship of the internal control to basic management responsibilities emphasizes the interconnection of the accounting system with all other management control systems. The Township's

staff believes that these internal accounting controls adequately safeguard Township assets and provide reasonable assurance of proper recording of financial transactions.

The Township's budget policy calls for elected officials to provide direction on goals, service levels, fund balance levels and service effort and accomplishment measurements. Citizens, elected officials and staff work together to determine the best ways to fund these service levels. Each department has flexibility during the year to exceed individual line items so that unexpected events can be managed and opportunities taken. Strict controls are in place, however, to assure that the departments do not exceed their total budget without prior approval. The goal of this policy is to incorporate team management and to provide the best uses of scarce resources.

In 2005, the Board of Commissioners adopted a Fund Balance Policy to promote fiscal responsibility in maintaining the municipality's assets and financial well-being. The objectives of the Fund Balance Policy are to preserve the credit worthiness of the Township for borrowing monies at favorable interest rates, provide working capital for the Township to meet cash flow needs during the year and stabilize fluctuations in property tax rates from year to year. The General Fund and Special Revenue Funds shall strive to maintain an unassigned fund balance approximate to the greater of 15% of their respective budgets or two months of operating expenditures of said budget(s). The Capital Improvement Fund shall strive to maintain an unassigned fund balance approximate to 5% of the General Fund budget. If a Township governmental fund falls below its target, the Board shall begin approving budgets that would make up 20% of the shortage in each of the succeeding five years, unless the shortage is made up before then. Once a Township governmental fund has reached its target unassigned fund balance, any excess funds may be utilized for other municipal purposes, including but not limited to additional capital improvements, equipment purchases, interfund transfer and tax rate or fee reduction.

Also, in 2005, a Capital Assets Policy was adopted to set a policy on the capitalization and depreciation of a range of assets used in Township operations. Capital assets are real or personal property that have a value equal to or greater than \$5,000 and have an estimated life of greater than one year. Capital assets may be acquired through purchase, construction or donation. The straight-line method of depreciation shall be used to depreciate capital assets, except for land, over their estimated useful lives. When capital assets are sold or otherwise disposed of according to Commonwealth law, the inventory of capital assets should be relieved of the cost of the asset and the associated accumulated depreciation.

In 2017, the Board of Commissioners adopted a debt policy to promote good decisions that neither under nor over utilize borrowing. This policy emphasizes a complete understanding by the elected officials of the risks and rewards emanating from borrowing decisions and places special scrutiny on conduit debt, moral obligation debt and the backing of the debt of other entities. Certain debt-related limits are also placed, some of which must be published in the CAFR.

In 2017, the Board of Commissioners adopted an investment policy statement for idle cash to maintain sufficient liquidity while prudently maximizing return. This policy defines and prohibits speculation encourages passive investment practices, but does not otherwise prohibit creativity.

Independent Review

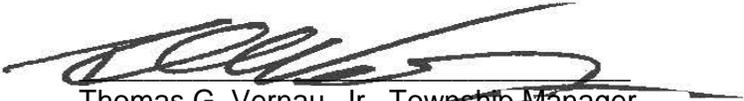
Included in the financial section is the independent auditors' opinion, which is a significant part of the Comprehensive Annual Financial Report. In this report, the firm, Brown Schultz Sheridan & Fritz, CPAs, expresses its opinion that the financial statements are materially correct in accordance with accounting principles generally accepted in the United States of America. The opinion is full scope and unmodified, which is the most desirable audit opinion obtainable.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016. The certificate of achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

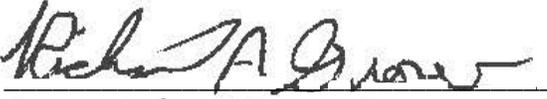
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and it will be submitted to the GFOA.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and we wish to express our appreciation to all members of the Department. We would also like to thank the Township Commissioners for their interest and support in planning and conducting the financial operations of the Township in a responsible and progressive manner.

Respectfully submitted,



Thomas G. Vernau, Jr., Township Manager



Richard A. Grove, Finance Director



Government Finance Officers Association

**Certificate of Achievement
for Excellence in
Financial Reporting**

Presented to

Lower Allen Township Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

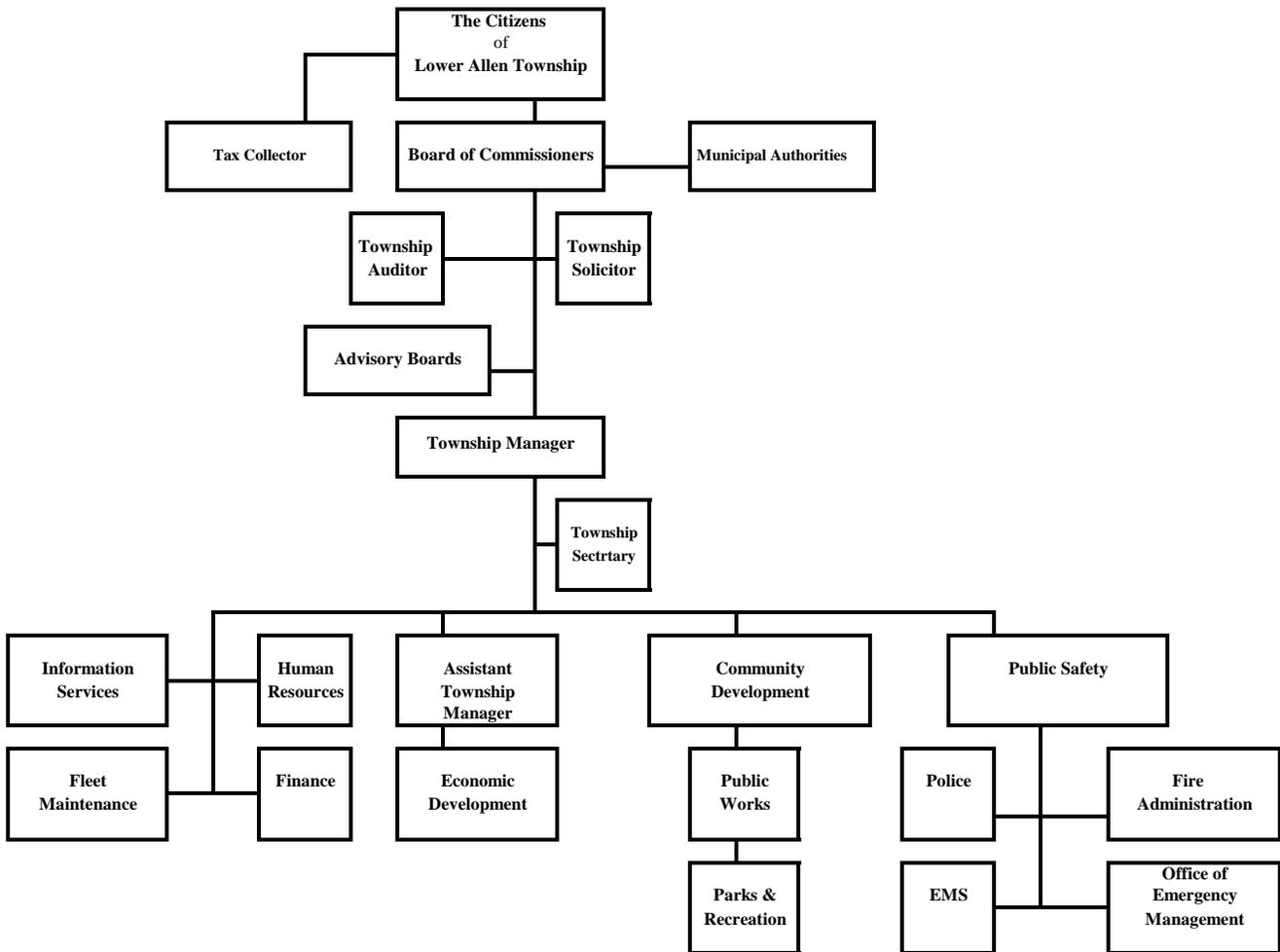
Executive Director/CEO

Lower Allen Township, Pennsylvania

Organizational Chart

Lower Allen Township, Pennsylvania

Organizational Chart



**Lower Allen Township, Pennsylvania
2017 List of Principal Officials**

Elected Officials

<i>Commissioner-President:</i>	H. Edward Black
<i>Commissioner-Vice President:</i>	Peddrick M. Young, Sr.
<i>Commissioner:</i>	Carolyn E. Holtzman
<i>Commissioner:</i>	Richard F. Schin
<i>Commissioner:</i>	Jack R. Simpson, Jr.
<i>Tax Collector:</i>	Bonnie K. Miller

Appointed Officials

<i>Manager:</i>	Thomas G. Vernau, Jr.
<i>Secretary:</i>	Helen R. Grundon
<i>Auditor:</i>	Brown Schultz Sheridan & Fritz
<i>Engineer:</i>	Daniel J. Flint
<i>Solicitor:</i>	Steven P. Miner, Esq. Daley, Zucker, Meilton, & Miner, LLC

Department Directors

<i>Administrative Services:</i>	
<i>Assistant Manager/Economic Development:</i>	Erin G. Trone
<i>Fleet Maintenance:</i>	Kenneth J. Rocuskie
<i>Finance Director/Treasurer:</i>	Richard A. Grove
<i>Community Development:</i>	
<i>Township Engineer:</i>	Daniel J. Flint
<i>Public Works Coordinator:</i>	Robert E. Nailor, Jr.
<i>Highway Supervisor:</i>	Bryan R. Harshbarger
<i>Parks Supervisor:</i>	Vacant
<i>Public Safety:</i>	
<i>Public Safety Director:</i>	David L. Holl
<i>EMS Captain:</i>	Vacant
<i>Fire Captain:</i>	Frank Wirth, Jr.

FINANCIAL SECTION



Independent Auditors' Report

Honorable Board of Commissioners
Lower Allen Township
Camp Hill, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Lower Allen Township (the Township) as of and for the year ended December 31, 2017 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 financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lower Allen Township Authority (the Authority), which represent 50%, 54% and 29%, respectively, of the assets, net position and revenues of the Township's governmental activities and discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. 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 auditors consider 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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Township as of December 31, 2017, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison information and the historical pension and other post-employment benefits other than pension information on pages 4 through 24, 114 through 128, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 and other auditors 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 the audit of the basic financial statements. We and the component unit auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedule, other budgetary comparison information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic respective financial statements. The information has been subjected to the auditing procedures applied in our audit and in the component unit auditors' 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 and the opinion of the component unit auditors, the combining and individual non-major fund statements and schedule are fairly stated, in all material respects, in relation to the respective basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown Schultz Steindam & Fritz

Camp Hill, Pennsylvania
June 7, 2018

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

The following is a managerial overview of the financial picture of Lower Allen Township (Township), Cumberland County, Pennsylvania, for the fiscal year ended December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal. While the Lower Allen Township Authority and the Lower Allen Township Development Authority are legally separate entities, they are shown in the financial statements as discretely presented component units. This overview, however, focuses on the primary government and, unless otherwise noted, these two component units are not included in this discussion.

FINANCIAL HIGHLIGHTS

Government-wide net position of the Township at the close of the year was \$22,324,420. The Township's total net position increased by \$3,553,421 or 19% from December 31, 2016. This was due to a strong local economy and other events discussed herein. From a statement of net position perspective, cash, receivables, capital asset book value and current liabilities increased, while other current assets (mostly prepaid insurance) and long-term liabilities decreased. Unrestricted net position showed an increase of \$1,630,210; thus, reinforcing the Township's positive resource management and demonstrating that current year costs are not being deferred to future taxpayers.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$9,318,594, an increase of \$758,203. Discussion of this increase is found in the Financial Analysis of the Government's Funds below. Fund balance of Township general and special revenue funds remains above the Township's self-imposed minimum of the greater of 15% of the budgeted expenditures or two months of operating expenditures. This minimum stems from the 2005 Fund Balance Policy adopted by the Lower Allen Township Commissioners as a measure of providing sound fiscal responsibility.

The Township's total noncurrent liabilities, less amounts due in one year, decreased \$1,609,465 due to scheduled retirements with no new bond issues. A new 14-year capital lease in the amount of \$410,000 was issued in 2017.

The largest single nonrecurring outflow transaction resulted from the purchase of a new fire truck for \$724,201, followed by Phase 2 of the Beacon Hill/Allendale Trail, the near-completion of the Cedar Spring Run Park improvement plan for \$224,015 and a dump truck replacement for \$173,530. Multi-year construction was completed for the installation of a sidewalk on Gettysburg Road and the Township is in the design stage for the rebuilding of Gettysburg Road. Both projects are funded by grants comprising all of the \$185,010 shown under Public Works, capital grants and contributions in the statement of activities.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS (CONTINUED)

The Comprehensive Plan of 2006 was replaced with a new document. Its creation involved more public input than ever before. Along with an internet survey, the Township was geographically divided by developmental makeup, and public meetings were conducted in each area. Four goals emerged:

1. Enhance the Township's existing residential neighborhoods and community parks.
2. Promote a balance of open space preservation and the development and redevelopment of commercial and industrial areas.
3. Expand pedestrian and bicycle connections throughout the Township.
4. Improve and maintain the Township's existing transportation infrastructure.

A study to upgrade the Fun Fort - a popular but aging redwood play structure that was partially destroyed in a fire - was completed in 2017. The redesign would enhance safety, handicap access and decrease maintenance demands. Reconstruction could begin as early as 2018.

Economically sensitive revenues exceeded budget in 2017. Included in this group are construction-related fees and permits, earned income tax, real estate transfer tax and others. Due to potential fluctuation in economically sensitive revenue, an informal decision was made to allow the General Fund balance to accumulate beyond the 15% established by formal place. During the recession of 2001 and 2008, revenue dipped 7% and 8%, respectively.

A new investment policy statement was adopted by the Township in December 2016 for idle cash. The net weighted return for 2017 was 0.57%. Interest revenue exceeded the expected budget.

Township staff, in a joint effort with the Township's fire companies, updated the capital replacement plan for major fire apparatus. The new plan adds years 2022 through 2029. Funding for these outlays comes from a separate fire services real estate tax and from capital leases. While the plan is not formally adopted, it has traditionally been followed. In accordance with this plan, a new replacement pumper truck was purchased in 2017 with the next outlay being a new tanker truck in 2018. The updated plan adds pumper replacements in 2020, 2026, 2028 and a ladder truck in 2029.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements, which are comprised of 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.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a concise yet complete overview of the Township's finances in a manner similar to a private-sector business. The statement of net position presents information on the entire Township's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the components reported as net position. The statement of activities measures inter-period equity - in other words, were current year revenues sufficient to cover current year expenses, or were costs instead deferred to future taxpayers. It also shows the extent to which governmental activities support themselves (net expenses). Changes in net position shown at the bottom of the statement serves as an indicator of whether the Township's financial position is improving or deteriorating. The Lower Allen Township Authority and the Lower Allen Township Development Authority, discretely presented component units, are included in the government-wide financial statements in separate columns.

The full-accrual accounting method is used here, showing the flow of economic resources. The effects of an event are recorded when an economic impact occurs. For example, if a capital asset is purchased for cash, the statement of net position would show less in cash and cash equivalents and more in capital assets since one asset is merely being exchanged for another. Over time, the portion of that asset's value reduced through age and wear is reported on the statement of activities as depreciation expense, and also as a reduction in the capital assets line in the statement of net position. Therefore, there are events shown that are purely economic and are unrelated to the transfer of cash. This basis is particularly useful for assessing financial condition and for conducting analysis.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds. The Township does not have proprietary funds.

The balance sheets show current assets, deferred inflows of resources and some current liabilities of the Township, but show no capital assets or long-term liabilities. The statements of revenues, expenditures and changes in fund balance show some revenue and all expenditures. This is particularly useful to understand the level of cash that must be brought in to support services and to assess legal compliance.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Component Units – Component units are used to account for legally separate organizations for which the Township is financially accountable. They use the full-accrual accounting method showing the flow of economic resources and consist of the Lower Allen Township Development Authority and the Lower Allen Township Authority, which are discretely presented; meaning that the financial tie is sufficiently insubstantial to warrant presentation separate from the Township. Total net position of the component units at December 31, 2017 was \$28,030,545.

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 use modified accrual accounting showing a flow of current resources. The effects of an event are shown at or near the time cash is transferred. For example, if land is purchased for cash, cash and cash equivalents are reduced on the balance sheet, and a capital outlay expenditure is recorded on the statement of revenues, expenditures and changes in fund balance. Therefore, an expenditure can be shown even though the economic condition of the Township does not reduce as a result of the transaction. Nevertheless, this has informational value since the cash to purchase the land would have to be budgeted and raised, and should the money have instead come through a grant, the outlay would have to be reported to demonstrate legal compliance.

The Township maintains nine 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 balance for the General Fund, Capital Improvement Fund and Debt Service Fund, which are considered to be major governmental funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for six governmental funds using the modified accrual basis of accounting with minor exceptions. A budgetary comparison statement has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget on pages 114 and 115. The basic governmental funds financial statements can be found on pages 29 through 34 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 the Township's own programs. The Township carries five fiduciary funds, which include three pension trust funds, one OPEB trust fund and one agency fund. Total net position of the trust funds at December 31, 2017 was \$17,476,052. The basic fiduciary funds financial statements can be found on pages 35 and 36 of this report.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

The OPEB (which stands for other post-employment benefits, and consists of police retiree healthcare benefits) Trust Fund began in 2015 as an effort to minimize the long-term financial burden. The establishment of a trust facilitates the accumulation of money over the careers of the police officers so that resources are available when they retire. A trust also allows for a diversified investment portfolio, with a historically higher rate of return. The weighted return for the year was 14.35%

Notes to the financial statements - The notes provide additional information that is essential for 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 37 through 113 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees and budgetary comparison for the General Fund. The required supplementary information can be found on pages 114 through 128 of this report.

Other supplementary information, including the combining statements referred to earlier in connection with non-major governmental funds, component units and pension and other post-employment benefits trust funds, is presented immediately following the notes to the financial statements and the required supplementary information. Other supplementary information can be found on pages 129 through 152 of this report.

A schedule of cash flows for the governmental funds begins on page 137. Cash flow schedules are seldom seen in governmental funds' financial statements, but are commonly included for business and other enterprises where empirical assessment of financial condition is of interest.

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a government's financial position. Table I reflects total net position at December 31, 2017 of \$22,324,420, which represents an increase of \$3,553,421 from 2016.

The *current ratio* (current assets divided by current liabilities) is a measure of short-term solvency. This ratio at year-end 2017 was 4.42, compared to 4.33 the previous year. This means that for every dollar of current liabilities, the Township has \$4.42 of current assets with which to pay them. It is generally considered a warning sign if the current ratio drops below 1.00.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis (continued)

Average collection period represents the average number of days the Township must wait to have its bills paid by the customer. Sanitation services are billed quarterly, with 30 or 31 days to pay before the bill is considered in the penalty period and 90 days until delinquent. The average collection period in 2017 was 12.6 days, compared to 12.4 days in 2016. It is generally considered a warning sign if the average collection period extends beyond the payment period.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis (continued)

Table 1
Net Position
December 31, 2017 and 2016

	2017 Governmental activities	2016 Governmental activities	Increase (decrease) over prior year
Cash and investments	\$ 9,900,110	\$ 8,199,110	\$ 1,701,000
Receivables	3,975,120	2,984,826	990,294
Other current assets	100,429	242,889	(142,460)
Net pension asset	628,455		628,455
Capital assets	22,609,146	21,849,994	759,152
Total assets	37,213,260	33,276,819	3,936,441
Deferred outflows of resources	468,563	1,504,352	(1,035,789)
Total assets and deferred outflows of resources	<u>\$ 37,681,823</u>	<u>\$ 34,781,171</u>	<u>\$ 2,900,652</u>
Current liabilities	\$ 3,163,360	\$ 2,641,505	\$ 521,855
Noncurrent liabilities, less amounts due in one year	11,289,952	12,899,417	(1,609,465)
Total liabilities	14,453,312	15,540,922	(1,087,610)
Deferred inflows of resources	904,091	469,250	434,841
Net position:			
Net investment in capital assets	14,614,991	12,996,935	1,618,056
Restricted	1,772,746	1,467,591	305,155
Unrestricted	5,936,683	4,306,473	1,630,210
Total net position	22,324,420	18,770,999	3,553,421
Total liabilities, deferred inflows of resources and net position	<u>\$ 37,681,823</u>	<u>\$ 34,781,171</u>	<u>\$ 2,900,652</u>

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis (continued)

The average general real estate tax collection period increased to 47 days in 2017 from 39 days in 2016. The taxpayer has four months from the bill date until the bill is considered delinquent, and there is a 2% discount if paid within two months. Real estate tax is collected by an elected tax collector who is not under the oversight of the Township and sets her own office hours.

The *debt-to-worth ratio* (total liabilities divided by net position) measures longer-term financial risk. This ratio was 0.65 for 2017 and 0.83 for 2016. That means that for every dollar of book value equity, the Township owes 65¢ to creditors and bondholders. The higher the ratio, the more the reliance on debt rather than current revenue to support operations. The optimal ratio level varies by type of government operation. The governmental activity ratio for neighboring Hampden Township was 0.72 (in 2017), and was 0.25 for neighboring Upper Allen Township (in 2016).

Capital assets, shown above, include the Township's investment in capital assets (land, buildings and improvements, equipment and infrastructure), net of accumulated depreciation. The book value was \$22,609,146 at the end of 2017. A 14-year capital lease of \$410,000 was issued in 2017 to acquire capital assets including the new fire truck as mentioned above.

GOVERNMENTAL ACTIVITIES

Table 2 highlights the Township's revenues, expenses and changes in net position for the fiscal year ended December 31, 2017 and the prior year. As mentioned, net position increased by \$3,553,421 in 2017. Revenue increased by \$1,595,347.

Revenue is divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants and contributions stemming from a service provided by the Township. General revenue includes taxes, investment earnings, general intergovernmental revenue and contributions and other general revenue sources.

Expenses decreased by \$292,664 in 2017, or 2.55%. Public Works expense has a regular pulse due to the biannual road resurfacing program. Road work occurred in 2016 leaving 2017 as an off year. There was an increase of 2.0 full-time equivalent positions in 2017, including one new police officer, and the restoration of a full complement in Public Safety and Emergency Medical Technicians. Since 2008, the average annual change (the slope) in full-time equivalent employees has dropped by 1.3. This was in response to the recession, and the recent trend reversal is an attempt to restore pre-recession service levels. The national Consumer Price Index in 2017 was 1.5% and the employment cost index was 2.5%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

GOVERNMENTAL ACTIVITIES (CONTINUED)

Table 2
Change in Net Position
Years ended December 31, 2017 and 2016

	2017 Governmental activities	2016 Governmental activities	Increase (decrease) over prior year
Revenues:			
Program revenues:			
Charges for services	\$ 3,424,540	\$ 3,449,914	\$ (25,374)
Operating grants and contributions	718,595	578,805	139,790
Capital grants and contributions	185,010	60,298	124,712
General revenues:			
Real estate taxes	4,335,706	4,267,623	68,083
Other taxes	5,691,238	4,717,586	973,652
Intergovernmental revenue and contributions	623,766	342,471	281,295
Investment earnings	67,171	34,007	33,164
Other	240	215	25
Total revenues	15,046,266	13,450,919	1,595,347
Expenses:			
Public safety	6,418,197	6,102,358	315,839
Public works	2,221,996	2,740,612	(518,616)
General government	1,997,389	2,023,011	(25,622)
Parks and recreation	504,147	521,630	(17,483)
Interest on long-term debt	351,116	397,898	(46,782)
Total expenses	11,492,845	11,785,509	(292,664)
Changes in net position	3,553,421	1,665,410	1,888,011
Net position:			
Beginning	18,770,999	17,105,589	1,665,410
Ending	\$ 22,324,420	\$ 18,770,999	\$ 3,553,421

The graph below shows the two-year comparison of the total revenue allocated by source. The largest absolute increase was in non-real estate taxes, which resulted from continued economic recovery. Earned income tax and real estate transfer tax exceeded their budget by over 20%.

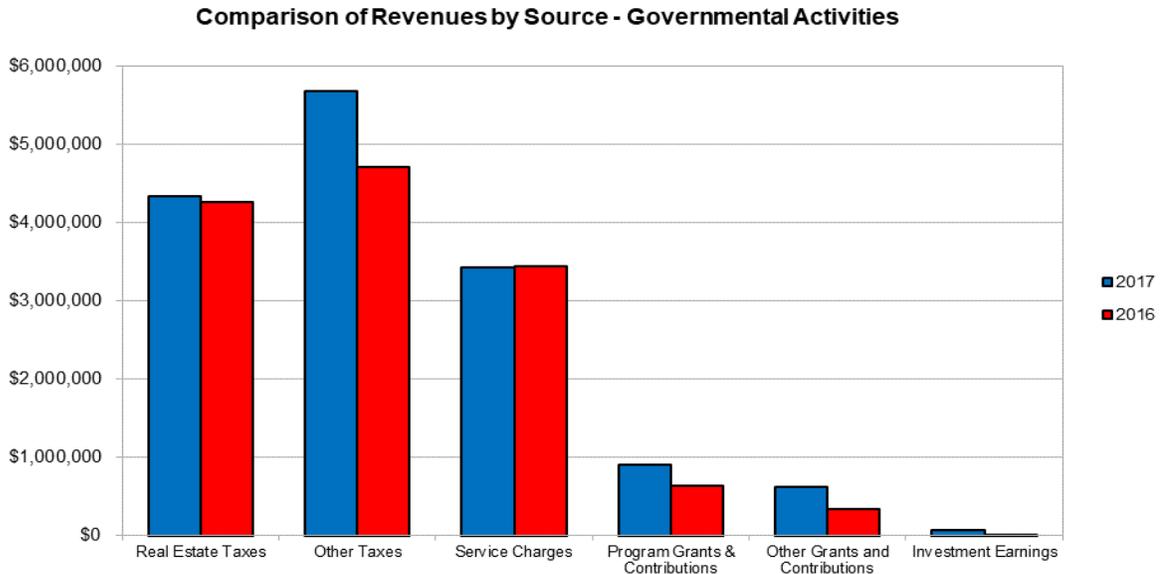
General-purpose real estate taxes were last raised for 2013 from 1.23 to 1.60 mills. In Pennsylvania, property is seldom reassessed to current market value. The effects of inflation, therefore, must be overcome through millage increases unless new development outpaces the rate of inflation, which is what occurred for both 2016 and 2017.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

GOVERNMENTAL ACTIVITIES (CONTINUED)



The bulk of other taxes consist of earned income tax (a percent of wages and other income earned by residents), local services tax (a flat rate per employee reporting to work within Township borders) and real estate transfer tax (a percent of the value of real estate changing ownership). All three are economically sensitive and the combination of the three exceeded their trend over the last five years, and exceeded their 2017 budget. The Bureau of Economic Analysis reported that disposable personal income increased 1.2% nationally in 2017.

As the result of official ballot results in 2012, the occupation tax was eliminated and replaced with an equal-value increase in earned income tax in 2013. Occupation tax is a billed tax based upon an arbitrary value of residents' occupations. The earned income tax is based upon a percent of wages, salaries and other income earned by Township residents. The earned income tax rate increased in 2013 from 0.5% to 0.6%. Per capita taxes were also eliminated in 2013, but were not directly replaced.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

GOVERNMENTAL ACTIVITIES (CONTINUED)

The graph below shows 2017 revenue sources indicating real estate taxes, other taxes and charges for services as the major sources for funding. Tax revenues at 66% constitute most of the Township's revenue sources. Charges for services follow at 23%.

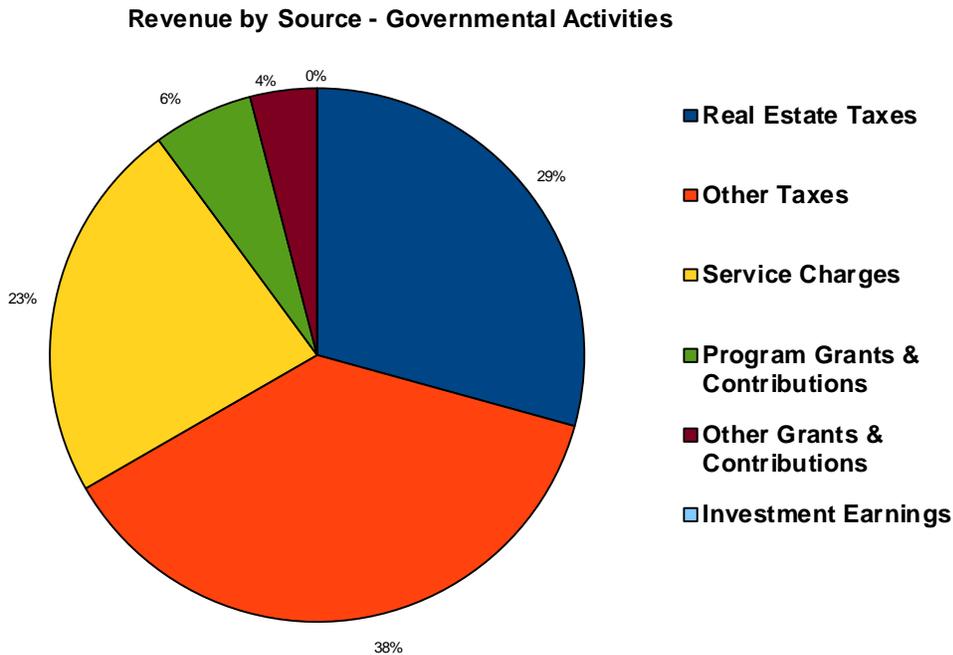


Table 3 discloses the cost of services for governmental activities. The total cost of services column contains all costs related to the programs, and the net cost column shows those costs less program revenues. Net costs must be covered by local taxes or other general revenue.

Net cost of services was 62% of the total cost of services in 2017. A decrease in capital grants and developer contributions had an effect upon the decrease in this ratio.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

GOVERNMENTAL ACTIVITIES (CONTINUED)

Table 3
Cost and Net Cost of Services
Years ended December 31, 2017 and 2016

	2017 Total cost	2017 Net cost of services	% Net cost to total
Programs:			
Public safety	\$ 6,418,197	\$ 4,410,150	
General government	1,997,389	1,864,614	
Public works	2,221,996	138,608	
Interest on long-term debt	351,116	351,116	
Parks and recreation	504,147	400,212	
	\$ 11,492,845	\$ 7,164,700	62%
	2016 Total cost	2016 Net cost of services	% Net cost to total
Programs:			
Public safety	\$ 6,102,358	\$ 4,151,614	
General government	2,023,011	1,890,276	
Public works	2,740,612	825,021	
Interest on long-term debt	397,898	397,898	
Parks and recreation	521,630	431,683	
	\$ 11,785,509	\$ 7,696,492	65%

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Township uses modified accrual basis of accounting to show results for individual funds to ensure and demonstrate compliance with finance-related legal requirements.

As of year-end 2017, the Township's governmental funds reported combined ending fund balances of \$9,318,594, an increase of \$758,203 from the previous year. Fund balance is divided into categories designed to convey the level of constraints placed upon the funds. Nonspendable fund balance, for example, consists of inventory of supplies that will not be converted to cash. Restricted fund balance is mandated by grant and other external legal restrictions for particular purposes. Assigned fund balance is constrained by act of the Township governing body, and unassigned fund balance is available at any time for any legal purpose.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, fund balance was \$6,459,393, an increase of \$422,363. The increase related to a continued strong local economy and construction activity, coupled with a slow growth in expenditures made possible by an off-year for the biannual road program in Public Works. General Fund expenditures were \$10,683,350 in 2017, an increase of \$643,099 or 5.2%.

During 2016, the General Fund began an annual borrowing of up to \$450,000 from the Capital Improvement Fund for capital purchases. Repayment is made with interest just as a capital lease from a bank would be. The Township's staff estimates that the long-term annual savings from loaning funds internally (as opposed to paying a bank) will be \$51,030. Due to better than expected revenue, the General Fund did not borrow from the Capital Improvement Fund in 2017.

The Debt Service Fund accounts for a special real estate tax levy in accord with Commonwealth of Pennsylvania law. Most debt service payments are made from this fund. Outlays not covered by the tax levy are supported by General and Fire Services Fund transfers.

The Capital Improvement Fund was used in 2017 to fund design-work for an addition to the highway maintenance building. Expensive hydraulic and other equipment is currently exposed to the weather. The Streetlight Fund had a deficit of \$14,766, which was expected and budgeted. The Streetlight Fund's fund-balance ended the year at 23% of expenditures. Planned deficits will be phased out as fund balance reaches 15%. The surplus in the Highway Aid Fund was also planned to accumulate resources for next year's road resurfacing program. Surpluses in the Fire Services Fund accumulate to meet an existing long-term capital asset replacement plan. The purchase of a new replacement pumper in 2017 consumed some of that accumulated fund balance.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Table 4
Summary of Governmental Change in Fund Balance
Years ended December 31, 2017 and 2016

	2017			
	General Fund	Debt Service Fund	Other governmental funds	Total governmental funds
Beginning fund balance	\$ 6,037,030	\$ 475,560	\$ 2,047,801	\$ 8,560,391
Change in:				
Nonspendable fund balance	(141,036)	750	4,030	(136,256)
Restricted fund balance		45,585	259,570	305,155
Assigned fund balance			25,405	25,405
Unrestricted fund balance	563,399		500	563,899
Ending fund balance	<u>\$ 6,459,393</u>	<u>\$ 521,895</u>	<u>\$ 2,337,306</u>	<u>\$ 9,318,594</u>
	2016			
	General Fund	Debt Service Fund	Other governmental funds	Total governmental funds
Beginning fund balance	\$ 4,765,884	\$ 376,367	\$ 1,746,255	\$ 6,888,506
Change in:				
Nonspendable fund balance	70,545		293	70,838
Restricted fund balance		99,193	291,607	390,800
Assigned fund balance	(43,290)		9,646	(33,644)
Unrestricted fund balance	1,243,891			1,243,891
Ending fund balance	<u>\$ 6,037,030</u>	<u>\$ 475,560</u>	<u>\$ 2,047,801</u>	<u>\$ 8,560,391</u>

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Several years ago, the Township formally adopted a policy establishing a target level of unassigned general and special revenue fund balance at the greater of 15% of budgeted expenditures or two months of operating expenses. This goal was reached in 2011 and stands now at 68%, compared to 47% in 2016. With the potential swing in economically sensitive revenue, an interest in avoiding a tax increase in the thick of a recession, and to take advantage of efficiency opportunities when they arise, fund balance has been allowed to increase beyond the minimum mandated 15% of expenditures. As an example of the latter, the Township Pension Committee has been discussing increasing the portfolio mix of pension equity investments from 60% to 70%; thus, raising the anticipated long-term return on investment. Excess fund balance is available to cover fluctuation in contribution requirements caused by market downturns.

Township management is not aware of empirical studies that provide a proven formula for determining the ideal unassigned fund balance level. In a document from Moody's Investor Service, dated March 2014, titled *Rating Methodology: U.S. Local Government General Obligation Debt*, one factor in a multivariate formula gives Aaa weight if fund balance is at 30% of revenue, Aa at 15%, A at 5% and Baa at 0%. The Government Finance Officers Association of the United States and Canada (GFOA) recommends no less than two months of regular operating expenditures, which equates to a minimum of 17%. A statement of position dated February 2014 summarized by saying that, "The Office of the State Auditor [of Minnesota] recommends that, at year-end/or at other key times of the year, local governments that rely significantly on property taxes maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures in their general fund and special revenue funds." A 2013 GFOA study conducted for Colorado Springs, Colorado, recommended a target of 25% of general fund revenues, for that city. The Civic Federation (located in Chicago) found a direct correlation between the ratio of unassigned fund balance to expenditures and financial stability - they report that in 2006 the average ratio for a sample of 13 major U.S. Cities was 15.3%, which had declined to 6.9% by 2010. North Carolina municipalities were mandated as of June 30, 2011 to maintain a level of 8%, and the North Carolina League of Municipalities reported on April 18, 2011 that the average in that state was 21%.

The Township is at the maximum taxation rates allowed by law for all taxes except occupation and real estate. The maximum legal general-purpose real estate tax millage (mills) is 30.00 mills. The Township's general-purpose levy was 1.60 mills in 2017, leaving a very significant margin for increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$22,609,146 (net of accumulated depreciation). This investment includes land, land improvements, buildings and improvements, machinery and equipment and infrastructure. Capital assets increased by \$759,152 in 2017. New assets were acquired with a value of \$2,008,899, depreciation totaled \$1,219,255 and assets with a net book value of \$0 were disposed of. Additional information on the Township's capital assets can be found in Note 5 of this report.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Table 5
Capital Assets
Years ended December 31, 2017 and 2016

	2017 Governmental activities	2016 Governmental activities
Buildings and improvements	\$ 13,004,474	\$ 12,972,186
Machinery and equipment	9,020,668	8,017,417
Infrastructure	5,570,681	5,067,541
Land	2,800,671	2,732,890
Land improvements	3,488,402	3,462,145
Construction in progress	289,450	74,181
Accumulated depreciation	(11,565,200)	(10,476,366)
 Total	 \$ 22,609,146	 \$ 21,849,994

Pension - *The Special Report: Funding and Reforming Public Employee Retirement Systems*, published by the Pennsylvania Public Employee Retirement Commission in 2013, begins by saying: "The Great Recession has triggered an extraordinary increase in the required employer contribution to defined benefit pension funds..." In seeming compliance, the Township's 2014 Police and Non-Uniformed Pension net, out-of-pocket minimum municipal obligation increased by \$83,015 or 35%. All of the increase arose from amortization of the unfunded actuarial accrued liability (normal cost decreased, and expenses remained the same).

In response, actuarial methods and assumptions were altered slightly, the investment policy statements were strengthened, fees were scrutinized and a pension obligation bond was issued. The latest actuarial valuation indicated a reduction in the annual minimum municipal obligation (including debt service on the pension obligation bonds) of \$135,197 compared to the previous January 1, 2013 valuation. Of this, \$72,477 is attributed to the issuance of the bonds. The Non-Uniformed and Police Pension Plans were both more than 100% funded as of January 1, 2015 using state-mandated actuarial methods.

Fees and other charges were carefully evaluated. Principal Financial Group, the police and non-uniformed plan administrator, agreed to lower its fees for the police pension plan by \$10,500. R.J. Hall Company, Inc. a secondary administrator for both plans, agreed to cut its basis point fees in half, from 25 to 12.5 basis points. In 2016, a switch was made from active to passive investing, and a shift was made in administrative duties to staff from paid administrators.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

For the five-year period ended December 31, 2017, the pension administrator reported an average return on investments of 7.05% and 6.88% for the Police and Non-Uniformed Pension Plans, respectively. The pension administrator reports a 2017 return of 13.55% and 13.68%, respectively. The "all in" rate on the pension obligation bonds is 4.16%, and the actuarial earnings assumption for both plans is 7.75%. As of year-end 2017, the Sharpe Ratio combined for both plans was 7.76 for the year, with a standard deviation of 1.92%. After conversion to passive investing, the combined return exceeded the benchmark, and the beta, standard deviation and Sharpe Ratio show less volatility.

OPEB - As previously mentioned, an OPEB trust fund was created in 2015. An investment policy statement, similar to that of the Volunteer Firefighters Service Award Program, was established by official resolution, and Wells Fargo Advisors was appointed as the investment manager. Net plan assets at year end were \$512,208, compared to a net OPEB obligation of \$1,235,980. The 2017 weighted return for the portfolio was 16.42% compared to the benchmark of 15.98%

Debt - As of December 31, 2017, the Township had three general obligation bond series outstanding in the amount of \$10,205,000 and capital leases totaling \$914,525. The Township paid \$1,538,165 in principal and \$298,954 in interest and fiscal charges on this outstanding debt in 2017. The debt service on general obligation bonds is the responsibility of the Debt Service Fund and is funded by tax revenues and transfers from the General Fund, except for the 2013 pension obligation bond series, which is funded by the General and Fire Services Funds.

Table 6
Fund Sourcing of Outstanding Liabilities
December 31, 2017

	General Fund	Debt Services Fund	Other governmental funds	Total	Maturity
General obligation 2012		\$ 1,485,000		\$ 1,485,000	2025
General obligation 2013	\$ 2,895,000			2,895,000	2028
General obligation 2014		5,825,000		5,825,000	2025
Capital leases	355,830		\$ 558,695	914,525	2018-2032
Compensated absences	460,122			460,122	
Other post-employment benefits	1,235,980			1,235,980	
	<u>\$ 4,946,932</u>	<u>\$ 7,310,000</u>	<u>\$ 558,695</u>	<u>\$ 12,815,627</u>	

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Additional information about the Township's general obligation bond series and capital leases can be found in Note 6 of this report. Compensated absences represent vacation and other vested accrued time payable to employees. Additional compensated absence information can be found in Notes 1 and 6 of this report. Other post-employment benefits arise from retiree healthcare obligated for police officers. This liability is determined by an actuary. More information on this liability can be found in Note 9 of this report.

BUDGETARY EVENTS

Actual General Fund revenue trailed the budget by 3%, and actual expenditures were under budget by 14%. Overall, the General Fund had a \$470,068 budgetary surplus compared to the budget expectation of \$(817,400). Revenues were strong, however, grant revenue contingent upon related expenditures totaling over \$900,000 did not occur in 2017 because the expenditures were delayed until 2018.

As mentioned previously, economically sensitive revenue proved stronger than originally expected. Construction permits, for example, exceeded budget by 72%. Earned income tax and real estate transfer tax (under other taxes) exceeded budget by 9% and 53%, respectively. Third-party ambulance revenue relating to the addition of ALS services in 2015 decreased in 2017 and failed to meet budget. While billable ambulance calls were up, Medicare reimbursements per call decreased. No budget amendments were made for 2017.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

BUDGETARY EVENTS (CONTINUED)

Table 7
Legally Adopted Original Budgets
Years ended December 31, 2018 and 2017

	General fund	Other funds	Total 2018	Total 2017
Revenue:				
Tax revenue	\$ 6,879,430	\$ 1,531,890	\$ 8,411,320	\$ 8,214,320
Other revenue	4,966,250	1,221,970	6,188,220	5,805,710
Other financing sources	1,640,380	702,580	2,342,960	2,906,130
Total revenue	<u>13,486,060</u>	<u>3,456,440</u>	<u>16,942,500</u>	<u>16,926,160</u>
Expenditures:				
Public safety	6,911,730		6,911,730	6,314,980
Public works	1,711,750	942,270	2,654,020	2,224,340
General government	1,860,830	1,400	1,862,230	1,775,000
Debt service		1,397,620	1,397,620	1,440,750
Parks and recreation	1,146,050		1,146,050	1,218,870
Refuse collection	1,068,420		1,068,420	984,510
Fire protection		913,110	913,110	961,220
Street lights		130,950	130,950	128,950
Insurance	78,130		78,130	74,410
Miscellaneous	2,600		2,600	2,600
Other financing uses	1,022,930	875,320	1,898,250	1,908,580
Total expenditures	<u>13,802,440</u>	<u>4,260,670</u>	<u>18,063,110</u>	<u>17,034,210</u>
Fund balance change	<u>\$ (316,380)</u>	<u>\$ (804,230)</u>	<u>\$ (1,120,610)</u>	<u>\$ (108,050)</u>

- The 2018 budget compared to the 2017 budget is shown in Table 7. Streetlight assessments for 2018 remained unchanged, but real estate tax increased from 2.45 to 3.03 mills. The lion's share of that increase goes to the fire assessment to fund the updated fire capital plan mentioned above. Refuse fees increased from \$59.07 to \$61.89 necessitated by a new contract with the waste hauler. There are no significant changes to service levels. General Fund budgeted revenue increased \$244,600 or 2%. Budgeted operating expenditures in the General Fund, consisting of employment cost, goods and services, increased by \$410,700 or 3%. Budgeted General Fund capital outlay expenditures decreased \$313,480 or 14%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

BUDGETARY EVENTS (CONTINUED)

- New 2018 budgeted police positions include a full year for the new patrolman, the new captain, the new sergeant and the one less lieutenant having a partial year in 2017. For public safety, there is a full year for the fire captain hired in 2017. Also, under public safety there are two new public safety officers. An MS4 coordinator was added to address federal storm water mandates. A mechanic intern was also added to supplement the fleet maintenance staff.
- The 2018 budget anticipates a surplus of \$249,090 made possible by a proposed capital lease of \$289,360 for capital outlays. Township staff envision a financial approach with timing resulting in the lowest possible long-term burden upon the taxpayer, rather than to avoid impending insolvency and subsist "paycheck to paycheck".
- The Streetlight Fund is expected to continue with a planned annual deficit for at least one more year. The assessment was decreased in 2013 by 15% because there had been an accumulation of fund balance in that fund.
- Advanced life support (ALS) services were added in 2015 through an outside contract for paramedic labor, supplies and equipment. The contract was renewed for two years until December 2018. Staff will examine the long-term viability of the emergency medical services in 2018.
- In addition to a capital lease, the 2018 budget included self-funding of capital outlays using a \$450,000 transfer from the Capital Improvement Fund to the General Fund.
- The police collective bargaining agreement was updated in 2017 to take effect in 2018. Three years of 4% pay increases were granted, but OPEB was discontinued for new hires.
- Although Pennsylvania law does not provide for a multi-year budget, the Township's staff annually prepares a five-year capital budget which has been considered a working plan by the governing board. The 2018 part of the plan has outlays estimated at \$2,274,480 and is included in the 2018 budget. Outlays for 2019 are estimated at \$1,082,200, then taper off for the remaining years. The grand total for all five years - \$4,450,930 - is estimated to consume all capital money that will be available. The Township's staff also maintains a road resurfacing plan for all Township roads and a replacement schedule for all Township vehicles. The largest capital outlay in the 2018 budget is a \$750,000 roundabout at the intersection of Rossmoyne and Lisburn roads, completely funded through a grant.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

BUDGETARY EVENTS (CONTINUED)

Economic forecasts seemed to have stabilized at a national level. Local unemployment rates continue to stay below state and national figures. The following table shows actual percent change in national annual economic indicators and projected changes for the next two years as supplied by the Wells Fargo Securities Forecast of May 9, 2018. These are the indicators from that list that correlate best with the largest Township economically sensitive revenues. Earned income tax correlates well with the unemployment rate and business fixed investment. Construction related revenue correlates well with residential construction and business investment in structures. Total expenditures are harder to predict using a correlative method, but best match the change in Consumer Price Index. Note that some of these correlations are best when lagged.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>	<u>Slope</u>
Business fixed investment	3.0	6.0	2.3	(0.6)	4.7	5.7	4.3	3.6	0.2
Business investment in structures	1.6	10.3	(1.8)	(4.1)	5.6	5.5	2.8	2.8	0.0
Consumer Price Index	1.5	1.6	0.1	1.3	2.1	2.5	2.3	1.6	0.2
Real GDP	1.5	2.4	2.9	1.5	2.3	2.9	2.8	2.3	0.2
Residential construction	9.5	3.5	10.2	5.5	1.8	4.2	7.1	6.0	(0.5)
Unemployment rate	7.4	6.2	5.3	4.9	4.4	3.9	3.7	5.1	(0.6)

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the Township's finances and to demonstrate a high degree of accountability for the public funds entrusted to us. The audited financial statements for the component units may be reviewed at the Township building. If you have any questions about this report or need additional information, please contact Richard Grove, Finance Director, Lower Allen Township, 2233 Gettysburg Road, Camp Hill, PA 17011.

LOWER ALLEN TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government	Component units	
	Governmental activities	Lower Allen Township Authority	Lower Allen Township Development Authority
Current assets:			
Cash and cash equivalents	\$ 8,399,542	\$ 3,665,835	\$ 216,152
Certificates of deposit	1,002,593		
Investments	497,975	2,999,582	
Receivables, net:			
Taxes	2,608,019		
Accounts	1,277,327		
Mortgage			508,769
Sanitation fees	89,774		
Sanitary sewer rents		127,063	
Other receivables		18,863	
Inventory	9,690		
Other assets	90,739		
	<u>13,975,659</u>	<u>6,811,343</u>	<u>724,921</u>
Total current assets			
Noncurrent assets:			
Net pension asset	628,455	425,196	
Capital assets:			
Not being depreciated	3,090,121	339,386	
Being depreciated, net	19,519,025	30,314,870	
	<u>23,237,601</u>	<u>31,079,452</u>	
Total noncurrent assets			
Total assets	<u>37,213,260</u>	<u>37,890,795</u>	<u>724,921</u>
Deferred outflows of resources:			
Deferred charge on refunding	270,556		
Deferred outflows of resources for pensions	198,007	4,979	
	<u>468,563</u>	<u>4,979</u>	
Total deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 37,681,823</u>	<u>\$ 37,895,774</u>	<u>\$ 724,921</u>

(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF NET POSITION (CONTINUED) – DECEMBER 31, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government Governmental activities	Component units	
		Lower Allen Township Authority	Lower Allen Township Development Authority
Liabilities:			
Payroll taxes and withholding	\$ 29,693	\$ 8,510	
Vouchers payable	230,522	67,339	\$ 332
Accrued:			
Wages payable	89,990	103,698	
Interest	34,599	34,856	
Other payables	141,721		
Escrow deposits		1,950	
Unearned revenue	1,070,974		37,894
Noncurrent liabilities:			
Due within one year	1,565,861	522,000	
Due in more than one year	10,053,972	9,364,000	
Net other post-employment liability	1,235,980		
Total liabilities	14,453,312	10,102,353	38,226
Deferred inflows of resources for pensions	904,091	449,571	
Net position:			
Net investment in capital assets	14,614,991	20,768,255	
Restricted for:			
Debt service	521,145		
Public safety	310,589		
Public works	662,146		
Parks and recreation	278,866		
Unrestricted	5,936,683	6,575,595	686,695
Total net position	22,324,420	27,343,850	686,695
Total liabilities, deferred inflows of resources and net position	\$ 37,681,823	\$ 37,895,774	\$ 724,921 (concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Functions/programs	Expenses	Program revenues			Net revenue (expenses) and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Component units	
						Lower Allen Township Authority	Lower Allen Township Development Authority
Primary government:							
Governmental activities:							
General government	\$ 1,997,389	\$ 117,228	\$ 15,547		\$ (1,864,614)		
Public safety	6,418,197	1,897,229	110,818		(4,410,150)		
Public works	2,221,996	1,368,143	530,235	\$ 185,010	(138,608)		
Parks and recreation	504,147	41,940	61,995		(400,212)		
Interest on long-term debt	351,116				(351,116)		
Total primary government	<u>\$ 11,492,845</u>	<u>\$ 3,424,540</u>	<u>\$ 718,595</u>	<u>\$ 185,010</u>	<u>(7,164,700)</u>		
Component units:							
Lower Allen Township Authority	\$ 5,823,294	\$ 6,130,541		\$ 39,816		\$ 347,063	
Lower Allen Township Development Authority	8,942						\$ (8,942)
Total component units	<u>\$ 5,832,236</u>	<u>\$ 6,130,541</u>		<u>\$ 39,816</u>		<u>347,063</u>	<u>(8,942)</u>

(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Net revenue (expenses) and changes in net position		
	Governmental activities	Component units	
		Lower Allen Township Authority	Lower Allen Township Development Authority
General revenues:			
Real estate taxes	\$ 4,335,706		
Real estate transfer taxes	604,085		
Earned income taxes	3,793,076		
Local services taxes	916,938		
Franchise taxes	361,876		
Public utility realty tax	8,826		
Amusement taxes	6,437		
Investment earnings	67,171	\$ 46,741	\$ 22,000
Intergovernmental revenue and contributions (not restricted to a specific purpose)	623,766		
Other revenue (not restricted to a specific purpose)	240		
Total general revenues	10,718,121	46,741	22,000
Change in net position	3,553,421	393,804	13,058
Net position:			
Beginning	18,770,999	26,950,046	673,637
Ending	\$ 22,324,420	\$ 27,343,850	\$ 686,695
			(concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	<u>Major funds</u>		<u>Non-major funds</u>	<u>Total governmental funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	
ASSETS				
Cash and cash equivalents	\$ 4,893,730	\$ 321,765	\$ 3,184,047	\$ 8,399,542
Certificates of deposit	1,002,593			1,002,593
Investments	497,975			497,975
Receivables, net:				
Taxes	2,570,786	15,007	22,226	2,608,019
Accounts	1,274,057		3,270	1,277,327
Sanitation fees	89,774			89,774
Due from other funds	322,000	196,605	252,247	770,852
Inventory	9,690			9,690
Other assets	48,653	750	15,362	64,765
	<u>\$ 10,709,258</u>	<u>\$ 534,127</u>	<u>\$ 3,477,152</u>	<u>\$ 14,720,537</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payroll tax and withholding	\$ 29,693			\$ 29,693
Due to other funds	252,247		\$ 518,605	770,852
Vouchers payable	213,576		16,946	230,522
Accrued wages payable	89,990			89,990
Other payables	141,721			141,721
Unearned revenue	703,965		587,009	1,290,974
	<u>1,431,192</u>		<u>1,122,560</u>	<u>2,553,752</u>
Deferred inflows of resources:				
Unavailable revenue:				
Taxes	1,915,127	\$ 12,232	17,286	1,944,645
Charges for services	903,546			903,546
	<u>2,818,673</u>	<u>12,232</u>	<u>17,286</u>	<u>2,848,191</u>
Fund balances:				
Nonspendable	58,343	750	15,362	74,455
Restricted for:				
Debt service		521,145		521,145
Public safety			310,589	310,589
Public works			662,146	662,146
Parks and recreation			278,866	278,866
Assigned for capital projects			1,092,675	1,092,675
Unassigned	6,401,050		(22,332)	6,378,718
	<u>6,459,393</u>	<u>521,895</u>	<u>2,337,306</u>	<u>9,318,594</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 10,709,258</u></u>	<u><u>\$ 534,127</u></u>	<u><u>\$ 3,477,152</u></u>	<u><u>\$ 14,720,537</u></u>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS ON THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

Total governmental fund balances	\$ 9,318,594
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,609,146
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	3,068,191
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(10,205,000)
Less prepaid bond insurance	25,974
Plus bond premium	(40,186)
Less deferred charge on refunding	270,556
Capital lease payable	(914,525)
Compensated absences payable	(460,122)
Net pension liability, net of related deferred outflows and inflows of resources	(77,629)
Net other post-employment liability	(1,235,980)
Accrued interest expense	(34,599)
Net position of governmental activities	<u>\$ 22,324,420</u>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

	Major funds		Non-major funds	Total governmental funds
	General Fund	Debt Service Fund	Other governmental funds	
Revenues:				
Real estate taxes	\$ 2,758,639	\$ 707,010	\$ 868,925	\$ 4,334,574
Other taxes	4,349,474			4,349,474
Licenses and permits	401,280			401,280
Fines and forfeits	99,473			99,473
Investment earnings	43,039	3,158	20,974	67,171
Rents	45,462		16,824	62,286
Intergovernmental revenue	602,102		539,318	1,141,420
Charges for services	3,063,312		49,195	3,112,507
Contribution from fire department			100,000	100,000
Miscellaneous revenues	40,785		71,661	112,446
	11,403,566	710,168	1,666,897	13,780,631
Total revenues				
Expenditures:				
Current:				
General government	1,650,063	1,985	1,204	1,653,252
Public safety	5,674,799		1,022,710	6,697,509
Public works	2,089,175		334,539	2,423,714
Parks and recreation	793,172			793,172
Miscellaneous expenditures	50,887			50,887
Capital outlay			1,250	1,250
Debt service:				
Principal	317,206	1,215,325	5,634	1,538,165
Interest and fiscal charges	108,048	190,906		298,954
	10,683,350	1,408,216	1,365,337	13,456,903
Total expenditures				
Excess (deficit) of revenues over (under) expenditures	720,216	(698,048)	301,560	323,728

(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Major funds		Non-major funds	Total governmental funds
	General Fund	Debt Service Fund	Other governmental funds	
Other financing sources (uses):				
Transfers in	\$ 343,224	\$ 744,383	\$ 15,192	\$ 1,102,799
Transfers out	(665,552)		(437,247)	(1,102,799)
Proceeds from sale of assets	24,475			24,475
Issuance of debt			410,000	410,000
Total other financing sources (uses)	(297,853)	744,383	(12,055)	434,475
Net changes in fund balances	422,363	46,335	289,505	758,203
Fund balances:				
Beginning of year	6,037,030	475,560	2,047,801	8,560,391
End of year	\$ 6,459,393	\$ 521,895	\$ 2,337,306	\$ 9,318,594 (concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017

Net change in fund balances, governmental funds \$ 758,203

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposals exceeded capital outlays in the current period.

The details of the difference are as follows:

Capital outlays	\$ 2,008,899	
Depreciation	(1,219,255)	
Disposal of capital assets	<u>(30,492)</u>	
Net		759,152

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,265,635
(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

The issuance of long-term debt (i.e., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of the difference are as follows:

Issuance of capital lease	\$ (410,000)	
Principal repayments:		
Bonds payable	1,040,000	
Capital lease payable	<u>498,165</u>	
Net		\$ 1,128,165

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the difference are as follows:

Change in compensated absences		(42,763)
Change in net pension liability, net of related deferred outflows and inflows of resources		(83,057)
Change in net other post-employment liability		(173,547)
Amortization of:		
Bond prepaid insurance		(6,205)
Original issue premium		9,452
Deferred charge on refunding		(63,713)
Change in accrued interest		<u>2,099</u>
Change in net position of governmental activities		<u>\$ 3,553,421</u> (concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – TRUST AND AGENCY FUNDS

DECEMBER 31, 2017

	<u>Pension and OPEB Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	<u>\$ 67,899</u>	<u>\$ 176,576</u>
Investments:		
Mutual funds:		
Equities	10,216,549	
Fixed income	<u>7,229,668</u>	
Total investments	<u>17,446,217</u>	
Total assets	<u><u>\$ 17,514,116</u></u>	<u><u>\$ 176,576</u></u>
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	\$ 38,064	
Due to developers		<u>\$ 176,576</u>
Total liabilities	38,064	176,576
Net position, restricted for pension and other post-employment benefits	<u>17,476,052</u>	
Total liabilities and net position	<u><u>\$ 17,514,116</u></u>	<u><u>\$ 176,576</u></u>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION AND OTHER
POST-EMPLOYMENT BENEFIT TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

Additions:	
Contributions:	
State aid	\$ 313,470
Employer	49,097
Employee	<u>93,827</u>
Total contributions	<u>456,394</u>
Investment income:	
Net appreciation in value of investments	2,109,114
Interest earnings	<u>23,565</u>
Total investment income	2,132,679
Less investment expenses	<u>33,367</u>
Net investment earnings	<u>2,099,312</u>
Total additions	<u>2,555,706</u>
Deductions:	
Benefits	735,277
Administrative expenses	<u>18,335</u>
Total deductions	<u>753,612</u>
Increase in funds' net position	1,802,094
Net position:	
Beginning	<u>15,673,958</u>
Ending	<u>\$ 17,476,052</u>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies:

The financial statements of Lower Allen Township (Township) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting principles and practices of the Township are discussed in subsequent sections of this note. The remaining notes are organized to provide required disclosures and explanations of the Township's financial activities for the year ended December 31, 2017.

Reporting entity:

The Township obtained first class township status on November 2, 1954. The Township operates under a form of government which is comprised of an elected Board of Commissioners (five members) under the administration of an appointed Township manager.

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

The Lower Allen Township Authority (Authority) is a separate legal entity in which the Township Board of Commissioners (Board) appoints the five members of the governing board. Each is appointed for a five-year term. One member is appointed each year. Once appointed, a member can only be removed for just cause by the County Court of Quarter Sessions. At December 31, 2017, one Township commissioner was also a member of the governing board of the Authority. During the years ended December 31, 2012, 2013 and 2017, the Township guaranteed the Guaranteed Sewer Revenue Bonds, Series 2012, Series 2013 and Series 2017 for the Authority. Thus, the Township is legally obligated for the Authority's debt. The Township's legal authority and limits for extending the guarantees and types of obligations guaranteed is pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act. Accordingly, the Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2017. Separate financial statements were issued by the Authority and can be obtained by contacting the Lower Allen Township Authority.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Reporting entity (continued):

The Authority is an operating authority responsible for acquiring, holding, constructing, improving, owning and leasing sewers, sewer systems or parts thereof. The Authority provides services principally to portions of the Township and Shiremanstown Borough. In addition, under operating agreements with Upper Allen Township, Fairview Township and the State Correctional Institution at Camp Hill, the Authority provides sewage treatment services for these entities.

In December 2008, the Township passed a resolution organizing the Lower Allen Township Development Authority (Development Authority). The Township appoints the board members of the Development Authority. The Development Authority must get approval from the Township Board to undergo projects, programs or any other significant activities. Accordingly, the Development Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2017. Separate financial statements are not issued by the Development Authority.

In September 2011, the Development Authority was approved as a publicly supported organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

During the year ended December 31, 2013, the Township approved creating a Transportation Development District (TDD) with Upper Allen Township. On April 16, 2014, the Intergovernmental Cooperation Agreement was signed for an initial term of five years. The TDD was established to make improvements to the function and safety of Gettysburg Road. The activity for the year ended December 31, 2017 was immaterial. Separate financial statements are not issued by the TDD.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. 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 to external parties for support. However, the Township does not have any business-type activities.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Government-wide and fund financial statements (continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds, pension and other post-employment benefit (OPEB) trust funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are 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. The Township considers real estate, earned income and franchise taxes, intergovernmental revenue and charges for services as meeting the available criteria. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Expenditures for claims, judgments, compensated absences and employer pension and other post-employment benefit contributions are reported to the extent that they mature each period.

The pension and OPEB trust funds' deductions for benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

The Township reports unavailable and unearned revenue on its governmental fund balance sheet. Unavailable revenue arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow of resources or liability for unavailable or unearned revenue is removed from the governmental fund balance sheet and revenue is recognized. Unearned revenues at December 31, 2017 consists of the following:

General Fund:	
Permit fees	\$ 362,372
Construction grant	220,000
2018 Ambulance memberships	65,125
Cable access grant	22,810
K-9 donations	22,818
Other	10,840
Non-major funds:	
Capital Improvement Fund:	
Cell tower lease	464,488
Transportation development district	9,864
Recreation fee in lieu of	80,829
Winter maintenance grant	31,828
	<hr/>
Total governmental unearned revenue	1,290,974
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<hr/> (220,000) <hr/>
Total government-wide unearned revenue	<hr/> \$ 1,070,974 <hr/>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund. It accounts for all financial resources of the general government, except those resources accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the general obligation bond and capital lease expenditures of the Township. Financing is provided through real estate taxes and transfers from other funds.

The fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include the Pension Trust funds and Other Post-Employment Benefit Trust Fund. The fiduciary funds are accounted for in essentially the same manner as the proprietary funds since capital maintenance is critical. The fiduciary fund's financial statements are prepared using the accrual basis of accounting.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Borough reports the following fiduciary fund types:

Pension and OPEB Trust Funds - The Pension and OPEB Trust Funds account for assets held by the government under the terms of a formal trust agreement. The Pension Trust Funds are used to account for the non-uniformed, police and volunteer firefighter's pension plans. The Other Post-Employment Benefit Trust Fund accounts for certain post-employment healthcare benefits of the Township's police retirees.

Agency Funds - The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. The developer's escrow fund is used to account for funds received from certain developers pursuant to security agreements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Budget information:

Policy and practice:

The Township's Manager submits an annual budget to the Township's Board in accordance with the Township's Charter and the Pennsylvania First Class Township Code. In December, the Board adopts annual fiscal year appropriated budgets for the Township's operating funds. These include the General Fund, Debt Service Fund and the following special revenue funds: Streetlight Fund, Highway Aid Fund and Fire Services Fund.

Annually, a legally authorized, appropriated budget is prepared for the Capital Improvement Fund. Expenditures for this fund are controlled on a project (designated purpose) basis and are carried forward each year until the project is completed.

Once approved, and after a 90-day waiting period, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. There were supplemental appropriations or authorized budget amendments for the year ended December 31, 2017.

Budgetary control:

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted at the department level in the General Fund and at the fund level in the Debt Service Fund and budgeted Special Revenue Funds. This constitutes the legal level of control. Expenditures may not exceed 125% of appropriations at the department level and 110% at the fund level. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

Encumbrances:

Encumbrance accounting is used for the General Fund, Special Revenue Funds and Capital Improvement Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Under Pennsylvania law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Budget information (continued):

Budgetary basis of accounting:

An annual non-GAAP basis budget, modified accrual basis except for operating lease payments recognized as revenue in the year of receipt, is adopted for the General Fund, Streetlight Fund, Highway Aid Fund, Fire Services Fund and the Capital Improvement Fund. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

Cash and investments:

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions are the pension and OPEB trust funds, which classify cash equivalents in investments.

Investment income revenues are recorded in the fund in which the investment is held.

Investments are reported at fair value or net asset value. Net asset value is the investment's assets less the liabilities, which is a practical expedient for estimating fair value. Fair values for fixed income and equity securities are determined by quoted market prices based on national exchanges when available. External investment pools are reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. Cash deposits and cash equivalents are reported at carrying amount, which approximates fair value.

Interfund receivables and payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to /from other funds" on the balance sheet. The effect of interfund activities has been eliminated from the government-wide financial statements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Receivables:

Accounts receivable include fees charged for ambulance services and are recorded net of an allowance for uncollectible fees, which at December 31, 2017 was \$643,789.

Inventory:

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Pension plans:

The government-wide financial statements report pension obligations as earned by participants using actuarial calculations, which allocate expected costs over employees' service periods. Fund financial statements report employer contributions to the pension plans as expenditures as they are made.

Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams and similar items), are reported in the governmental activities column in the government-wide financial statements. Infrastructure assets are reported prospectively, beginning January 1, 2004. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Capital assets (continued):

Capital assets of the Township are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 to 45 years
Building and building improvements	50 to 80 years
Machinery and equipment	5 to 20 years
Infrastructure	20 to 40 years

Deferred inflows and outflows resources for pensions:

In conjunction with pension accounting requirements, the effect of the differences in the Township's expected and actual experience, the changes of assumptions and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows or outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the pension plans. Note 8 presents additional information about the pension plans.

Compensated absences:

Township employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid accumulated vacation leave at full rates. Upon retirement, employees will be paid 25% of accumulated sick leave, not to exceed 165 days for uniformed employees and 30 days for non-uniformed employees. Each employee is limited to the employee's yearly allowance plus one week of accumulated carried over vacation leave at their employment anniversary date and limited at all times to a maximum accumulated sick leave of 165 days.

All vested compensated absences of the Township are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Compensated absences (continued):

The employees of the Authority are permitted to accumulate limited amounts of earned, but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave, since the Authority does not have a policy to pay any amounts when employees separate from service except at retirement. Employees are permitted to carry over a maximum of 15 days of unused vacation time into the next year. A liability for accumulated vacation pay benefits is recorded because it is the Authority's policy to pay employees for unused vacation at separation from service.

Long-term obligations:

In the government-wide financial statements, the Township records long-term debt and other long-term obligations as liabilities. Bond premiums and discounts are amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance, are expensed in the year of issuance. Bond insurance is recorded as another asset and amortized over the life of the bonds.

In the Township's fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Authority's bond issue costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Net position and fund balance:

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Net position and fund balance (continued):

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents the net position of the Township, which does not meet the definition of "restricted" or "net investment in capital assets."

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, fund balances of governmental funds are classified in four separate categories. The four categories, and their general meanings, are as follows:

Nonspendable - This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory. Nonspendable fund balance at December 31, 2017 consisted of the following:

General fund:	
Inventory	\$ 9,690
Other assets	48,653
Debt service fund, other assets	750
Fire service fund, other assets	<u>15,362</u>
Total nonspendable fund balance	<u>\$ 74,455</u>

Restricted - This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Net position and fund balance (continued):

Assigned - This category represents intentions of the Township Manager to use funds for specific purposes. Through a resolution of the Township Board of Commissioners, the Township Manager or his/her designee has been delegated the responsibility to assign funds.

Unassigned - This category represents all other funds that are not nonspendable, restricted, committed or assigned for specific purposes. Accounts for funds not reported in other fund balance categories.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is applied first. Unassigned fund balance is applied last. The General Fund is the only fund that reports a positive unassigned fund balance.

In 2005, the Township adopted a Fund Balance Policy. The General Fund and Special Revenue Funds shall strive to maintain an unassigned fund balance approximate to the greater of 15% of their respective budgets or two months of operating expenditures of said budgets. The Capital Improvement Fund shall strive to maintain unassigned fund balance approximate to 5% of the General Fund budget.

The governmental fund balances are used for the following purposes:

General Fund - The General Fund is the general operating fund. It accounts for all financial resources of the general government, except those resources accounted for in another fund. The majority of the fund balance is unassigned. A portion of the fund balance is nonspendable for prepaid expenditures and inventory. The fund balance as of December 31, 2017 is \$6,459,393.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Net position and fund balance (continued):

The governmental fund balances are used for the following purposes (continued):

Debt Service Fund - The Debt Service Fund accounts for the general obligation bond and capital lease expenditures of the Township. Financing is provided through real estate taxes and transfers from other funds. The revenues are restricted for the payment of Township debt obligations. The fund balance as of December 31, 2017 is \$521,895.

Streetlight Fund - Operates and maintains Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting. The revenues are restricted for the payment of streetlight costs. The fund balance as of December 31, 2017 is \$29,327.

Highway Aid Fund - Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax. Restrictions for use of these funds are placed by the Commonwealth of Pennsylvania. The fund balance as of December 31, 2017 is \$591,909.

Fire Services Fund - Operates and supports the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures. The majority of the funding is restricted for payment of fire services and a portion of the funding is nonspendable for prepaid expenditures. The fund balance as of December 31, 2017 is \$325,951.

Road Improvement Fund - This fund is used to account for monies provided by the developer of High Meadows, to be used for the future development of Thompson Lane. Revenues are restricted for future development of Thompson Lane. The fund balance as of December 31, 2017 is \$40,910.

Lower Allen Park (LAP) Recreation Fund - Monies held in this fund are provided by developers of residential developments within a one-mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions. Revenues are restricted for community park improvements. The fund balance as of December 31, 2017 is \$278,866.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Net position and fund balance (continued):

The governmental fund balances are used for the following purposes (continued):

Friends of Fun Fort Fund - This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park. Revenues are restricted for maintenance of the Fun Fort. As of December 31, 2017, the fund has an unassigned deficit of \$(22,332).

Capital Improvement Fund - The Capital Improvement Fund accounts for the acquisition of capital assets or construction of major capital projects. The revenues are assigned by the Township's Manager for future capital improvement projects. The fund balance as of December 31, 2017 is \$1,092,675.

Capital contributions:

The Authority receives resources from other governmental entities to be used for various purposes connected with the planning, modernization and expansion of plant facilities. These resources are reported as capital contributions. Contributions of lines from external sources are reported as capital contributions and recorded at acquisition value at the time the property is contributed.

Risk management:

The Township and Authority are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township and Authority's significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2017 for the Township or the Authority. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years for either entity. Management of the Township and Authority believe their commercial insurance coverage is sufficient to prevent any significant uninsured losses.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Use of estimates:

The process of preparing financial statements in accordance 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, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New GASB statements:

For the year ended December 31, 2017, the Township implemented the following:

GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. This Statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments.

GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The effects of implementing the above were not significant.

Pending GASB statements:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEBs to its employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the Township's December 31, 2018 financial statements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Pending GASB statements (continued):

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

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. The provisions of GASB Statement No. 83 are effective for the Township's December 31, 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the Township's December 31, 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 85 are effective for the Township's December 31, 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves guidance regarding in-substance defeasance of debt for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 86 are effective for the Township's December 31, 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions of GASB Statement No. 88 are effective for the Township's December 31, 2019 financial statements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Pending GASB statements (continued):

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

2. Cash and investments:

Primary government:

Deposits:

As of December 31, 2017, the Township's bank balance and book balance were as follows:

	Bank balance	Book balance
External investment pool, presented as cash and cash equivalents	\$ 8,395,033	\$ 8,121,409
Non-pooled deposits, cash and cash equivalents	1,523,391	1,525,201
	\$ 9,918,424	\$ 9,646,610
Governmental activities:		
Cash and cash equivalents		\$ 8,399,542
Certificates of deposit		1,002,593
Fiduciary funds:		
Pension and OPEB Trust Funds		67,899
Agency Fund		176,576
Total cash and cash equivalents		\$ 9,646,610

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2017, \$1,362,795 of the Township's non-pooled bank balance of \$1,523,391 was insured by the Federal Deposit Insurance Corporation (FDIC). The bank balance of \$8,395,033 was pooled funds invested in an external investment pool with the Pennsylvania School District Liquid Asset Fund (PSDLAF). These pooled funds are presented as cash and cash equivalents on the statement of net position and balance sheet.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool:

Township investments are under the custody of the Township Manager. Township funds may be invested in:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days, and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

Deposits and investments of the Pension and OPEB Trust Funds are held separately from those of other Township funds. Pension and OPEB Trust Funds are not restricted to the above requirements and may invest in other instruments.

The Township categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Township does not have any investments that are measured using Level 3 inputs.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

Investments in real estate are not included in any of the fair value measurement hierarchy levels. Real estate investments are reported at net asset value. Net asset value is the investment's assets less the liabilities.

The external investment pool, Pennsylvania School District Liquid Asset Fund (PSDLAF), is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. PSDLAF's Trustees have established procedures to (1) monitor any differences in these values and (2) consider what steps, if any, should be taken in the event that such difference exceeds 0.5%. It is anticipated that PSDLAF Trustees will take such measures as they consider appropriate to minimize any material dilution or other unfair results which might arise from such differences. There is no formal external regulatory oversight for the external investment pool.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

The Township has investments measured at fair value and also has investments measured using net asset value as a practical expedient to estimate fair value which are not classified in the fair value measurement hierarchy. The Township has the following fair value measurements as of December 31, 2017:

Investment type	Fair value
Investments at fair value measurement level:	
Level 1:	
Mutual funds:	
Equities:	
Principal Global Investors	\$ 9,432,161
Wells Fargo Advisors	761,193
Fixed income, Principal Global Investors	6,228,308
Level 2:	
Commercial paper, Wells Fargo Advisors	497,975
Total investments by fair value measurement level	16,919,637
Investments measured at net asset value:	
Mutual funds:	
Equities, Wells Fargo Advisors	23,195
Fixed income, Principal Global Investors	1,001,360
Total investments measured at net asset value	1,024,555
Total investments	\$ 17,944,192
Reconciliation to statements:	
Governmental funds, general fund	\$ 497,975
Fiduciary funds:	
Non-Uniformed Pension Plan Trust Fund	6,118,659
Police Pension Plan Trust Fund	10,543,170
Volunteer Firefighter's Service Award Program	272,180
Other Post-Employment Benefit Trust Fund	512,208
	\$ 17,944,192

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

The Township has the following recurring net asset value and amortized cost measurements as of December 31, 2017, including unfunded commitments and redemption terms as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Investments measured at net asset value:				
Mutual funds:				
Equities, Wells Fargo Advisors ¹	\$ 23,195	\$ -	N/A	N/A
Fixed income, Principal Global Investors ²	<u>1,001,360</u>	-	N/A	N/A
Total investments measured at net asset value	<u>\$ 1,024,555</u>			
	<u>Amortized cost</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Cash equivalents measured at amortized cost, external investment pool, PSDLAF ³	<u>\$ 8,121,409</u>	\$ -	Weekly	5 days

¹ Real estate fund: This type includes one real estate fund that invests primarily in international commercial real estate. The fair values of the investments in this type have been determined using net asset value per share. Distributions from the fund will be received as the underlying investments of the funds are liquidated.

² Real estate funds: This type includes two real estate funds that invest primarily in international commercial real estate. The fair values of the investments in this type have been determined using net asset value per share. Distributions from the funds will be received as the underlying investments of the funds are liquidated.

³ External investment pool: This type includes pooled investments in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. The fair value of the investments in this type have been determined using amortized cost, which approximates fair value. Distributions from the fund will be received as the underlying investments of the funds are liquidated, which is expected to occur weekly.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Township does not have a formal investment policy for custodial credit risk. At December 31, 2017, the Township's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

Pooled funds - The Township participates in a cash and investment pool that is available for use by all funds, except the Pension and OPEB Trust Funds. All pooled monies are deposited into PSDLAF investing in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. PSDLAF issues audited financial statements that are available to the public.

Concentration of credit risk - The Township places no limit on the amount the Township may invest in any one issuer. The Non-Uniformed Pension Plan, the Police Pension Plan, the Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states that no more than 5% of the total equities may be invested in the common stock of any one corporation. Investments in any corporation shall not exceed 5% of the outstanding shares of the corporation. At December 31, 2017, the Township's investments are held in mutual funds form and, therefore, are not exposed to concentration of credit risk.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

Credit risk - As indicated above, investing is performed in accordance with investment policies complying with state statutes and the Township Charter. The Township has no investment policy that would further limit its Township investment choices. The Non-Uniformed Pension Plan and Police Pension Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at " A" or better; no more than 20% of the fixed income portfolio will be invested in noninvestment grade (below BBB) or nonrated bonds. The Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at "BBB" or better. At December 31, 2017, the Township's cash equivalents and investment ratings are as follows:

	<u>Rating</u>	<u>Amortized cost</u>
Cash equivalents measured at amortized cost, external investment pool	AAA	\$ 8,121,409
	<u>Rating</u>	<u>Fair value</u>
Investments measured at net asset value, mutual funds, fixed income	Unrated	\$ 1,001,360
Investments at fair value measurement level, Level 1:		
Mutual funds, fixed income	AAA	3,421,740
Mutual funds, fixed income	AA	178,214
Mutual funds, fixed income	A	543,198
Mutual funds, fixed income	BBB	625,509
Mutual funds, fixed income	BB	190,599
Mutual funds, fixed income	B	257,235
Mutual funds, fixed income	Below B	178,561
Mutual funds, fixed income	Unrated	833,252
Level 2:		
Commercial paper	A	497,975
		\$ 7,727,643

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Primary government (continued):

Investments and external investment pool (continued):

Interest rate risk - The Township does not have a formal policy that limits the Township investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Non-Uniformed Pension Plan, the Police Pension Plan, the Volunteer Firefighter's Service Award Program and the OPEB Plan have policies that state the average duration (effective maturity) of the fixed income portfolio should be in the range of two to seven years. The following is a schedule of the Township's cash equivalents and investments and their related average maturities:

Type	Amortized cost	Maturities		
		2018	2019-2023	2024-2028
Cash equivalents measured at amortized cost, external investment pool	\$ 8,121,409	\$ 8,121,409		
		Maturities		
	Fair value	2018	2019-2023	2024-2028
Investments at fair value level, Level 1, mutual funds, fixed income	\$ 5,403,124		\$ 650,733	\$ 4,752,391
Investments at fair value level, Level 2, commercial paper		\$ 497,975		
Total	\$ 5,403,124	\$ 497,975	\$ 650,733	\$ 4,752,391

The average maturity of the Township's investment in fixed income mutual funds in the amount of \$1,826,544 was unavailable at December 31, 2017.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Component unit - Authority:

Statutes authorize the Authority to invest in the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

Deposits:

The Authority has a policy that requires deposits and investments, other than U.S. government obligations, to be covered by federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the FDIC are collateralized using the pooled asset method. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. The Authority's policy provides that, to the extent practicable, investments are matched with anticipated cash flows and generally have maturities of one year or less.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Component unit - Authority (continued):

Deposits (continued):

Deposits of the Authority are held in several financial institutions and are carried at cost. The carrying amount of deposits is displayed on the financial statements as "cash and cash equivalents" and includes petty cash of \$300.

	Book balance	Bank balance
Insured (FDIC)	\$ 250,200	\$ 250,200
Uninsured and collateral held by pledging financial institution, or agent not in the Authority's name	3,415,635	3,546,703
	\$ 3,665,835	\$ 3,796,903

Investments:

Investments, which are stated at carrying value, which approximates fair value, consist of the following at December 31, 2017:

	Cost	Carrying value
Dreyfus Insured Bank Deposit Program I Certificates of deposit, maturity dates through October 29, 2020 and interest rates ranging from .90% to 2.00%	\$ 733	\$ 733
	3,000,059	2,998,849
	\$ 3,000,792	\$ 2,999,582

All of the Authority's investments were fully insured by the FDIC at December 31, 2017.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Cash and investments (continued):

Component unit - Development Authority:

As of December 31, 2017, the Development Authority's bank and book balance was \$216,152.

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Development Authority does not have a policy for custodial credit risk. As of December 31, 2017, the Development Authority's bank balance of \$216,152 was pooled funds invested in an external investment pool with the PSDLAF. These pooled funds are presented as cash and cash equivalents on the statement of net position.

The Development Authority's external investment pool is valued at amortized cost, which approximates fair value. There is no formal external regulatory oversight for the external investment pool. The external investment pool is rated AAA and has a maturity of less than one year at December 31, 2017.

3. Real estate taxes:

The Township's real estate tax is levied each March 1 on the assessed value listed as of January 1 on all taxable real property located in the Township. The tax levy ordinance for 2017 was passed by the Township Board on December 21, 2016. The real estate tax rate for the year ended December 31, 2017 was \$1.60 per \$1,000 of assessed valuation for general purposes, \$.41 per \$1,000 of assessed valuation for debt service purposes, \$1.00 per \$1,000 of assessed valuation for street light purposes and \$.44 per \$1,000 of assessed valuation for fire services purposes. Current tax collection for the year ended December 31, 2017 was 99% of the tax levied. A majority of the taxes billed for 2017 were received during the current year and, based on experience, substantially all taxes will be collected in subsequent periods.

Cumberland County, which includes the Township, is responsible for collection of delinquent real property taxes and property tax assessment. Delinquent 2017 real property taxes were turned over to Cumberland County on January 12, 2018.

The full year property tax calendar is as follows:

Assessment date	January 1, 2017
Property tax bills rendered, lien date	March 1, 2017
Bills paid during March and April are granted a 2% discount	April 30, 2017
Gross amount of levy is due	June 30, 2017
Taxes delinquent and penalty of 10% of the face amount is charged	July 1, 2017 to February 1, 2018

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Interfund balances and transfers:

The composition of interfund balances at December 31, 2017 was as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ 322,000	\$ 252,247
Debt Service Fund	196,605	
Non-major governmental funds:		
Capital Improvement Fund	252,247	
Fire Services Fund		471,605
Friends of Fun Fort Fund		47,000
	<u> </u>	<u> </u>
	<u>\$ 770,852</u>	<u>\$ 770,852</u>

Interfund balances are primarily temporary loans to help pay for expenditures prior to cash flow from tax and intergovernmental revenues.

The composition of interfund transfers for the year ended December 31, 2017 was as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 343,224	\$ 665,552
Debt Service Fund	744,383	
Non-major governmental funds:		
Capital Improvement Fund	15,192	
Fire Services Fund		375,583
LAP Recreation Fund		61,664
	<u> </u>	<u> </u>
	<u>\$ 1,102,799</u>	<u>\$ 1,102,799</u>

Interfund transfers were made primarily to fund debt service, recreation and public safety expenditures. During the year ended December 31, 2017, the General Fund transferred \$15,192 to the Capital Improvement Fund to fund future capital expenditures.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

5. Capital assets:

Capital asset activity of the Township for the year ended December 31, 2017 is as follows:

	Balance, January 1	Additions	Deletions	Reclassifications	Balance, December 31
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,732,890	\$ 67,781			\$ 2,800,671
Construction in progress	74,181	241,526		\$ (26,257)	289,450
Total capital assets, not being depreciated	<u>2,807,071</u>	<u>309,307</u>		<u>(26,257)</u>	<u>3,090,121</u>
Capital assets being depreciated:					
Land improvements	3,462,145			26,257	3,488,402
Building and building improvements	12,972,186	32,288			13,004,474
Machinery and equipment	8,017,417	1,164,164	\$ (160,913)		9,020,668
Infrastructure	5,067,541	503,140			5,570,681
Total capital assets being depreciated	<u>29,519,289</u>	<u>1,699,592</u>	<u>(160,913)</u>	<u>26,257</u>	<u>31,084,225</u>
Less accumulated depreciation:					
Land improvements	1,238,983	32,552			1,271,535
Building and building improvements	3,042,827	293,495			3,336,322
Machinery and equipment	4,599,768	631,789	(130,421)		5,101,136
Infrastructure	1,594,788	261,419			1,856,207
Total accumulated depreciation	<u>10,476,366</u>	<u>1,219,255</u>	<u>(130,421)</u>		<u>11,565,200</u>
Total capital assets being depreciated, net	<u>19,042,923</u>	<u>480,337</u>	<u>(30,492)</u>	<u>26,257</u>	<u>19,519,025</u>
Total governmental activities, capital assets, net	<u>\$ 21,849,994</u>	<u>\$ 789,644</u>	<u>\$ (30,492)</u>	<u>\$ -</u>	<u>\$ 22,609,146</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

5. Capital assets (continued):

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 284,582
Public safety	412,137
Public works	473,437
Parks and recreation	<u>49,099</u>
Total depreciation expense, governmental activities	<u><u>\$ 1,219,255</u></u>

Capital asset activity of the Authority for the year ended December 31, 2017 is as follows:

	Balance, January 1	Additions	Deletions	Balance, December 31
Capital assets, not being depreciated:				
Land and right-of-way	\$ 224,720			\$ 224,720
Construction in progress	<u>1,668</u>	<u>\$ 112,998</u>		<u>114,666</u>
Total capital assets, not being depreciated	<u>226,388</u>	<u>112,998</u>		<u>339,386</u>
Capital assets being depreciated:				
Sewer systems	18,742,373	125,531		18,867,904
Plant and pumping stations	44,578,492	64,922		44,643,414
Equipment	<u>1,769,018</u>	<u>64,402</u>	<u>\$ (30,348)</u>	<u>1,803,072</u>
Total capital assets being depreciated	<u>65,089,883</u>	<u>254,855</u>	<u>(30,348)</u>	<u>65,314,390</u>
Less accumulated depreciation:				
Sewer systems	14,779,845	360,895		15,140,740
Plant and plumping stations	17,286,714	1,159,597		18,446,311
Equipment	<u>1,360,228</u>	<u>82,589</u>	<u>(30,348)</u>	<u>1,412,469</u>
Total accumulated depreciation	<u>33,426,787</u>	<u>1,603,081</u>	<u>(30,348)</u>	<u>34,999,520</u>
Total capital assets being depreciated, net	<u>31,663,096</u>	<u>(1,348,226)</u>	<u>-</u>	<u>30,314,870</u>
Authority, capital assets, net	<u><u>\$ 31,889,484</u></u>	<u><u>\$ (1,235,228)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,654,256</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities:

Long-term liability activity of the Township for the year ended December 31, 2017 is as follows:

	Balance, January 1	Additions	Reductions/ retirements	Balance, December 31	Due within one year
Compensated absences	\$ 417,359	\$ 387,924	\$ (345,161)	\$ 460,122	\$ 206,304
General obligation bonds, 2012	1,650,000		(165,000)	1,485,000	175,000
General obligation bonds, 2013	3,110,000		(215,000)	2,895,000	220,000
General obligation bonds, 2014	6,485,000		(660,000)	5,825,000	670,000
Capital lease payable	1,002,690	410,000	(498,165)	914,525	294,557
Original issue premium	49,638		(9,452)	40,186	
	<u>\$ 12,714,687</u>	<u>\$ 797,924</u>	<u>\$ (1,892,778)</u>	<u>\$ 11,619,833</u>	<u>\$ 1,565,861</u>

Compensated absences and net OPEB obligation:

Compensated absences and net OPEB obligation are typically liquidated by the General Fund.

General obligation bonds:

In 2012, the Township issued general obligation bonds designated as "General Obligation Bonds, Series of 2012" in the aggregate principal amount of \$2,140,000 to currently refund \$2,080,000 of the Township's General Obligation Bonds, Series of 2007, and to pay the costs of issuance of the bonds. The bonds require semiannual payments ranging from \$21,700 to \$208,110, which include principal and interest ranging from 2.0% to 2.8%, starting in November 2012 through November 2025 and are payable by the the Debt Service Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt.

\$ 1,485,000
(continued)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

General obligation bonds (continued):

In 2013, the Township issued general obligation bonds designated as "General Obligation Pension Funding Bonds, Series of 2013" in the aggregate principal amount of \$3,730,000 to fund the non-uniformed, police and volunteer firefighters' pension plans, and to pay the costs of issuance of the bonds. The bonds require semiannual payments ranging from \$6,880 to \$326,880, which include principal and interest ranging from 3.0% to 4.3%, starting in May 2014 through May 2028, and are payable by the General and Fire Services Funds. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt.

\$ 2,895,000

In 2014, the Township issued general obligation bonds designated as "General Obligation Bonds, Series of 2014" in the aggregate principal amount of \$8,390,000 to advance refund \$7,980,000 of the Township's General Obligation Bonds, Series of 2010, and to pay the costs of issuance of the bonds. The bonds require semiannual payments ranging from \$11,400 to \$811,400, which include principal and interest ranging from 1.0% to 2.85%, starting in November 2014 through May 2025 and are payable by the Debt Service Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt.

5,825,000

\$ 10,205,000
(concluded)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

General obligation bonds (continued):

Debt service requirements to maturity for the General Obligation Bonds, Series of 2012 are as follows:

	Principal	Interest	Total
2018	\$ 175,000	\$ 32,785	\$ 207,785
2019	175,000	29,285	204,285
2020	180,000	25,735	205,735
2021	180,000	21,955	201,955
2022	190,000	17,743	207,743
2023-2025	585,000	23,975	608,975
	\$ 1,485,000	\$ 151,478	\$ 1,636,478

Debt service requirements to maturity for the General Obligation Pension Funding Bonds, Series of 2013 are as follows:

	Principal	Interest	Total
2018	\$ 220,000	\$ 101,522	\$ 321,522
2019	225,000	94,847	319,847
2020	230,000	88,022	318,022
2021	240,000	80,822	320,822
2022	250,000	73,010	323,010
2023-2027	1,410,000	216,169	1,626,169
2028	320,000	6,880	326,880
	\$ 2,895,000	\$ 661,272	\$ 3,556,272

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

General obligation bonds (continued):

Debt service requirements to maturity for the General Obligation Bonds, Series of 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 670,000	\$ 131,265	\$ 801,265
2019	685,000	117,715	802,715
2020	705,000	104,344	809,344
2021	715,000	89,779	804,779
2022	730,000	72,793	802,793
2023-2025	<u>2,320,000</u>	<u>98,700</u>	<u>2,418,700</u>
	<u>\$ 5,825,000</u>	<u>\$ 614,596</u>	<u>\$ 6,439,596</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

Capital leases:

The Township has entered into agreements to purchase a fire truck, vehicles, machinery and equipment through capital lease agreements. The capital lease agreements are payable through March 2032 and have interest rates varying from 1.65% to 5.50%. The following is a schedule of the future minimum lease payments under capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2017:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 323,064
2019	170,719
2020	96,948
2021	51,200
2022	51,200
2023-2027	195,376
2028-2032	<u>152,456</u>
Total minimum lease payments	1,040,963
Amount representing interest	<u>(126,438)</u>
Present value of net minimum lease payments	<u>\$ 914,525</u>

The cost of machinery and equipment purchased under the capital lease is \$3,851,248. At December 31, 2017, the assets had an accumulated depreciation of \$1,925,507. Amortization of assets purchased under capital leases is included in depreciation expense.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

Borrowing capacity:

The estimated borrowing base of the Township at December 31, 2017 was \$13,544,855. The estimated non-electoral or non-self-liquidating borrowing capacity of the Township at base percent (250%) is \$33,920,625. These amounts were determined as follows:

Total revenues and other financing sources, most current three years	\$ 41,922,989
Proceeds from the disposition of capital assets and other nonrecurring items, including bond or note proceeds, most current three years	<u>(1,288,425)</u>
	<u>\$ 40,634,564</u>
Borrowing base (total adjusted revenue/3)	<u>\$ 13,544,855</u>
Debt limit (250% of borrowing base)	\$ 33,862,138
Amount of debt applicable to debt limit	<u>(8,224,525)</u>
Legal debt margin	<u>\$ 25,637,613</u>

Article II of the Pennsylvania Local Government Unit Debt Act (P.L. 781) places limits on debt that has not received voter approval. Debt that is subsidized or self-liquidating may be excluded from the limitation with state approval.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

Component unit - Authority:

The Guaranteed Sewer Revenue Bond, Series 2012 was issued for the purpose of providing funds to finance remaining costs and expenses of the upgrades and improvements to the existing wastewater treatment plant and related facilities (Upgrade Project). The \$5,000,000 bond was secured by a pledge of and lien on the revenues of the Authority and was guaranteed by the Township with a pledge and lien on the Township's full faith credit and taxing power. Principal payments were to be made annually on May 15 of each of the years 2013 to 2032, inclusive, or until paid in full. Interest was due on November 15, 2012, and thereafter semiannually on May 15 and November 15 of each year, beginning May 15, 2013, until final maturity on May 15, 2032, or until paid in full. The Bond bore interest at a rate of 3.10% from June 5, 2012 to May 15, 2022 and from May 16, 2022 to May 15, 2032 at a variable rate of 75% of the *Wall Street Journal* prime lending rate (adjusted monthly) not to exceed 5% per annum. Debt issuance costs of \$68,246 were funded by the Authority and bond proceeds in the amount of \$5,000,000 were deposited to the Construction Fund (maintenance and improvement account) for costs and expenses of the Upgrade Project. On October 6, 2017, the Authority issued Guaranteed Sewer Revenue Bond, Series 2017 for the current refunding of the Series 2012 Bonds. The outstanding principal balance of the Series 2012 Bond in the amount of \$4,025,000 and accrued interest on the outstanding principal in the amount of \$48,764 were paid on October 6, 2017.

The Authority incurred interest costs related to the Series of 2012 Bond of \$97,758 in 2017.

The Guaranteed Sewer Revenue Bond, Series 2013 was issued to replace the Series of 2011 Bond through an interest rate reduction agreement between the Authority and the Bondholder. The \$7,480,000 bond was secured by a pledge and lien on the revenues of the Authority and was guaranteed by the Township with a pledge and lien on the Township's full faith credit and taxing power. The Bond was issued to provide funding for the Upgrade Project. Principal payments were to be made annually on May 15 of each of the years 2014 to 2031 inclusive, or until paid in full. Interest was due on May 15, 2014, and thereafter semiannually on November 15 and May 15 of each year, until final maturity on May 15, 2031, or until paid in full. The Bond bore interest at a rate of 3.150%. Debt issuance costs in the amount of \$28,751 were funded by the Authority. On October 6, 2017, the Authority issued Guaranteed Sewer Revenue Bond, Series 2017 for the current refunding of the Series 2013 Bonds. The outstanding principal balance of the Series 2013 Bond in the amount of \$6,295,000 and accrued interest on the outstanding principal in the amount of \$77,664 were paid on October 6, 2017.

The Authority incurred interest costs related to the Series of 2013 Bond of \$155,198 in 2017.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

Component unit - Authority (continued):

On October 6, 2017, the Authority issued the Guaranteed Sewer Revenue Bond, Series 2017, in the amount of \$9,950,000, to provide for the current refunding of the Series 2012 and 2013 Guaranteed Sewer Revenue Bonds. The bond is secured by a pledge of and lien on the revenues of the Authority and is guaranteed by the Township with a pledge and lien on the Township's full faith credit and taxing power. Principal payments are to be made on November 15, 2017 and annually thereafter on May 15 of each of the years 2018 to 2032, inclusive, or until paid in full. Interest is due on November 15, 2017, and thereafter semiannually on May 15 and November 15 of each year, until final maturity on May 15, 2032, or until paid in full. The Bond bears interest at a rate of 2.79% from November 15, 2017 to November 15, 2027 and from November 15, 2027 to May 15, 2032 at a variable rate of 66% of the *Wall Street Journal* prime lending rate with a floor of 2.5% and a maximum cap rate of 4.0%. Debt issuance costs of \$66,347 were funded by the Authority. The Authority provided a capital contribution in the amount of \$568,000 toward the refunding. Proceeds in the amount of \$10,446,429 were deposited into the settlement fund for refunding of the Series 2012 and 2013 Bonds.

The Authority incurred interest costs related to the Series of 2017 Bond of \$64,930 in 2017.

Debt service requirements to maturity for the Guaranteed Sewer Revenue Bond, Series 2017 are shown below:

	Principal	Interest	Total
2018	\$ 522,000	\$ 268,538	\$ 790,538
2019	539,000	253,737	792,737
2020	561,000	238,392	799,392
2021	583,000	222,433	805,433
2022	628,000	205,539	833,539
2023-2027	3,612,000	737,815	4,349,815
2028-2032	3,441,000	308,340	3,749,340
	\$ 9,886,000	\$ 2,234,794	\$ 12,120,794

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. Long-term liabilities (continued):

Component unit - Authority (continued):

Long-term liability activity of the Authority for the year ended December 31, 2017 is as follows:

	Balance, January 1	Additions	Retirements	Balance, December 31	Due within one year
Guaranteed Sewer: Revenue bond Series of 2012	\$ 4,230,000		\$ (4,230,000)	\$ -	
Guaranteed Sewer: Revenue bond Series of 2013	6,610,000		(6,610,000)	-	
Guaranteed Sewer: Revenue bond Series of 2017		\$ 9,950,000	(64,000)	9,886,000	\$ 522,000
Total	\$ 10,840,000	\$ 9,950,000	\$ (10,904,000)	\$ 9,886,000	\$ 522,000

7. Commitments and contingencies:

Litigation:

There are several pending lawsuits in which the Township is involved. These lawsuits pertain to zoning ordinances and are covered by insurance. The Board intends to oppose, through its insurance carrier, all of the lawsuits.

Grants:

In the normal course of business, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits is not believed to be material.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

7. Commitments and contingencies (continued):

Component unit – Authority:

On May 4, 2017, the Authority awarded a contract for the Gravity Thickener Project for approximately \$265,000. The commitment under this contract is approximately \$237,000 at December 31, 2017. On December 7, 2017, the Authority awarded a contract for the ATAD Cover System Project for approximately \$95,000. The Authority is committed to the full amount of the contract at December 31, 2017.

8. Pension and deferred compensation plans:

Primary government:

Summary of significant accounting policies:

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.

Plan descriptions:

The Lower Allen Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Township ordinance adopted pursuant to Act 205. The plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The Plan does not issue a separate report.

The Lower Allen Township Police Pension Plan is single-employer defined benefit pension plan controlled by the provisions of the Township ordinance adopted pursuant to Act 205. The Plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The Plan does not issue a separate report.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Plan descriptions (continued):

The Lower Allen Township Volunteer Firefighter's Service Award Program is a single-employer defined benefit pension plan controlled by the provisions of the plan document adopted March 13, 2000. The Plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Wells Fargo Advisors to manage plan assets. The Plan does not issue a separate report.

Plan membership:

The Non-Uniformed Pension Plan covers all non-uniformed employees working not less than 37.5 hours per week at a definite salary. The Police Pension Plan covers all police officers working not less than 40 hours per week at a definite salary. The Volunteer Firefighter's Service Award Program covers all volunteer firemen who have attained age 18 with one year of service. Each pension plan's membership consisted of:

	<u>Non-uniformed Pension Plan</u>	<u>Police Pension Plan</u>	<u>Volunteer Firefighter's Service Award Program</u>
Valuation date	January 1, 2017	January 1, 2017	April 1, 2017
Active employees	50	20	20
Inactive employee or beneficiaries currently receiving benefits	21	21	9
Inactive employees entitled to but not yet receiving benefits	<u>15</u>	<u> </u>	<u>35</u>
Total	<u><u>86</u></u>	<u><u>41</u></u>	<u><u>64</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Benefits provided:

Non-Uniformed Pension Plan

Retirement benefit - A participant who retires at age 65 is entitled to an amount equal to 45% of average compensation times accrued benefit adjustment times short service percentage, plus the benefit which could be provided by the participant's transfer value, if any, based on the purchase rates in the group contracts. Average compensation is the monthly average of compensation for the five consecutive years out of the ten latest years prior to normal retirement date, which gives the highest average. A participant vests 20% after three years of vesting service plus 20% each year thereafter up to 100%.

Early retirement - A participant who has attained age 55 with 12 years of service is eligible for early retirement. The accrued benefit is reduced by 6-2/3% for each year up to five years and 3-1/3% for each year between five and ten years that the early retirement date precedes the normal retirement date.

Disability benefit - An active participant who becomes totally and permanently disabled prior to retirement is entitled to a single-sum payment equal to the transfer value on the date of the disability.

Survivor benefit - If a participant's death occurs while he/she is fully or partially vested in the plan, the surviving spouse will receive a monthly annuity payable in the amount that would have been payable if the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day. If a participant's death occurs before the participant has vested in the plan, the survivor spouse is entitled to a single-sum death benefit equal to the participant's transfer value on the date of death.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Benefits provided (continued):

Police Pension Plan

Retirement benefit - A participant who has attained age 50 with 25 years of service is entitled to an amount equal to 50% of average compensation times accrued benefit adjustment, plus complete years of accrual service in excess of 25, multiplied by \$40, not to exceed \$200. Average compensation is the monthly average of total pay received for the 36 latest compensation months of employment. A participant is vested 100% after 12 vesting years.

Early retirement - A participant who has attained 20 years of service is eligible for early retirement. The accrued benefit as of early retirement date is actuarially reduced using the actuarial assumptions reported in the last actuarial valuation report filed under Act 205.

Disability benefit - An active participant who becomes disabled as a result of performing police work is entitled to a monthly income payable until normal retirement, death or recovery, and a deferred annuity payable at normal retirement date. The monthly amount is equal to 50% of a member's final one-month salary prior to the date of disability, offset by Social Security benefits and any disability insurance benefit payable which is funded by the plan.

Survivor benefit - If a participant's death occurs while he/she is fully vested in the plan, the surviving spouse or dependent child will receive a monthly annuity deferred to the participant's normal retirement date, payable until the later of the date of the eligible spouse's death or the date there is no longer a surviving dependent child of the participant. The monthly amount is equal to 50% of the pension of the participant which would have been payable to the participant had the participant been retired at the time of death. If a participant's death occurs before the participant has vested in the plan, the benefit is equal to the participant's required contribution account on date of death.

Deferred Retirement Option Plan (DROP) - A participant who is eligible for a normal retirement benefit can elect to participate in the DROP for a maximum three-year period. Termination of employment is required at the end of the DROP period. A monthly benefit is held in a separate interest-bearing account until it is distributed as a lump-sum payment upon termination. At December 31, 2017, there were no employees participating in the DROP. As of December 31, 2017, the amount of the plan's investments pursuant to the DROP is \$0.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Benefits provided (continued):

Volunteer Firefighter's Service Award Program

Retirement benefit - A participant who has attained age 65 or five years of service is entitled to a monthly benefit equal to \$5 multiplied by the participant's years of credited service, subject to a maximum monthly benefit of \$150. A participant vests 20% after three years of vesting service plus 20% after four years, plus 10% after five years, plus 30% after six years, plus 20% after seven years, which is when they obtain 100% vesting.

Disability benefit - An active participant who becomes disabled is entitled to a single-life annuity with no reduction for early commencement, if eligible.

Death benefit - If a participant's death occurs while he/she is fully vested in the plan, the surviving spouse or dependent child will receive a single-life annuity with no reduction for early commencement in the amount of the participant's accrued benefit on the date of death.

Contributions required and contributions made:

Non-Uniformed and Police Pension Plans

Act 205 requires that annual contributions to the Non-Uniformed and Police Pension plans be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. The plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Non-Uniformed Pension Plan

Active employees are not required to contribute to the plan. During the year ended December 31, 2017, the Township made its required contribution of \$162,452 based on the MMO.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Contributions required and contributions made (continued):

Police Pension Plan

Each active participant shall make required monthly contributions of 5% of compensation. The participant's required contribution account is 100% vested at all times. During the year ended December 31, 2017, the Township made its required contribution of \$151,017 based on the MMO.

Volunteer Firefighter's Service Award Program

Annual contributions to the plan are based on the plan's Recommended Municipal Contribution (RMC), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, plan members are not required to contribute to the plan. During the year ended December 31, 2017, the Township contributed \$9,476.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Changes in net pension (asset) liability:

The changes in the net pension liability of the Township for the year ended December 31, 2017 were as follows:

	<u>Non-Uniformed Pension Plan</u>		
	<u>Total pension liability</u>	<u>Plan fiduciary net position</u>	<u>Net pension liability</u>
Balances at January 1, 2017	<u>\$ 5,726,893</u>	<u>\$ 5,426,782</u>	<u>\$ 300,111</u>
Changes for the year:			
Service cost	193,735		193,735
Interest	451,572		451,572
Difference between expected and actual experience	(5,269)		(5,269)
Changes of assumptions	18,238		18,238
Contributions, state aid		162,453	(162,453)
Net investment income		729,547	(729,547)
Benefit payments	(213,731)	(213,731)	-
Administrative expense		(5,619)	5,619
Net changes	<u>444,545</u>	<u>672,650</u>	<u>(228,105)</u>
Balances at December 31, 2017	<u>\$ 6,171,438</u>	<u>\$ 6,099,432</u>	<u>\$ 72,006</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>98.8%</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Changes in net pension (asset) liability (continued):

Police Pension Plan

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2017	\$ 9,884,624	\$ 9,510,392	\$ 374,232
Changes for the year:			
Service cost	272,238		272,238
Interest	726,467		726,467
Difference between expected and actual experience	(566,187)		(566,187)
Changes of assumptions	19,383		19,383
Contributions:			
State aid		151,017	(151,017)
Member		93,827	(93,827)
Net investment income		1,267,349	(1,267,349)
Benefit payments	(472,583)	(472,583)	-
Administrative expense		(6,832)	6,832
Net changes	(20,682)	1,032,778	(1,053,460)
Balances at December 31, 2017	\$ 9,863,942	\$ 10,543,170	\$ (679,228)
Plan fiduciary net position as a percentage of the total pension liability			106.9%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Changes in net pension (asset) liability (continued):

Volunteer Firefighter's Service Award Program

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2017	\$ 262,778	\$ 241,716	\$ 21,062
Changes for the year:			
Service cost	2,546		2,546
Interest	12,736		12,736
Difference between expected and actual experience	(16,763)		(16,763)
Changes of assumptions	896		896
Contributions, employer		9,476	(9,476)
Net investment income		34,117	(34,117)
Benefit payments	(11,035)	(11,035)	-
Administrative expense		(1,883)	1,883
Net changes	(11,620)	30,675	(42,295)
Balances at December 31, 2017	\$ 251,158	\$ 272,391	\$ (21,233)
Plan fiduciary net position as a percentage of the total pension liability			108.5%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Actuarial assumptions:

For the Township Non-Uniformed and Police Pension Plans, the net pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the fiscal plan year ended December 31, 2017. For the Volunteer Firefighter's Service Award Program, the net pension (asset) liability was determined as part of an actuarial valuation at April 1, 2017. Update procedures were used to roll forward to the fiscal plan year ended December 31, 2017. These valuations were based upon the entry age normal cost method and the following significant actuarial assumptions:

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	7.00%
Projected salary increases	4.75%	5.00%	N/A
Underlying inflation rate	None	None	None
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Pre-retirement mortality	None	None	None
Post-employment mortality	RP-2000 combined mortality table projected to 2017 using Scale AA	RP-2000 combined mortality table projected to 2017 using Scale AA	RP-2000 combined mortality table projected to 2017 using Scale AA

Changes in actuarial assumptions:

In 2015, the mortality assumption was changed from the RP-2000 Combined Mortality Table to the RP-2000 Table projected to 2015 using Scale AA for Non-Uniformed and Police Pension Plans. In 2015, the mortality assumption was changed from the 1983 Group Annuity Mortality Table to the RP-2000 Table projected to 2015 using Scale AA for the Volunteer Firefighter's Service Award Program.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Investment policy:

The Non-Uniformed Pension Plan, Police Pension Plan and Volunteer Firefighter's Service Award Program's policy in regard to the allocation of invested assets is established and may be amended by the applicable Pension Committee. The investment policy of the plans is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Long-term expected rate of return:

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 of 2.25%) 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 allocation percentage and by adding expected inflation.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Long-term expected rate of return (continued):

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Non-Uniformed and Police Pension Plans' target asset allocation as of December 31, 2017.

Non-uniform		
Asset class	Target allocation	Long-term expected rate of return
Domestic equity:		
Large cap	32.0 %	6.6 %
Mid cap	4.0	7.4
Small cap	2.0	7.4
International equity	16.0	7.3
Fixed income	39.0	2.4
Balanced/blend	7.0	3.3
Cash	-	0.5
	<u>100.0 %</u>	
Police		
Asset class	Target allocation	Long-term expected rate of return
Domestic equity:		
Large cap	33.0 %	6.6 %
Mid cap	4.0	7.4
Small cap	2.0	7.4
International equity	16.0	7.3
Fixed income	38.0	2.4
Balanced/blend	7.0	3.3
Cash	-	0.5
	<u>100.0 %</u>	

The Volunteer Firefighter's Service Award Program had a target allocation of 100% for mutual funds and a 7.39% long-term expected rate of return as of December 31, 2017.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Rate of return:

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Non-Uniformed Pension Plan

For the year ended December 31, 2017, the annual money-weighted rate of return on the Non-Uniform Pension Plan investments, net of investment expense, was 13.37%.

Police Pension Plan

For the year ended December 31, 2017, the annual money-weighted rate of return on the Police Pension Plan investments, net of investment expense, was 13.44%.

Volunteer Firefighter's Service Award Program

For the year ended December 31, 2017, the annual money-weighted rate of return on the Volunteer Firefighter's Service Award Program investments, net of investment expense, was 13.93%.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Concentrations:

At December 31, 2017, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

Non-Uniformed Pension Plan:

LargeCap S&P 500 Index \$ 1,977,947

International Equity Index 730,851

Police Pension Plan:

LargeCap S&P 500 Index 3,439,392

International Equity Index 1,260,279

Volunteer Firefighter's Service Award Program:

American Centy Mutual Fund Growth 14,738

Delaware Group Equity Fund 19,878

Hancock John Capital Ser Classic Value Fund 20,356

Mainstay Fund High Yield Corporate Bond Fund 15,452

Metropolitan West Fund Total Return Bond Fund 20,316

T. Rowe Price Blue Chip Growth Fund 26,138

Wells Fargo Trust Core Bond Fund 20,342

Fixed income:

Non-Uniformed Pension Plan:

Mellon Capital Mgmt. Bond Market Index 1,761,823

Principal Real Estate Inv U.S. Property 366,587

Police Pension Plan:

Mellon Capital Mgmt. Bond Market Index 2,990,568

Principal Real Estate Inv U.S. Property 634,773

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Discount rate:

The discount rate used to measure the total pension liability for the Non-Uniformed and Police Pension Plans was 7.75%. The discount rate used to measure the total pension liability for the Volunteer Firefighter's Service Award Program was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension (asset) liability to changes in the discount rate:

The following presents the net pension (asset) liability of the plans calculated using the discount rate described above, as well as what the plans' net pension (assets) liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Non-Uniformed Pension Plan	<u>\$ 844,332</u>	<u>\$ 72,006</u>	<u>\$ (588,663)</u>
Police Pension Plan	<u>\$ 474,570</u>	<u>\$ (679,228)</u>	<u>\$ (1,651,037)</u>
		<u>Current discount rate (7.00%)</u>	
	<u>1% Decrease (6.00%)</u>		<u>1% Increase (8.00%)</u>
Volunteer Firefighter's Service Award Program	<u>\$ 13,856</u>	<u>\$ (21,233)</u>	<u>\$ (50,030)</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2017, the Township recognized pension expense of \$406,003. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Total
Difference between expected and actual experience		\$ 866,398	\$ (866,398)
Changes in assumptions	\$ 198,007		198,007
Net difference between projected and actual earnings on pension plan investments		37,693	(37,693)
	\$ 198,007	\$ 904,091	\$ (706,084)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued):

The effect of the differences in the Township's expected and actual experience and the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u> <u>December 31,</u>	
2018	\$ (16,735)
2019	(16,738)
2020	(241,870)
2021	(261,132)
2022	(86,342)
thereafter	<u>(83,267)</u>
	<u><u>\$ (706,084)</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Pension financial statements:

Financial statements for the individual pension plans are presented below:

Statements of Fiduciary Net Position
December 31, 2017

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Cash and cash equivalents			\$ 211
Investments:			
Mutual funds:			
Equities	\$ 3,449,740	\$ 5,982,421	272,180
Fixed income	2,668,919	4,560,749	
Total investments	6,118,659	10,543,170	272,180
Total assets	\$ 6,118,659	\$ 10,543,170	\$ 272,391
Net position restricted for pension benefits	\$ 6,099,432	\$ 10,543,170	\$ 272,391

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Primary government (continued):

Pension financial statements (continued):

Statements of Changes in Fiduciary Net Position
Year ended December 31, 2017

	<u>Non-Uniformed Pension Plan</u>	<u>Police Pension Plan</u>	<u>Volunteer Firefighter's Service Award Program</u>
Additions:			
Contributions:			
State aid	\$ 162,453	\$ 151,017	
Employee		93,827	
Employer			\$ 9,476
Total contributions	<u>162,453</u>	<u>244,844</u>	<u>9,476</u>
Investment income:			
Net appreciation in value of investments	741,313	1,286,660	36,407
Less investment expenses	<u>11,766</u>	<u>19,311</u>	<u>2,290</u>
Net investment earnings	<u>729,547</u>	<u>1,267,349</u>	<u>34,117</u>
Total additions	<u>892,000</u>	<u>1,512,193</u>	<u>43,593</u>
Deductions:			
Benefits	213,731	472,583	11,035
Administrative expenses	<u>5,619</u>	<u>6,832</u>	<u>1,883</u>
Total deductions	<u>219,350</u>	<u>479,415</u>	<u>12,918</u>
Increase in plans' net position	672,650	1,032,778	30,675
Net position restricted for pension benefits:			
Beginning	<u>5,426,782</u>	<u>9,510,392</u>	<u>241,716</u>
Ending	<u>\$ 6,099,432</u>	<u>\$ 10,543,170</u>	<u>\$ 272,391</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit - Authority:

Plan description:

The Authority maintains a single-employer noncontributory defined-benefit pension plan controlled by the provisions of the plan document. The plan is governed by the Authority, which can amend plan provisions. The authority to manage plan assets has been delegated to The Principal Financial Group. The plan is subject to the funding and reporting requirements of the Pennsylvania Municipal Pension Plan Funding and Recovery Act (Act 205). Act 205 requires that an actuarial valuation of the plan be performed every other year. The latest actuarial valuation was dated January 1, 2017. The plan issues a publicly available stand-alone report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the Authority.

Plan membership:

Valuation date	January 1, 2018
Active employees	21
Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	<u>3</u>
Total	<u><u>36</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit – Authority (continued):

Benefits provided:

An employee shall become a participant on the first day of the month following the completion of one year of eligibility service and has not attained age 60 or older. Plan participation is frozen as of October 13, 2013.

The plan provides retirement, disability and death benefits to plan members and beneficiaries. Participants are eligible for normal retirement benefits on the first day of the month on or after the attainment of age 65. Their retirement benefit is 35% of average compensation plus the employee derived benefit provided by their transfer value, if applicable. Average compensation is the average of the employee's monthly compensation for the highest five consecutive calendar years out of the last ten calendar years of service. The participant's vested benefit is determined by multiplying the accrued benefit by a vesting percentage. Participants are fully vested in their benefits after 10 years of service. Participants are eligible for early retirement on the first day of the month following the attainment of age 55 and 10 years of vesting service. Participants can take an early deferred benefit equal to the accrued benefit payable at normal retirement date. Participants can also take an early intermediate benefit where the early deferred benefit would be reduced by 6-2/3% for each of the first five years and 3-1/3% for each of the next five years by which the starting date of the early retirement benefit precedes such members' normal retirement date. Postponed retirement dates are available and would start on the first of the month following the actual retirement date of the participant. The benefit for postponed retirement would be the greater of the late retirement factors times the member's benefit calculated using compensation and service at his/her normal retirement date or the member's accrued benefit calculated using years of credited service and compensation to the date of actual retirement. The normal form of benefit payments to a married participant are payable in equal monthly installments during the participant's lifetime. Upon death, the surviving spouse shall be entitled to 50% of the benefit the participant was receiving at the time of death. The survivor spouse benefit shall be payable for his/her lifetime. Optional forms of benefit payments are available to participants and are detailed in the plan document.

Death benefits are payable upon death of an active participant. The pre-retirement survivor spouse benefit of a married participant would equal 50% of the benefit payable to the participant at his/her earliest eligible retirement date. The pre-retirement benefit payable upon death of a single participant would be equal to the lump sum of the transfer values at the time of death. Post-retirement benefits are subject to the provisions of the form of payment elected by the participant upon retirement.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit – Authority (continued):

Contributions:

Act 205 requires annual contributions to the plan be based on the plan's MMO, which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are not required to contribute to the plan. The Authority contributed \$220,076 to the pension plan for the year ended December 31, 2017.

Changes in net pension (asset) liability:

The changes in the net pension (asset) liability of the Authority for the year ended December 31, 2017 were as follows:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2017	\$ 5,253,749	\$ 4,864,633	\$ 389,116
Changes for the year:			
Service cost	84,552		84,552
Interest	360,294		360,294
Differences between expected and actual experience	(292,922)		(292,922)
Changes in assumptions	5,975		5,975
Contribution, employer		222,076	(222,076)
Net investment income		750,135	(750,135)
Benefit payments, including refunds of member contributions	(163,568)	(163,568)	-
Net changes	(5,669)	808,643	(814,312)
Balances at December 31, 2017	\$ 5,248,080	\$ 5,673,276	\$ (425,196)
Plan fiduciary net position as a percentage of the total pension liability			108.10%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit - Authority (continued):

Actuarial assumptions:

An actuarial valuation of the total pension liability is performed biennially. The pension liability was determined as part of an actuarial valuation performed at January 1, 2017. Update procedures were used to roll forward to the plan's year ended December 31, 2017. All plan benefits are valued using the entry age normal cost valuation method. Significant actuarial assumptions used in this valuation included: (1) a rate of return on the investments of present and future assets of 7.25% per year; (2) projected salary increases of 4.75% per year for the participant between his/her current age and retirement age and (3) mortality rates based on the RP-2000 Mortality Table Projected to 2017 Using Scale AA.

Investment policy:

The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Valuation of investments:

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expenses charged by the Principal Life Insurance Company. Unallocated separate and allocated separate accounts are recorded at fair value.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit – Authority (continued):

Long-term expected rate of return:

The long-term expected rate of return on 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 of 2.25%) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2017 are shown below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Domestic equity:		
Large cap	35 %	6.6 %
Mid cap	8	7.4
Small cap	8	7.4
International equity	17	7.3
Fixed income	30	3.1
Emerging market	2	4.3
Cash	-	0.8
	<u>100 %</u>	

Rate of return:

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

For the year ended December 31, 2017, the annual money-weighted rate of return on the plan's investments, net of investment expense, was 15.33%.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit – Authority (continued):

Discount rate:

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Authority contributions would be made as required by the plan's MMO. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension (asset) liability to changes in the discount rate - The following presents the net pension (asset) liability of the plan calculated using the discount rate described above, as well as what the plan net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
\$ 130,130	\$ (425,196)	\$ (906,829)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2017, the Authority recognized pension expense of \$32,766. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Total
Difference between expected and actual experience		\$ (244,102)	\$ (244,102)
Changes in assumptions	\$ 4,979		4,979
Net difference between projected and actual earnings on pension plan investments		(205,469)	(205,469)
	\$ 4,979	\$ (449,571)	\$ (444,592)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

8. Pension and deferred compensation plans (continued):

Component unit – Authority (continued):

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u> <u>December 31,</u>	
2018	\$ (69,298)
2019	(61,299)
2020	(146,475)
2021	(127,693)
2022	<u>(39,827)</u>
	<u>\$ (444,592)</u>

Deferred compensation plan:

The Authority maintains a deferred plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Authority employees who have attained the age of 21 and have completed two years of service, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their deferrals are invested. Vesting in the plan is immediate and allows for discretionary employer contributions. The deferred compensation is not available to employees until death or separation from service. The plan was amended in 2013 to provide for an employer discretionary contribution for each person who is hired or rehired on or after October 3, 2013. The discretionary contribution for employees hired or rehired after October 3, 2013 is based on a percentage of salary or wages determined by years of service. The Authority made a discretionary contribution for the year ended December 31, 2017 in the amount of \$10,911. For the year ended December 31, 2017, the participants deferred compensation in the amount of \$75,446.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits:

Plan description:

In addition to the pension benefits described in Note 8, the Township provides certain post-employment healthcare benefits to its police retirees through one single-employer, defined benefit other post-employment benefit (OPEB) plan. The OPEB plan does not issue a separate report.

Per Section 12.04 of the Collective Bargaining Agreement between the Township and the Lower Allen Township Police Officers' Association, effective January 1, 2015 the Township will provide retired officers with health insurance for a period of time after retirement. The retiree then has the option to maintain coverage through the Township by paying the costs in advance to the Township each month.

The Lower Allen Township OPEB Plan is a single-employer defined benefit other post-employment benefit plan controlled by the provisions of the plan document adopted January 1, 2015. The plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Wells Fargo Advisors to manage plan assets. The Plan does not issue a separate report.

Eligibility: Any full-time police officer who retires after having at least 25 years of service and after attaining age 50. Police officers who elect to enter the DROP will be eligible after exiting the DROP.

Plan Membership:

The OPEB plan membership consisted of the following (actual number of plan members):

Valuation date	January 1, 2017
Active plan members	20
Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	
Total	<u>24</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Benefits provided:

Medical, prescription, vision and dental coverage are provided to the participant until such officer is eligible for Medicare. Family members of eligible officers shall receive medical, prescription, vision and dental coverage for 24 months. After 24 months, the Township shall cover 50% of the spouse's basic medical coverage until said spouse is eligible for Medicare and the retired officer shall be eligible to purchase dependent medical coverage and spousal prescription, dental and vision coverage at their own cost.

For officers hired after December 31, 2014, family members of eligible officers shall receive medical, prescription, vision and dental coverage for 12 months. Such officers shall be eligible to purchase coverage for their family at the then applicable COBRA rate, the cost of which is to be paid solely by the retired officer.

Funding policy and annual OPEB costs:

For the year ended December 31, 2017, the Township contributed \$39,621 to the OPEB trust fund. Net OPEB obligations are typically liquidated by the General Fund.

The Township's annual OPEB cost for its plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Annual OPEB cost and net OPEB obligation:

The Township's annual OPEB costs and net OPEB obligations to the Plan for the year ended December 31, 2017 were as follows:

Annual required contribution	\$ 227,927
Interest on net OPEB obligation	50,466
Adjustment to ARC	<u>(65,225)</u>
Annual OPEB cost	213,168
Contribution made	<u>(39,621)</u>
Change in net OPEB obligation	173,547
Net OPEB obligation:	
Beginning of year	<u>1,062,433</u>
End of year	<u><u>\$ 1,235,980</u></u>

Three-year trend information:

Year	Annual OPEB cost (AOC)	Percentage of AOC contributed	Net OPEB obligation
2017	\$ 213,168	18.59 %	\$ 1,235,980
2016	212,591	40.34	1,062,433
2015	208,981	205.39	935,599

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Annual OPEB cost and net OPEB obligation (continued):

Funded status and schedule of funding progress:

Actuarial valuation date	Actuarial value of assets (a)	Accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Annual covered payroll (c)	Percentage of covered payroll ((b-a)/c)
1/1/2017	\$ 510,158	\$ 2,617,764	\$ 2,107,606	19.49%	\$ 1,385,723	152.09%

Actuarial methods and assumptions:

The Township's net OPEB liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the fiscal plan year ended December 31, 2017.

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

Schedules of funding progress and employer contributions for the OPEB plan is included in the required supplementary information, immediately following the notes to the financial statements, and include three fiscal years of information about whether the actuarial value of plan assets is increasing or decreasing in relation to the actuarial accrued liability for benefit.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Actuarial methods and assumptions (continued):

Information as of the latest actuarial valuation is as follows:

Valuation date	1/1/17
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	30 years
Actuarial value of assets	Market value

Actuarial assumptions:

Inflation rate	2.75%
Investment rate of return	6.50%

Annual trend rates:

Medical inflation:

	Medical/Rx	Dental/vision
2017	6.25%	3.00%
2018	6.25%	3.00%
2019	6.00%	3.00%
2020	6.00%	3.00%
2021	5.75%	3.00%
2022	5.50%	3.00%
2023	5.50%	3.00%
2024	5.25%	3.00%
2025 and later	5.00%	3.00%

Retirement	Age 50 with completion of 25 years of service
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Mortality	RP-2014 Combined Mortality Table with 50% of Blue Collar Adjustment
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LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Investment policy:

The OPEB policy in regard to the allocation of invested assets is established and may be amended by the applicable Township Investment Committee. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Long-term expected rate of return:

The long-term expected rate of return on OPEB 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 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 allocation percentages specified in the Township's Investment Policy Statement and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in target asset allocation as of the valuation date of January 1, 2017.

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	60.0 %	6.3 %
Fixed income	38.0	2.0
Cash equivalents	2.0	0.0
Alternative assets		4.5
	<u>100 %</u>	

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Concentrations:

At December 31, 2017, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

American Centy Mutual Funds Growth	\$ 29,040
Delaware Group Equity Fund	37,366
Hancock John Capital Ser Classic Value Fund	35,577
Mainstay Fund High Yield Corporate Bond Fund	29,220
Metropolitan West Funds Total Return Bond Fund	35,759
T Rowe Price Blue Chip Growth Fund	52,090
Wells Fargo Funds Tr Core Bond Fund	36,153

Discount rate:

The discount rate used to measure the total OPEB liability was 4.75%. This is the equivalent single rate determined by applying the long-term expected rate of return on investments to future benefit payments for current plan members expected to be funded by plan assets, and applying a tax-exempt, high quality municipal bond rate (estimated to be 3.5%) to benefit payments thereafter. In projecting assets, it was assumed that the Township would continue to deposit approximately \$85,800 (indexed for inflation) and pay charged retiree premiums (also indexed for inflation) to/from the trust annually. Based on these assumptions, assets were projected to be available to make 28 years of projected benefit payments.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the plan calculated using the discount rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u> 3.75%	<u>Current</u> <u>discount rate</u> 4.75%	<u>1% Increase</u> 5.75%
Total net OPEB liability	<u>\$ 2,427,054</u>	<u>\$ 2,107,606</u>	<u>\$ 1,827,376</u>

Sensitivity of the net OPEB liability to changes in the medical trend rate:

The following presents the net OPEB liability of the plan calculated using the medical trend rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current</u> <u>valuation rates</u>	<u>1% Increase</u>
Total Net OPEB Liability	<u>\$ 1,777,797</u>	<u>\$ 2,107,606</u>	<u>\$ 2,498,121</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Annual OPEB cost and net OPEB obligation:

Financial statements for the OPEB trust fund are presented below:

Statement of Fiduciary Net Position
December 31, 2017

Assets:

Cash and cash equivalents	\$ 67,688
Investments, mutual funds, equities	<u>512,208</u>
	<u>\$ 579,896</u>
Liabilities, accounts payable	\$ 18,837
Net position, restricted for other post-employment benefits	<u>561,059</u>
Total liabilities and net position	<u>\$ 579,896</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

9. Other post-employment benefits (continued):

Annual OPEB cost and net OPEB obligation (continued):

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017

Additions, contributions, employer	<u>\$ 39,621</u>
Investment income:	
Net appreciation in value of investments	44,734
Interest earnings	<u>23,565</u>
Net investment earnings	<u>68,299</u>
Total additions	<u>107,920</u>
Deductions:	
Benefits	37,928
Administrative expenses	<u>4,001</u>
Total deductions	<u>41,929</u>
Increase in plan net position	65,991
Net position restricted for other post-employment benefits:	
Beginning of year	<u>495,068</u>
End of year	<u><u>\$ 561,059</u></u>

10. Deficit fund balance:

The Friends of Fun Fort Fund had a deficit fund balance at December 31, 2017 of \$22,332.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

11. Mortgage receivable:

Component unit – Development Authority:

On August 31, 2016, the Development Authority sold land and a building for \$590,000 in exchange for a \$531,000 mortgage receivable and \$59,000 in cash. The mortgage receivable carries interest at a rate of 4%, and principal and interest are due monthly starting on October 1, 2016 with final maturity on September 30, 2021. The future minimum mortgage payments due to the Development Authority under this mortgage receivable are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 18,601	\$ 20,012	\$ 38,613
2019	19,359	19,254	38,613
2020	20,147	18,466	38,613
2021	<u>450,662</u>	<u>11,856</u>	<u>462,518</u>
	<u>\$ 508,769</u>	<u>\$ 69,588</u>	<u>\$ 578,357</u>

12. Major customers:

Component unit – Authority:

Sales to one customer comprised 15.10% of the net sewer rental revenues for the year ended December 31, 2017.

13. Subsequent events:

On March 12, 2018, the Township entered into an agreement with a contractor for street paving and resurfacing. The total project cost is estimated to be approximately \$570,000 and the project is expected to be completed in 2018.

On April 5, 2018, the Authority awarded a contract for approximately \$827,000 for the Fair Oaks Sewer Extension and Seneca Avenue Sewer Replacement Project. During the period of January 1, 2018 to May 8, 2018, the Authority also awarded contracts or issued change orders to existing contracts for several projects in the amount of \$143,914.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

13. Subsequent events (continued)

The Township and Authorities have evaluated subsequent events through June 7, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER ALLEN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 2,785,250	\$ 2,785,250	\$ 2,758,639	\$ (26,611)
Other taxes	3,864,500	3,864,500	4,349,474	484,974
Licenses and permits	375,840	375,840	401,280	25,440
Fines and forfeits	79,900	79,900	99,473	19,573
Investment earnings	15,550	15,550	43,039	27,489
Rents	48,800	48,800	45,462	(3,338)
Intergovernmental revenue	1,508,150	1,508,150	602,102	(906,048)
Charges for services	2,986,900	2,986,900	3,063,312	76,412
Miscellaneous revenues	57,740	57,740	40,785	(16,955)
Total revenues	11,722,630	11,722,630	11,403,566	(319,064)
Expenditures:				
Current:				
General government:				
General government	419,900	419,900	414,099	5,801
Financial administration	366,540	366,540	335,441	31,099
Tax collection	102,150	102,150	97,618	4,532
Community and personnel	95,170	95,170	80,513	14,657
Information services	116,080	116,080	110,254	5,826
Municipal building	361,520	361,520	326,913	34,607
Fleet maintenance	309,740	309,740	306,286	3,454
Total general government	1,771,100	1,771,100	1,671,124	99,976
Public safety:				
Police and fire protection	3,844,680	3,844,680	3,620,340	224,340
Ambulance service	980,890	980,890	952,579	28,311
Code enforcement	879,610	879,610	806,259	73,351
Public safety administration	609,800	609,800	573,205	36,595
Total public safety	6,314,980	6,314,980	5,952,383	362,597
Public works:				
General health services	88,830	88,830	59,692	29,138
Sanitation services	984,510	984,510	982,168	2,342
Highways	1,854,000	1,854,000	1,062,307	791,693
Total public works	2,927,340	2,927,340	2,104,167	823,173
Parks and recreation:				
Parks and recreation	1,218,870	1,218,870	793,709	425,161
Shade trees	780	780	640	140
Libraries	2,600	2,600	2,600	-
Total parks and recreation	1,222,250	1,222,250	796,949	425,301

(continued)

See accompanying notes to required supplementary information – budgetary comparison schedule.

LOWER ALLEN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Expenditures (continued):				
Debt service			\$ 107,840	\$ (107,840)
Miscellaneous expenditures	\$ 74,410	\$ 74,410	50,887	23,523
Total expenditures	<u>12,310,080</u>	<u>12,310,080</u>	<u>10,683,350</u>	<u>1,626,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(587,450)</u>	<u>(587,450)</u>	<u>720,216</u>	<u>1,307,666</u>
Other financing sources (uses):				
Transfers in	1,222,620	1,222,620	343,224	(879,396)
Transfers out	(841,670)	(841,670)	(665,552)	176,118
Proceeds from sale of assets	56,200	56,200	24,475	(31,725)
Total other financing sources (uses)	<u>437,150</u>	<u>437,150</u>	<u>(297,853)</u>	<u>(735,003)</u>
Net change in fund balance	(150,300)	(150,300)	422,363	572,663
Fund balance:				
Beginning of year	<u>6,037,030</u>	<u>6,037,030</u>	<u>6,037,030</u>	<u>-</u>
End of year	<u>\$ 5,886,730</u>	<u>\$ 5,886,730</u>	<u>\$ 6,459,393</u>	<u>\$ 572,663</u> (concluded)

Debt service payments made on the General Obligation Pension Funding Bonds, Series of 2013, are included in the applicable function rather than reported as principal and interest and fiscal charges.

See accompanying notes to required supplementary information – budgetary comparison schedule.

LOWER ALLEN TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

YEAR ENDED DECEMBER 31, 2017

1. Budgetary basis of accounting:

In the annual non-GAAP basis budget, debt service payments on the General Obligation Pension Funding Bonds, Series of 2013, are included in the applicable functions rather than reported as principal and interest and fiscal charges in the statement of revenues, expenditures and changes in fund balance – governmental funds. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

2. Stewardship, compliance and accountability:

In compliance with First Class Township Code, the adopted budget shall reflect as nearly as possible the estimated revenue and expenditures of Lower Allen Township for the year for which the budget is prepared. If, upon any revision of the budget, it appears that the estimated expenditures will be increased by more than 10% of the budgeted fund total or more than 25% in any individual item, a budget amendment must be prepared and duly advertised, affording the taxpayers the opportunity to examine and protest such increases.

3. Budget to actual comparisons:

The General Fund's budget comparison is presented in the required supplementary information section. The budgeted non-major special revenue funds, Capital Improvement Fund and Debt Service Fund budget comparisons are presented in the supplementary information section.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF CHANGES IN THE NON-UNIFORMED PENSION PLAN'S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2017, 2016, 2015 AND 2014

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 193,735	\$ 160,643	\$ 153,358	\$ 150,999
Interest	451,572	418,591	389,873	368,256
Changes of assumptions	18,238		123,682	
Benefit payments, including refunds of member contributions	(213,731)	(185,753)	(174,171)	(194,844)
Differences between expected and actual experience	(5,269)		(181,849)	
	444,545	393,481	310,893	324,411
Net changes in total pension liability				
Beginning of year	5,726,893	5,333,412	5,022,519	4,698,108
End of year (a)	\$ 6,171,438	\$ 5,726,893	\$ 5,333,412	\$ 5,022,519
Plan fiduciary net position:				
Contributions:				
Employer				\$ 10,737
State aid	\$ 162,453	\$ 149,491	\$ 166,845	146,884
Net investment income (loss)	729,547	308,365	(36,979)	278,147
Benefit payments, including refunds of member contributions	(213,731)	(185,753)	(174,171)	(194,844)
Administrative expense	(5,619)	(9,603)	(12,681)	(10,294)
	672,650	262,500	(56,986)	230,630
Net change in plan fiduciary net position				
Total fiduciary net position:				
Beginning of year	5,426,782	5,164,282	5,221,268	4,990,638
End of year (b)	\$ 6,099,432	\$ 5,426,782	\$ 5,164,282	\$ 5,221,268
Net pension (asset) liability, end of year (a) - (b)	\$ 72,006	\$ 300,111	\$ 169,130	\$ (198,749)
Plan fiduciary net position as a percentage of the total pension liability	98.83%	94.76%	96.83%	103.96%
Covered employee payroll	\$ 2,373,294	\$ 2,204,534	\$ 2,124,603	\$ 2,003,231
Net pension (asset) liability as a percentage of covered employee payroll	3.03%	13.61%	7.96%	(9.92%)

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plans.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2017, 2016, 2015 AND 2014

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 272,238	\$ 234,579	\$ 223,409	\$ 225,681
Interest	726,467	733,703	708,566	701,437
Changes of assumptions	19,383		145,786	
Benefit payments, including refunds of member contributions	(472,583)	(632,426)	(605,182)	(386,970)
Differences between expected and actual experience	(566,187)		(482,566)	
	(20,682)	335,856	(9,987)	540,148
Net changes in total pension liability				
Beginning of year	9,884,624	9,548,768	9,558,755	9,018,607
End of year (a)	\$ 9,863,942	\$ 9,884,624	\$ 9,548,768	\$ 9,558,755
Plan fiduciary net position:				
Contributions:				
Employer			\$ 20,698	
State aid	\$ 151,017	\$ 154,536	138,980	\$ 155,185
Member	93,827	85,681	76,246	71,656
Net investment income (loss)	1,267,349	541,283	(70,936)	514,661
Benefit payments, including refunds of member contributions	(472,583)	(632,426)	(605,182)	(386,970)
Administrative expense	(6,832)	(10,205)	(12,694)	(20,924)
	1,032,778	138,869	(452,888)	333,608
Net change in plan fiduciary net position				
Total fiduciary net position:				
Beginning of year	9,510,392	9,371,523	9,824,411	9,490,803
End of year (b)	\$ 10,543,170	\$ 9,510,392	\$ 9,371,523	\$ 9,824,411
Net pension (asset) liability, end of year (a) - (b)	\$ (679,228)	\$ 374,232	\$ 177,245	\$ (265,656)
Plan fiduciary net position as a percentage of the total pension liability	106.89%	96.21%	98.14%	102.78%
Covered employee payroll	\$ 1,935,772	\$ 1,645,994	\$ 1,480,832	\$ 1,437,717
Net pension (asset) liability as a percentage of covered employee payroll	(35.09%)	22.74%	11.97%	(18.48%)

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plans.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF CHANGES IN THE VOLUNTEER FIREFIGHTER'S SERVICE AWARD PROGRAM'S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
Total pension liability:			
Service cost	\$ 2,546	\$ 6,700	\$ 5,025
Interest	12,736	17,542	12,601
Changes of assumptions	896		11,295
Benefit payments, including refunds of member contributions	(11,035)	(10,735)	(8,995)
Differences between expected and actual experience	(16,763)		(16,351)
Net changes in total pension liability	(11,620)	13,507	3,575
Beginning of year	262,778	249,271	245,696
End of year (a)	\$ 251,158	\$ 262,778	\$ 249,271
Plan fiduciary net position:			
Contributions, employer	\$ 9,476	\$ 7,242	\$ 4,541
Net investment income (loss)	34,117	17,429	(6,491)
Benefit payments, including refunds of member contributions	(11,035)	(10,735)	(8,995)
Administrative expense	(1,883)	(4,098)	(1,634)
Net change in plan fiduciary net position	30,675	9,838	(12,579)
Total fiduciary net position:			
Beginning of year	241,716	231,878	244,457
End of year (b)	\$ 272,391	\$ 241,716	\$ 231,878
Net pension (asset) liability, end of year (a) - (b)	\$ (21,233)	\$ 21,062	\$ 17,393
Plan fiduciary net position as a percentage of the total pension liability	108.45%	91.98%	93.02%
Covered employee payroll	N/A	N/A	N/A
Net pension (asset) liability as a percentage of covered employee payroll	N/A	N/A	N/A

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plans.

LOWER ALLEN TOWNSHIP

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF TOWNSHIP CONTRIBUTIONS (UNAUDITED)

DECEMBER 31, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Non-Uniformed Pension Plan:										
Actuarially determined contribution under Act 205	\$ 162,452	\$ 149,491	\$ 166,845	\$ 157,621	\$ 215,644	\$ 197,807	\$ 214,469	\$ 137,213	\$ 137,946	\$ 136,124
Contributions in relation to the actuarially determined contributions	<u>162,453</u>	<u>149,491</u>	<u>166,845</u>	<u>157,621</u>	<u>215,649</u>	<u>197,807</u>	<u>214,469</u>	<u>152,870</u>	<u>137,946</u>	<u>136,977</u>
Contribution excess	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,657)</u>	<u>\$ -</u>	<u>\$ (853)</u>
Covered employee payroll	<u>\$ 2,373,294</u>	<u>\$ 2,204,534</u>	<u>\$ 2,124,603</u>	<u>\$ 2,003,231</u>	<u>\$ 1,872,545</u>	<u>\$ 1,828,468</u>	<u>\$ 1,775,396</u>	<u>\$ 1,859,976</u>	<u>\$ 1,869,347</u>	<u>\$ 1,846,050</u>
Contributions as a percentage of covered employee payroll	6.85%	6.78%	7.85%	7.87%	11.52%	10.82%	12.08%	8.22%	7.38%	7.42%
Police Pension Plan:										
Actuarially determined contribution under Act 205	\$ 151,016	\$ 120,271	\$ 159,678	\$ 155,185	\$ 314,520	\$ 270,506	\$ 293,276	\$ 129,773	\$ 148,663	\$ 135,380
Contributions in relation to the actuarially determined contributions	<u>151,017</u>	<u>154,536</u>	<u>159,678</u>	<u>226,841</u>	<u>314,521</u>	<u>270,506</u>	<u>293,281</u>	<u>131,796</u>	<u>148,663</u>	<u>136,233</u>
Contribution excess	<u>\$ (1)</u>	<u>\$ (34,265)</u>	<u>\$ -</u>	<u>\$ (71,656)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ (2,023)</u>	<u>\$ -</u>	<u>\$ (853)</u>
Covered employee payroll	<u>\$ 1,935,772</u>	<u>\$ 1,645,994</u>	<u>\$ 1,480,832</u>	<u>\$ 1,437,717</u>	<u>\$ 1,521,351</u>	<u>\$ 1,494,220</u>	<u>\$ 1,463,416</u>	<u>\$ 1,569,257</u>	<u>\$ 1,484,203</u>	<u>\$ 1,393,779</u>
Contributions as a percentage of covered employee payroll	7.80%	9.39%	10.78%	15.78%	20.67%	18.10%	20.04%	8.40%	10.02%	9.77%
Volunteer Firefighter's Service Award Program:										
Actuarially determined municipal contribution	\$ 9,481	\$ 9,481	\$ 8,731	\$ 11,572	\$ 14,232	\$ 9,497	\$ 12,501	\$ 12,501	\$ 15,001	\$ 18,000
Contributions in relation to the actuarially determined contributions	<u>9,476</u>	<u>7,242</u>	<u>4,541</u>	<u>7,397</u>	<u>16,680</u>	<u>16,673</u>	<u>16,723</u>	<u>10,500</u>	<u>10,500</u>	<u>18,000</u>
Contribution deficiency (excess)	<u>\$ 5</u>	<u>\$ 2,239</u>	<u>\$ 4,190</u>	<u>\$ 4,175</u>	<u>\$ (2,448)</u>	<u>\$ (7,176)</u>	<u>\$ (4,222)</u>	<u>\$ 2,001</u>	<u>\$ 4,501</u>	<u>\$ -</u>
Covered employee payroll	N/A									
Contributions as a percentage of covered employee payroll	N/A									

See accompanying notes to required supplementary information – pension plans.

LOWER ALLEN TOWNSHIP

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF INVESTMENT RETURNS – TOWNSHIP (UNAUDITED)

DECEMBER 31, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Non-Uniformed Pension Plan:										
Annual money-weighted rate of return, net of investment expense	13.37%	6.01%	(0.72)%	5.64%						
Police Pension Plan:										
Annual money-weighted rate of return, net of investment expense	13.44%	5.97%	(0.74)%	5.50%						
Volunteer Firefighter's Service Award Program:										
Annual money-weighted rate of return, net of investment expense	13.93%	8.58%	(2.68)%							

The schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plans.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF CHANGES IN THE LOWER ALLEN TOWNSHIP AUTHORITY'S NET PENSION
(ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
Total pension liability:			
Service cost	\$ 84,552	\$ 100,077	\$ 95,539
Interest	360,294	360,694	340,638
Differences between expected and actual experience	(292,922)		
Changes in assumptions	5,975		
Benefit payments, including refunds of member contributions	(163,568)	(164,081)	(164,081)
Net changes in total pension liability	(5,669)	296,690	272,096
Beginning of year	5,253,749	4,957,059	4,684,963
End of year (a)	\$ 5,248,080	\$ 5,253,749	\$ 4,957,059
Plan fiduciary net position:			
Contributions, employer	\$ 222,076	\$ 220,014	\$ 273,602
Net investment income (loss)	750,135	410,788	(108,125)
Benefit payments, including refunds of member contributions	(163,568)	(164,081)	(164,081)
Net change in plan fiduciary net position	808,643	466,721	1,396
Total fiduciary net position:			
Beginning of year	4,864,633	4,397,912	4,396,516
End of year (b)	\$ 5,673,276	\$ 4,864,633	\$ 4,397,912
Net pension (asset) liability, end of year (a) - (b)	\$ (425,196)	\$ 389,116	\$ 559,147
Plan fiduciary net position as a percentage of the total pension liability	108.10%	92.59%	88.72%
Covered employee payroll	\$ 1,435,613	\$ 1,403,184	\$ 1,549,821
Net pension (asset) liability as a percentage of covered employee payroll	(29.62%)	27.73%	36.08%

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan - Authority.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

SCHEDULE OF AUTHORITY CONTRIBUTIONS (UNAUDITED)

DECEMBER 31, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution under Act 205	\$ 182,076	\$ 180,014	\$ 233,602	\$ 250,019	\$ 264,689	\$ 276,287	\$ 295,640	\$ 295,759	\$ 197,000	\$ 197,061
Contributions in relation to the actuarially determined contributions	<u>222,076</u>	<u>220,014</u>	<u>273,602</u>	<u>290,019</u>	<u>304,689</u>	<u>316,287</u>	<u>335,640</u>	<u>335,759</u>	<u>197,000</u>	<u>197,061</u>
Contribution excess	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ -</u>							
Covered employee payroll	<u>\$ 1,435,613</u>	<u>\$ 1,403,184</u>	<u>\$ 1,549,821</u>	<u>\$ 1,502,254</u>	<u>\$ 1,571,693</u>	<u>\$ 1,693,227</u>	<u>\$ 1,532,332</u>	<u>\$ 1,533,879</u>	<u>\$ 1,396,324</u>	<u>\$ 1,397,181</u>
Contributions as a percentage of covered employee payroll	15.47%	15.68%	17.65%	19.31%	19.39%	18.68%	21.90%	21.89%	14.11%	14.10%

See accompanying notes to required supplementary information – pension plan - Authority.

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Non-Uniformed and Police Pension Plans and as of April 1 for the Volunteer Firefighter's Service Award Program. Contributions noted in the required supplementary information - pension plans are as of each plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1 or April 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2017 are as follows:

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Actuarial valuation date	January 1, 2017	January 1, 2017	April 1, 2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	20 years	14 years	16 years
Asset valuation method	Market value	Market value	Market value
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	7.00%
Projected salary increases	4.75%	5.00%	N/A
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Pre-retirement mortality	None	None	None
Post-employment mortality	RP-2000 combined mortality table projected to 2017 using Scale AA	RP-2000 combined mortality table projected to 2017 using Scale AA	RP-2000 combined mortality table projected to 2017 using Scale AA

2. Significant factors affecting schedules:

In 2015, the mortality assumption was changed from the RP-2000 Combined Mortality Table to the RP-2000 Table projected to 2015 using Scale AA for the Non-Uniformed and Police Pension Plans. In 2015, the mortality assumption was changed from the 1983 Group Annuity Mortality Table to the RP-2000 Table projected to 2015 using Scale AA for the Volunteer Firefighter's Service Award Program.

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN (UNAUDITED)

AUTHORITY

YEAR ENDED DECEMBER 31, 2017

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Authority’s pension plan. Contributions noted in the required supplementary information - pension plan – schedule of Authority contributions are as of the plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2017 are as follows:

Valuation date	January 1, 2017	
Actuarial cost method	Entry age normal	
Amortization method	Level dollar closed	
Remaining amortization period	30 years	
Actuarial value of assets	Market Value	
Actuarial assumptions:		
Inflation rate	2.75%	
Investment rate of return	6.50%	
Annual trend rates:		
Medical inflation:	<u>Medical/Rx</u>	<u>Dental/vision</u>
2017	6.25%	3.00%
2018	6.25%	3.00%
2019	6.00%	3.00%
2020	6.00%	3.00%
2021	5.75%	3.00%
2022	5.50%	3.00%
2023	5.50%	3.00%
2024	5.25%	3.00%
2025 and later	5.00%	3.00%
Retirement	Age 50 with completion of 25 years of service	
Mortality	RP-2014 Combined Mortality Table with 50% of Blue Collar Adjustment	

2. Significant factors affecting schedule:

No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

LOWER ALLEN TOWNSHIP

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FUNDING PROGRESS

Actuarial valuation date	Actuarial value of assets (a)	Actuarial liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Annual covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2008	\$ -	\$ 2,242,193	\$ 2,242,193	0.0%	\$ 1,510,761	148.4%
1/1/2011	-	2,256,113	2,256,113	0.0%	1,487,848	151.6%
1/1/2014	-	2,101,803	2,101,803	0.0%	1,385,723	151.7%
1/1/2017	510,158	2,617,764	2,107,606	19.5%	1,385,723	152.1%

Note: Valuation as of 1/1/2018 represents the initial valuation for the Plan as required under GASB Statement No.45.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended December 31,	Annual required contributions	Percentage contributed
2012	\$ 272,502	29.6 %
2013	272,502	25.8
2014	227,927	19.2
2015	227,927	188.3
2016	227,927	37.6
2017	227,927	17.4

(continued)

LOWER ALLEN TOWNSHIP

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	<u>December 31, 2017</u>
OPEB liability	\$ 1,235,980
Plan fiduciary net position	<u>579,896</u>
Net OPEB liability	<u>\$ (656,084)</u>
Plan fiduciary net position as a percentage of total OPEB liability	46.92%

The Township adopted GASB 74 on a prospective basis for the year ended December 31, 2017; therefore only one year is presented in the above schedule.

	<u>2017</u>
Contractually required contribution	\$ 227,927
Contributions in relation to the contractually required contributions	<u>(39,621)</u>
Contribution excess	<u>\$ (267,548)</u>
Covered employee payroll	<u>\$ 1,385,723</u>
Contributions as a percentage of covered employee payroll	(2.86%)

The Township adopted GASB 74 on a prospective basis for the year ended December 31, 2017; therefore only one year is presented in the above schedule.

(continued)

LOWER ALLEN TOWNSHIP

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

Valuation date	January 1, 2017	
Actuarial cost method	Entry age normal	
Amortization method	Level dollar, open period	
Amortization period	30 years	
Actuarial value of assets	Market value	
Actuarial assumptions:		
Investment rate of return	2.75%	
Investment rate of return	6.50%	
Annual trend rates:		
Medical inflation:	<u>Medical/Rx</u>	<u>Dental/vision</u>
2017	6.25%	3.00%
2018	6.25%	3.00%
2019	6.00%	3.00%
2020	6.00%	3.00%
2021	5.75%	3.00%
2022	5.50%	3.00%
2023	5.50%	3.00%
2024	5.25%	3.00%
2025 and later	5.00%	3.00%
Retirement	Age 50 with completion of 25 years of service	
Mortality	RP-2014 Combined Mortality Table with 50% of Blue Collar Adjustment	

SUPPLEMENTARY INFORMATION

LOWER ALLEN TOWNSHIP

NON-MAJOR GOVERNMENTAL FUNDS – DESCRIPTION OF FUNDS

YEAR ENDED DECEMBER 31, 2017

Streetlight Fund

Operation and maintenance of Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting.

Highway Aid Fund

Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax.

Fire Services Fund

Operates and supports the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures.

Road Improvement Fund

This fund is used to account for monies provided by the developer of High Meadows to be used for the future development of Thompson Lane.

Lower Allen Park (LAP) Recreation Fund

Monies held in this fund are provided by developers of residential developments within a one-mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions.

Friends of Fun Fort Fund

This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park.

Capital Improvement Fund

This fund accounts for the acquisition of capital assets or construction of major capital projects.

LOWER ALLEN TOWNSHIP

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	Special Revenue Funds						Capital Improvement Fund	Total non-major governmental funds
	Streetlight Fund	Highway Aid Fund	Fire Services Fund	Road Improvement Fund	LAP Recreation Fund	Friends of Fun Fort Fund		
Assets:								
Cash and cash equivalents	\$ 29,359	\$ 620,467	\$ 795,491	\$ 40,910	\$ 359,695	\$ 24,668	\$ 1,313,457	\$ 3,184,047
Receivables, net:								
Taxes	4,798		16,105				1,323	22,226
Accounts		3,270						3,270
Due from other funds							252,247	252,247
Other assets			15,362					15,362
Total assets	\$ 34,157	\$ 623,737	\$ 826,958	\$ 40,910	\$ 359,695	\$ 24,668	\$ 1,567,027	\$ 3,477,152
Liabilities:								
Due to other funds			\$ 471,605			\$ 47,000		\$ 518,605
Vouchers payable	\$ 671		16,275					16,946
Unearned revenue		\$ 31,828			\$ 80,829		\$ 474,352	587,009
Total liabilities	671	31,828	487,880		80,829	47,000	474,352	1,122,560
Deferred inflows of resources, unavailable revenue, taxes	4,159		13,127					17,286
Fund balance:								
Nonspendable			15,362					15,362
Restricted for:								
Public safety			310,589					310,589
Public works	29,327	591,909		\$ 40,910				662,146
Parks and recreation					278,866			278,866
Assigned for capital projects							1,092,675	1,092,675
Unassigned						(22,332)		(22,332)
Total fund balance	29,327	591,909	325,951	40,910	278,866	(22,332)	1,092,675	2,337,306
Total liabilities, deferred inflows of resources and fund balance	\$ 34,157	\$ 623,737	\$ 826,958	\$ 40,910	\$ 359,695	\$ 24,668	\$ 1,567,027	\$ 3,477,152

LOWER ALLEN TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds						Capital Improvement Fund	Total non-major governmental funds
	Streetlight Fund	Highway Aid Fund	Fire Services Fund	Road Improvement Fund	LAP Recreation Fund	Friends of Fun Fort Fund		
Revenues:								
Real estate taxes	\$ 110,695		\$ 758,230					\$ 868,925
Investment earnings	588	\$ 3,963	5,080	\$ 266	\$ 2,486	\$ 169	\$ 8,422	20,974
Rents							16,824	16,824
Intergovernmental revenue		528,500	10,818					539,318
Charges for services		49,195						49,195
Contribution from fire department			100,000					100,000
Miscellaneous revenues		1,735		3,000	61,663	331	4,932	71,661
Total revenues	111,283	583,393	874,128	3,266	64,149	500	30,178	1,666,897
Expenditures:								
Current:								
General government							1,204	1,204
Public safety			1,022,710					1,022,710
Public works	126,049	190,979					17,511	334,539
Capital outlay							1,250	1,250
Debt service, principal			5,634					5,634
Total expenditures	126,049	190,979	1,028,344				19,965	1,365,337
Excess (deficiency) of revenues over (under) expenditures	(14,766)	392,414	(154,216)	3,266	64,149	500	10,213	301,560
Other financing sources (uses):								
Transfers in							15,192	15,192
Transfers out			(375,583)		(61,664)			(437,247)
Issuance of debt			410,000					410,000
Total other financing sources (uses)			34,417		(61,664)		15,192	(12,055)
Net change in fund balance	(14,766)	392,414	(119,799)	3,266	2,485	500	25,405	289,505
Fund balance:								
Beginning of year	44,093	199,495	445,750	37,644	276,381	(22,832)	1,067,270	2,047,801
End of year	\$ 29,327	\$ 591,909	\$ 325,951	\$ 40,910	\$ 278,866	\$ (22,332)	\$ 1,092,675	\$ 2,337,306

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS

NON-MAJOR GOVERNMENTAL FUND – STREETLIGHT FUND

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 112,680	\$ 112,680	\$ 110,695	\$ (1,985)
Investment earnings	100	100	588	488
	<u>112,780</u>	<u>112,780</u>	<u>111,283</u>	<u>(1,497)</u>
Total revenues				
	112,780	112,780	111,283	(1,497)
Expenditures, public works	<u>128,950</u>	<u>128,950</u>	<u>126,049</u>	<u>2,901</u>
Net change in fund balance	(16,170)	(16,170)	(14,766)	1,404
Fund balance:				
Beginning of year	<u>44,093</u>	<u>44,093</u>	<u>44,093</u>	<u>-</u>
End of year	<u><u>\$ 27,923</u></u>	<u><u>\$ 27,923</u></u>	<u><u>\$ 29,327</u></u>	<u><u>\$ 1,404</u></u>

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS

NON-MAJOR GOVERNMENTAL FUND – HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive
	Original amounts	Final amounts		
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 3,963	\$ 3,663
Intergovernmental revenue	517,420	517,420	528,500	11,080
Charges for services	33,650	33,650	49,195	15,545
Miscellaneous revenues			1,735	1,735
	<u>551,370</u>	<u>551,370</u>	<u>583,393</u>	<u>32,023</u>
Total revenues				
	551,370	551,370	583,393	32,023
Expenditures, public works	<u>257,910</u>	<u>257,910</u>	<u>190,979</u>	<u>66,931</u>
Net change in fund balance	293,460	293,460	392,414	98,954
Fund balance:				
Beginning of year	<u>199,495</u>	<u>199,495</u>	<u>199,495</u>	<u>-</u>
End of year	<u>\$ 492,955</u>	<u>\$ 492,955</u>	<u>\$ 591,909</u>	<u>\$ 98,954</u>

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS

NON-MAJOR GOVERNMENTAL FUND – FIRE SERVICES FUND

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 753,300	\$ 753,300	\$ 758,230	\$ 4,930
Intergovernmental revenue			10,818	10,818
Investment earnings	950	950	5,080	4,130
Contribution from fire department	25,000	25,000	100,000	75,000
Total revenues	<u>779,250</u>	<u>779,250</u>	<u>874,128</u>	<u>94,878</u>
Expenditures:				
Public safety	961,220	961,220	1,022,710	(61,490)
Debt service, principal	95,350	95,350	5,634	89,716
Total expenditures	<u>1,056,570</u>	<u>1,056,570</u>	<u>1,028,344</u>	<u>28,226</u>
Excess of expenditures over revenues	<u>(277,320)</u>	<u>(277,320)</u>	<u>(154,216)</u>	<u>123,104</u>
Other financing sources (uses):				
Transfers out	(281,560)	(281,560)	(375,583)	(94,023)
Proceeds from sale of assets	55,000	55,000		(55,000)
Issuance of debt	410,000	410,000	410,000	-
Total other financing sources (uses)	<u>183,440</u>	<u>183,440</u>	<u>34,417</u>	<u>(149,023)</u>
Net change in fund balance	(93,880)	(93,880)	(119,799)	(25,919)
Fund balance:				
Beginning of year	445,750	445,750	445,750	-
End of year	<u>\$ 351,870</u>	<u>\$ 351,870</u>	<u>\$ 325,951</u>	<u>\$ (25,919)</u>

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS

NON-MAJOR GOVERNMENTAL FUND – CAPITAL IMPROVEMENT FUND

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive
	Original amounts	Final amounts		
Revenues:				
Investment earnings	\$ 50	\$ 50	\$ 8,422	\$ 8,372
Rents	144,200	144,200	146,400	2,200
Other revenues			4,932	4,932
Total revenues	144,250	144,250	159,754	15,504
Expenditures:				
General government	1,400	1,400	1,204	196
Capital outlay	2,500	2,500	1,250	1,250
Public works	22,820	22,820	17,511	5,309
Total expenditures	26,720	26,720	19,965	6,755
Excess of revenues over expenditures	117,530	117,530	139,789	22,259
Other financing sources (uses):				
Transfers in	191,310	191,310	15,192	(176,118)
Transfers out	(450,000)	(450,000)		450,000
Total other financing sources (uses):	(258,690)	(258,690)	15,192	273,882
Net change in fund balance	(141,160)	(141,160)	154,981	296,141
Fund balance:				
Beginning of year	1,529,581	1,529,581	1,529,581	-
End of year	<u>\$ 1,388,421</u>	<u>\$ 1,388,421</u>	<u>\$ 1,684,562</u>	<u>\$ 296,141</u>
Explanation of differences between budgetary and GAAP basis:				
Net change in fund balances, budgetary basis				\$ 154,981
Lease payments shown as revenue in the year of receipt for budgetary basis				<u>(129,576)</u>
Net change in fund balance, GAAP basis				<u>\$ 25,405</u>

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS

MAJOR GOVERNMENTAL FUND – DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2017

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 694,140	\$ 694,140	\$ 707,010	\$ 12,870
Investment earnings	900	900	3,158	2,258
Total revenues	<u>695,040</u>	<u>695,040</u>	<u>710,168</u>	<u>15,128</u>
Expenditures:				
General government			1,985	(1,985)
Debt service:				
Principal	1,222,600	1,222,600	1,215,325	7,275
Interest and fiscal charges	218,150	218,150	190,906	27,244
Total expenditures	<u>1,440,750</u>	<u>1,440,750</u>	<u>1,408,216</u>	<u>32,534</u>
Deficiency of revenues under expenditures	(745,710)	(745,710)	(698,048)	47,662
Other financing sources, transfers in	<u>745,710</u>	<u>745,710</u>	<u>744,383</u>	<u>(1,327)</u>
Net change in fund balance	-	-	46,335	46,335
Fund balance:				
Beginning of year	<u>475,560</u>	<u>475,560</u>	<u>475,560</u>	-
End of year	<u>\$ 475,560</u>	<u>\$ 475,560</u>	<u>\$ 521,895</u>	<u>\$ 46,335</u>

LOWER ALLEN TOWNSHIP

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:	
Receipts from citizens and other users	\$ 14,416,174
Payments to:	
Suppliers	(6,211,036)
Employees	(4,545,465)
Maintenance expenditures	(734,397)
Capital outlay	(1,250)
Other operating revenue received	<u>112,447</u>
Net cash provided by operating activities	<u>3,036,473</u>
Cash flows from capital and related financing activities:	
Proceeds from:	
Capital lease	410,000
Sale of capital assets	24,475
Interest and fiscal charges	(298,954)
Payments on debt	<u>(1,538,165)</u>
Net cash used in capital and related financing activities	<u>(1,402,644)</u>
Cash flows from investing activities:	
Purchase of:	
Certificates of deposit	(1,004,000)
Commercial paper	(495,075)
Income on investments	<u>65,678</u>
Net cash used in investing activities	<u>(1,433,397)</u>
Net increase in cash and cash equivalents	200,432
Cash and cash equivalents:	
Beginning of year	<u>8,199,110</u>
End of year	<u>\$ 8,399,542</u>
Supplemental disclosure of noncash transactions:	
Unrealized gains on investements	<u>\$ 1,493</u>
	(continued)

LOWER ALLEN TOWNSHIP

SCHEDULE OF CASH FLOWS (CONTINUED) - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

Reconciliation to net cash provided by operating activities:	
Excess of revenues over expenditures	\$ 323,728
Adjustments:	
Debt service	1,837,119
Income on investments	(67,171)
Changes in assets, liabilities and deferred outflows of resources:	
Accounts receivable	28,252
Taxes receivable	(1,015,970)
Sanitation fees receivable	(2,576)
Inventory	10,276
Other assets	125,979
Payroll taxes and withholding	3,184
Vouchers payable	(53,324)
Accrued wages payable	16,518
Other payables	25,004
Unearned and unavailable revenue	<u>1,805,454</u>
Net cash provided by operating activities	<u>\$ 3,036,473</u> (concluded)

LOWER ALLEN TOWNSHIP

TRUST FUNDS – DESCRIPTION OF FUNDS

YEAR ENDED DECEMBER 31, 2017

Non-Uniformed Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township personnel.

Police Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

Volunteer Firefighter's Service Award Program

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township firefighters.

Other Post-Employment Benefit Trust Fund

This fund is used to account for the accumulation of resources for certain post-employment healthcare benefits for police retirees.

LOWER ALLEN TOWNSHIP

**COMBINING STATEMENT OF FIDUCIARY NET POSITION –
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS**

DECEMBER 31, 2017

	Non-Uniformed Pension Plan Trust Fund	Police Pension Plan Trust Fund	Volunteer Firefighter's Service Award Program	Other Post- Employment Benefit Trust Fund	Total pension and OPEB trust funds
Assets:					
Cash and cash equivalents			\$ 211	\$ 67,688	\$ 67,899
Investments:					
Mutual funds:					
Equities	\$ 3,449,740	\$ 5,982,421	272,180	512,208	10,216,549
Fixed income	2,668,919	4,560,749			7,229,668
Total investments	6,118,659	10,543,170	272,180	512,208	17,446,217
Total assets	\$ 6,118,659	\$ 10,543,170	\$ 272,391	\$ 579,896	\$ 17,514,116
Liabilities, accounts payable	\$ 19,227			\$ 18,837	\$ 38,064
Net position, restricted for pension and other post-employment benefits	6,099,432	\$ 10,543,170	\$ 272,391	561,059	17,476,052
Total liabilities and net position	\$ 6,118,659	\$ 10,543,170	\$ 272,391	\$ 579,896	\$ 17,514,116

LOWER ALLEN TOWNSHIP

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2017

	Non-Uniformed Pension Plan Trust Fund	Police Pension Plan Trust Fund	Volunteer Firefighter's Service Award Program	Other Post- Employment Benefit Trust Fund	Total pension and OPEB trust funds
Additions:					
Contributions:					
State aid	\$ 162,453	\$ 151,017			\$ 313,470
Employer			\$ 9,476	\$ 39,621	49,097
Employee		93,827			93,827
Total contributions	<u>162,453</u>	<u>244,844</u>	<u>9,476</u>	<u>39,621</u>	<u>456,394</u>
Investment income:					
Net appreciation in value of investments	741,313	1,286,660	36,407	44,734	2,109,114
Interest earnings				23,565	23,565
Total investment income	<u>741,313</u>	<u>1,286,660</u>	<u>36,407</u>	<u>68,299</u>	<u>2,132,679</u>
Less investment expense	<u>11,766</u>	<u>19,311</u>	<u>2,290</u>		<u>33,367</u>
Net investment earnings	<u>729,547</u>	<u>1,267,349</u>	<u>34,117</u>	<u>68,299</u>	<u>2,099,312</u>
Total additions	<u>892,000</u>	<u>1,512,193</u>	<u>43,593</u>	<u>107,920</u>	<u>2,555,706</u>
Deductions:					
Benefits	213,731	472,583	11,035	37,928	735,277
Administrative expenses	<u>5,619</u>	<u>6,832</u>	<u>1,883</u>	<u>4,001</u>	<u>18,335</u>
Total deductions	<u>219,350</u>	<u>479,415</u>	<u>12,918</u>	<u>41,929</u>	<u>753,612</u>
Increase in plans' net position	672,650	1,032,778	30,675	65,991	1,802,094
Net position:					
Beginning of year	<u>5,426,782</u>	<u>9,510,392</u>	<u>241,716</u>	<u>495,068</u>	<u>15,673,958</u>
End of year	<u>\$ 6,099,432</u>	<u>\$ 10,543,170</u>	<u>\$ 272,391</u>	<u>\$ 561,059</u>	<u>\$ 17,476,052</u>

LOWER ALLEN TOWNSHIP

AGENCY FUND – DESCRIPTION OF FUND

YEAR ENDED DECEMBER 31, 2017

Developer's Escrow Fund

This fund is used to account for funds received from certain developers pursuant to security agreements. The agreements provide the Township with a stated sum of money, which will be returned to the developers upon completion of certain construction.

LOWER ALLEN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUND

DECEMBER 31, 2017

	<u>Developer's Escrow Fund</u>
Assets, cash and cash equivalents	<u>\$ 176,576</u>
Liabilities, due to developers	<u>\$ 176,576</u>

LOWER ALLEN TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND

YEAR ENDED DECEMBER 31, 2017

<u>Developer's Escrow Fund</u>	<u>Balance, January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, December 31</u>
Assets, cash in bank	<u>\$ 168,309</u>	<u>\$ 63,683</u>	<u>\$ (55,416)</u>	<u>\$ 176,576</u>
Liabilities, due to developers	<u>\$ 168,309</u>	<u>\$ 63,683</u>	<u>\$ (55,416)</u>	<u>\$ 176,576</u>

LOWER ALLEN TOWNSHIP

COMPONENT UNIT – DESCRIPTION

YEAR ENDED DECEMBER 31, 2017

Lower Allen Township Development Authority

Provides educational outreach to business leaders in the community, assists economic development initiatives and purchases and markets properties for redevelopment.

LOWER ALLEN TOWNSHIP

STATEMENT OF FUND NET POSITION – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY

DECEMBER 31, 2017

Assets:

Current assets:

Cash and cash equivalents	\$ 216,152
Current portion of mortgage receivable	<u>18,601</u>

Total current assets	234,753
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Noncurrent assets, mortgage receivable, net of current portion	<u>490,168</u>
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Total assets	<u><u>\$ 724,921</u></u>
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LIABILITIES AND NET POSITION

Liabilities

Current liabilities:

Vouchers payable	\$ 332
Unearned revenue	<u>37,894</u>

Total current liabilities	38,226
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Net position, unrestricted	<u>686,695</u>
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Total liabilities and net position	<u><u>\$ 724,921</u></u>
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LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY

YEAR ENDED DECEMBER 31, 2017

Operating expenses, administrative	<u>\$ 8,942</u>
Nonoperating revenues:	
Investment income	1,259
Interest received on mortgage receivable	<u>20,741</u>
Total nonoperating revenues	<u>22,000</u>
Change in net position	13,058
Net position:	
Beginning of year	<u>673,637</u>
End of year	<u><u>\$ 686,695</u></u>

LOWER ALLEN TOWNSHIP

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 2,342
Payments to suppliers	<u>(8,610)</u>
Net cash used in operating activities	<u>(6,268)</u>
Cash flows from investing activities:	
Investment income	1,259
Interest received on mortgage receivable	20,741
Principal payments received on mortgage receivable	<u>17,873</u>
Net cash provided by investing activities	<u>39,873</u>
Net increase in cash and cash equivalents	33,605
Cash and cash equivalents:	
Beginning of year	<u>182,547</u>
End of year	<u>\$ 216,152</u>
Reconciliation to net cash used in operating activities:	
Operating loss	\$ (8,942)
Adjustments:	
Changes in assets and liabilities:	
Vouchers payable	332
Unearned revenue	<u>2,342</u>
Net cash used in operating activities	<u>\$ (6,268)</u>

LOWER ALLEN TOWNSHIP

COMPONENT UNIT – DESCRIPTION

YEAR ENDED DECEMBER 31, 2017

Lower Allen Township Authority (the Authority)

The Authority is an operating authority responsible for acquiring, holding, constructing, improving, owning and leasing sewer, sewer systems or parts thereof. The Authority provides services principally to portions of Lower Allen Township and Shiremanstown Borough. In addition, under operating agreements with Upper Allen Township, PA American Water and the State Correctional Institution at Camp Hill, the Authority provides sewage treatment services for those entities.

LOWER ALLEN TOWNSHIP

**STATEMENT OF FUND NET POSITION - COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY**

DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets:

Current assets:

Cash and cash equivalents	\$ 3,665,835
Investments	2,999,582
Sanitary sewer rents receivable	127,063
Other receivables	18,863

Total current assets 6,811,343

Noncurrent assets:

Net pension asset	425,196
Capital assets:	
Not being depreciated	339,386
Being depreciated, net	30,314,870

Total noncurrent assets 31,079,452

Total assets 37,890,795

Deferred outflows of resources for pensions 4,979

Total assets and deferred outflows of resources \$ 37,895,774

LIABILITIES AND NET POSITION

Liabilities:

Current liabilities:

Payroll taxes and withholding	\$ 8,510
Vouchers payable	67,339
Accrued wages payable	103,698
Accrued interest	34,856
Escrow deposits	1,950
Current portion of sewer revenues bonds	522,000

Total current liabilities 738,353

Noncurrent liabilities, sewer revenue bonds, net of current portion 9,364,000

Total liabilities 10,102,353

Deferred inflows of resources for pensions 449,571

Net position:

Net investment in capital assets	20,768,255
Unrestricted	6,575,595

Total net position 27,343,850

Total liabilities and net position \$ 37,895,774

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY

YEAR ENDED DECEMBER 31, 2017

Operating revenues:	
Sewer rents	\$ 4,912,354
Miscellaneous charges	<u>60,187</u>
Total operating revenues	<u>4,972,541</u>
Operating expenses:	
Collection system	245,706
Disposal system	2,526,679
Administration	1,129,942
Depreciation expense	<u>1,603,081</u>
Total operating expenses	<u>5,505,408</u>
Operating loss	<u>(532,867)</u>
Nonoperating revenues (expenses):	
Unrealized loss on investments	(6,549)
Investment income	53,290
Interest expense	(317,886)
Tapping fees	<u>1,158,000</u>
Total nonoperating revenues (expenses)	<u>886,855</u>
Income before capital contributions	353,988
Capital contributions	<u>39,816</u>
Change in net position	393,804
Net position:	
Beginning of year	<u>26,950,046</u>
End of year	<u>\$ 27,343,850</u>

LOWER ALLEN TOWNSHIP

**STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY**

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 4,953,780
Payments for goods and services	(1,213,438)
Payments to employees and related expenses	<u>(2,865,414)</u>
Net cash provided by operating activities	<u>874,928</u>
Cash flows from capital and related financing activities:	
Purchase of property, plant and equipment	(294,649)
Proceeds from sewer revenue bond	9,950,000
Principal payments on sewer revenue bonds	(10,904,000)
Interest paid on sewer revenue bonds	(325,914)
Tapping fees	<u>1,158,000</u>
Net cash flows used in capital and related financing activities	<u>(416,563)</u>
Cash flows from investing activities:	
Investment income	53,290
Proceeds from sale of investments	<u>148</u>
Net cash provided by investing activities	<u>53,438</u>
Net increase in cash and cash equivalents	511,803
Cash and cash equivalents:	
Beginning of year	<u>3,154,032</u>
End of year	<u>\$ 3,665,835</u>
Reconciliation to net cash provided by operating activities:	
Operating loss	\$ (532,867)
Adjustments:	
Depreciation	1,603,081
Changes in assets and liabilities:	
Sanitary sewer rents receivable	(12,244)
Other receivables	(6,517)
Net pension asset	(189,310)
Vouchers payable	2,531
Accrued expenses	<u>10,254</u>
Net cash provided by operating activities	<u>\$ 874,928</u>
Noncash investing activities, capital and financing activities, capital contributions	<u>\$ 39,816</u>

STATISTICAL SECTION

LOWER ALLEN TOWNSHIP

STATISTICAL SECTION

YEAR ENDED DECEMBER 31, 2017

Statistical Section

This section of Lower Allen Township's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Township's overall financial health.

Contents

	<u>Page</u>
Financial trends:	
These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.	1
Revenue capacity:	
These schedules present information to help the reader assess the Township's most significant local revenue sources, the property tax and the earned income tax.	5
Debt capacity:	
These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	10
Demographic and economic information:	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Township's financial activities take place.	14
Operating information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.	16

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

LOWER ALLEN TOWNSHIP

SCHEDULE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	\$ 14,614,991	\$ 12,996,935	\$ 12,413,210	\$ 11,614,422	\$ 10,564,683	\$ 8,259,472	\$ 7,801,560	\$ 7,584,542	\$ 7,633,311	\$ 7,368,122
Restricted for:										
Debt service	521,145	475,560	376,367	353,865	236,010	238,156	225,746			
Public safety	310,589	434,418	252,663	90,486	12,023	362,914	254,399	182,571	81,450	
Public works	662,146	281,232	183,378	721,745	567,484	638,626	539,885	415,984	219,189	271,700
Parks and recreation	278,866	276,381	275,560	221,861	445,271	240,539	157,719	193,569	163,510	180,365
Capital projects				64,898	62,134	156,646	149,246			
Unrestricted	5,936,683	4,306,473	3,604,411	5,664,539	4,513,826	3,191,131	2,660,025	2,454,615	1,745,064	1,504,906
Total governmental activities net position	<u>\$ 22,324,420</u>	<u>\$ 18,770,999</u>	<u>\$ 17,105,589</u>	<u>\$ 18,731,816</u>	<u>\$ 16,401,431</u>	<u>\$ 13,087,484</u>	<u>\$ 11,788,580</u>	<u>\$ 10,831,281</u>	<u>\$ 9,842,524</u>	<u>\$ 9,325,093</u>

LOWER ALLEN TOWNSHIP

SCHEDULE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities:										
General government	\$ 1,997,389	\$ 2,023,011	\$ 1,934,725	\$ 1,798,318	\$ 1,768,634	\$ 1,768,565	\$ 1,772,446	\$ 1,746,147	\$ 1,802,700	\$ 1,876,197
Public safety	6,418,197	6,102,358	5,780,335	5,492,907	5,163,231	5,113,875	4,961,985	4,710,304	5,271,040	4,897,976
Public works	2,221,996	2,740,612	3,185,464	2,200,410	2,493,686	2,119,792	2,101,976	2,249,170	1,991,154	2,080,247
Parks and recreation	504,147	521,630	435,503	407,833	445,610	590,090	439,149	278,366	483,474	508,095
Interest on long-term debt	351,116	397,898	420,015	450,785	574,578	368,697	421,522	517,946	529,432	380,130
Total primary government expenses	\$ 11,492,845	\$ 11,785,509	\$ 11,756,042	\$ 10,350,253	\$ 10,445,739	\$ 9,961,019	\$ 9,697,078	\$ 9,501,933	\$ 10,077,800	\$ 9,742,645
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 117,228	\$ 121,996	\$ 238,724	\$ 363,560	\$ 227,573	\$ 400,709	\$ 228,981	\$ 234,591	\$ 250,790	\$ 194,934
Public safety	1,897,229	1,925,744	2,047,595	1,740,100	1,835,672	1,512,931	1,284,024	1,146,415	1,633,244	1,244,545
Public works	1,368,143	1,360,064	1,325,599	1,192,643	1,171,103	1,189,489	1,173,859	1,170,491	1,255,911	1,204,473
Parks and recreation	41,940	42,110	39,108	40,937	38,797	37,450	37,649	37,973	33,551	30,618
Operating grants and contributions	718,595	578,805	608,384	510,884	601,454	634,834	428,670	494,893	446,084	436,811
Capital grants and contributions	185,010	60,298	205,308	634,192	1,622,744	335,245	825,000	76,949	256,419	581,073
Total primary government program revenues	\$ 4,328,145	\$ 4,089,017	\$ 4,464,718	\$ 4,482,316	\$ 5,497,343	\$ 4,110,658	\$ 3,978,183	\$ 3,161,312	\$ 3,875,999	\$ 3,692,454
Net expense, total primary government net expense	\$ (7,164,700)	\$ (7,696,492)	\$ (7,291,324)	\$ (5,867,937)	\$ (4,948,396)	\$ (5,850,361)	\$ (5,718,895)	\$ (6,340,621)	\$ (6,201,801)	\$ (6,050,191)
General revenues and other changes in net position:										
Real estate taxes ¹	\$ 4,335,706	\$ 4,267,623	\$ 4,203,747	\$ 4,150,923	\$ 4,081,288	\$ 3,418,588	\$ 3,415,097	\$ 3,350,233	\$ 3,343,215	\$ 2,667,674
Per capita taxes ²	381	29,957	381	381	29,957	54,671	55,030	53,039	53,867	53,867
Real estate transfer taxes	604,085	590,323	481,571	481,457	361,481	317,435	301,204	258,990	255,191	426,870
Earned income taxes ³	3,793,076	2,905,841	2,597,703	2,265,263	2,390,115	1,843,666	1,848,398	2,054,998	1,450,214	1,500,851
Occupational taxes ⁴	260,065	340,607	349,031	319,542	293,964	260,065	340,607	349,031	319,542	293,964
Local services taxes ⁵	916,938	850,345	750,909	581,619	701,461	646,669	703,154	660,873	655,024	749,146
Franchise taxes	361,876	357,190	343,514	330,979	350,068	280,704	269,554	248,194	232,811	212,649
Public utility realty taxes	8,826	7,109	8,954	7,685	8,293	8,695	8,759	8,862	7,419	7,757
Amusement taxes	6,437	6,778	7,127	8,037	8,406	8,602	8,325	6,227	9,341	9,962
Investment earnings	67,171	34,007	7,518	7,414	12,453	5,030	12,540	7,996	65,043	122,540
Intergovernmental revenue and contributions (not restricted to a specific purpose)	623,766	342,471	322,075	364,775	348,102	329,477	509,997	322,598	324,365	314,211
Other unrestricted revenue	240	215	410	170	295	377	7,054	6,346	4,028	50,506
Special item - transfer of capital assets to component unit ⁶							(803,166)			
Total primary government	\$ 10,718,121	\$ 9,361,902	\$ 8,723,528	\$ 8,198,322	\$ 8,262,343	\$ 7,149,265	\$ 6,676,194	\$ 7,329,378	\$ 6,719,232	\$ 6,409,997
Change in net position, total primary government	\$ 3,553,421	\$ 1,665,410	\$ 1,432,204	\$ 2,330,385	\$ 3,313,947	\$ 1,298,904	\$ 957,299	\$ 988,757	\$ 517,431	\$ 359,806
Inter-period equity [(program revenues + net position) ÷ expenses]	130.9%	114.1%	112.2%	122.5%	131.7%	113.0%	109.9%	110.4%	105.1%	103.7%
Funding ratio (Penna. Act 205)										
Police		101.8%		106.5%		69.2%		80.1%		80.2%
Non-Uniform		80.4%		105.2%		78.7%		84.4%		78.7%

¹ Real estate tax rates or assessed values were altered in 2013, 2011, 2009, 2007 and 2005.

² Per capita taxes were eliminated in 2013.

³ Earned income tax rates increased from 0.5% to 0.6% in 2013 to offset the discontinuation of occupation taxes.

⁴ Ibid

⁵ In 2005, the tax was changed to the Emergency and Municipal Services Tax and a maximum rate was set of \$52 per person employed in the Township. Aggregate income threshold of \$12,000 must be met before the tax is imposed. In 2008, the name was changed from the Emergency and Municipal Services Tax to the Local Services Tax.

⁶ The Lower Allen Township Development Authority became a separate legal entity effective for 2011 and certain Township capital assets were transferred to the Authority.

LOWER ALLEN TOWNSHIP

SCHEDULE 3

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011 ¹	2010	2009	2008
General fund:										
Nonspendable	\$ 58,343	\$ 199,379	\$ 128,834	\$ 180,507	\$ 236,811	\$ 199,957	\$ 241,083			
Assigned			43,290	488,188	216,375	145,097	164,927			
Unassigned	6,401,050	5,837,651	4,593,760	4,633,891	3,960,222	2,209,940	1,652,862			
Unreserved								\$ 1,463,372	\$ 1,092,893	\$ 657,159
Total general fund	<u>\$ 6,459,393</u>	<u>\$ 6,037,030</u>	<u>\$ 4,765,884</u>	<u>\$ 5,302,586</u>	<u>\$ 4,413,408</u>	<u>\$ 2,554,994</u>	<u>\$ 2,058,872</u>	<u>\$ 1,463,372</u>	<u>\$ 1,092,893</u>	<u>\$ 657,159</u>
All other governmental funds:										
Nonspendable	\$ 16,112	\$ 11,332	\$ 11,039	\$ 10,894	\$ 12,023	\$ 11,244	\$ 9,069			
Restricted for:										
Debt service	521,145	475,560	376,367	353,865	236,010	238,156	225,746			
Public safety	310,589	434,418	241,624	79,592		351,670	254,399			
Public works	662,146	281,232	183,378	721,745	567,484	638,626	539,885			
Parks and recreation	278,866	276,381	275,560	221,861	445,271	240,539	157,719			
Capital projects				64,898	62,134	156,646	149,246			
Assigned for capital projects ²	1,092,675	1,067,270	1,057,624							
Unassigned	(22,332)	(22,832)	(22,970)	(23,060)	(96,223)					
Reserved								\$ 792,124	\$ 464,149	\$ 287,410
Unreserved, reported in:										
Capital projects fund								156,946	139,066	611,578
Debt service fund								225,692	176,641	
Total all other governmental funds	<u>\$ 2,859,201</u>	<u>\$ 2,523,361</u>	<u>\$ 2,122,622</u>	<u>\$ 1,429,795</u>	<u>\$ 1,226,699</u>	<u>\$ 1,636,881</u>	<u>\$ 1,336,064</u>	<u>\$ 1,174,762</u>	<u>\$ 779,856</u>	<u>\$ 898,988</u>

¹ Fund balance classifications changed in 2011 to comply with changes in generally accepted accounting principles.

² Capital projects assignment for 2015 reflects money transferred to the Capital Projects Funds for future capital financing.

LOWER ALLEN TOWNSHIP

SCHEDULE 4

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes ¹	\$ 8,684,048	\$ 8,569,240	\$ 7,897,335	\$ 7,809,047	\$ 7,552,157	\$ 6,431,261	\$ 6,486,424	\$ 6,385,772	\$ 6,306,684	\$ 5,399,112
Licenses, fees and permits	401,280	387,535	375,391	361,421	414,043	340,363	330,444	306,717	293,990	281,216
Fines and penalties	99,473	85,909	78,048	68,954	82,855	84,612	103,086	121,003	149,210	140,994
Charges for services	3,112,507	3,229,646	3,177,036	2,545,848	2,887,389	2,586,291	2,353,351	2,194,489	2,588,690	2,267,603
Intergovernmental	1,141,420	1,283,233	1,017,085	770,363	906,395	768,260	902,856	794,775	894,470	1,095,612
Investment earnings	67,171	34,007	7,486	7,396	12,442	5,016	12,515	7,945	65,043	122,540
Other revenues	274,732	182,292	353,073	435,787	437,922	510,533	190,025	203,975	277,474	167,448
Total revenues	\$ 13,780,631	\$ 13,771,862	\$ 12,905,454	\$ 11,998,816	\$ 12,293,203	\$ 10,726,336	\$ 10,378,701	\$ 10,014,676	\$ 10,575,561	\$ 9,474,525
Expenditures:										
General government ²	\$ 1,653,252	\$ 1,655,352	\$ 1,657,129	\$ 1,426,800	\$ 2,379,434	\$ 1,413,958	\$ 1,349,460	\$ 1,328,271	\$ 1,388,994	\$ 1,480,355
Public safety ³	6,697,509	5,753,890	5,784,514	5,114,317	8,190,422	4,955,375	4,777,142	4,308,498	5,237,546	5,271,219
Public works	2,423,714	2,542,486	2,922,300	2,553,447	2,202,998	2,065,252	1,982,198	1,974,278	2,141,094	2,016,066
Parks and recreation	793,172	519,712	768,971	785,522	440,562	511,593	364,680	395,645	469,875	446,707
Miscellaneous	50,887	87,879	69,614	63,363	114,773	102,775	128,138	109,549	70,134	75,293
Capital outlay ⁴	1,250	12,098	273,021	14,294	279,520	47,962	35,591	66,889	232,553	4,383,242
Debt service:										
Principal	1,538,165	1,446,394	1,505,947	1,350,267	899,622	3,036,563	947,644	9,589,146	1,158,654	813,786
Interest	298,954	342,678	361,271	409,007	469,015	447,157	408,548	659,097	538,216	526,842
Total expenditures	\$ 13,456,903	\$ 12,360,489	\$ 13,342,767	\$ 11,717,017	\$ 14,976,346	\$ 12,580,635	\$ 9,993,401	\$ 18,431,373	\$ 11,237,066	\$ 15,013,510
Excess of revenues over (under) expenditures	\$ 323,728	\$ 1,411,373	\$ (437,313)	\$ 281,799	\$ (2,683,143)	\$ (1,854,299)	\$ 385,300	\$ (8,416,697)	\$ (661,505)	\$ (5,538,985)
Other financing sources (uses):										
Transfers in	\$ 1,102,799	\$ 1,149,554	\$ 2,450,733	\$ 1,259,800	\$ 841,460	\$ 973,659	\$ 977,660	\$ 1,031,493	\$ 1,454,222	\$ 648,235
Transfers out	(1,102,799)	(1,149,554)	(2,450,733)	(1,259,800)	(841,460)	(973,659)	(977,660)	(1,031,493)	(1,454,222)	(648,235)
Proceeds from sale of capital assets	24,475	13,112	32,598	172,596	44,537	24,438	5,763	3,646	213,207	15,234
Insurance proceeds						63,419	21,989	69,691		
Issuance of:	410,000									
General long-term debt		247,400	560,840	505,630	4,060,450	404,396	343,750		764,900	135,865
Refunding bonds				8,390,000		2,140,000		8,945,000		
Payments to refunded bond escrow agent				(8,334,003)						
Bond premium (discount)				76,252	26,388	18,985		(76,255)		
Payment on refunded bonds										
Total other financing sources (uses)	\$ 434,475	\$ 260,512	\$ 593,438	\$ 810,475	\$ 4,131,375	\$ 2,651,238	\$ 371,502	\$ 9,182,082	\$ 978,107	\$ 151,099
Net change in fund balances	\$ 758,203	\$ 1,671,885	\$ 156,125	\$ 1,092,274	\$ 1,448,232	\$ 796,939	\$ 756,802	\$ 765,385	\$ 316,602	\$ (5,387,886)
Debt service as a percentage of non-capital expenditures	16%	16%	14%	15%	9%	28%	14%	56%	15%	13%

¹ See Schedule 5 for explanation of increases.

² Increase for 2013 includes \$937,537 transfer to pension trust fund paid from proceeds of a pension obligation bond.

³ Increase for 2013 includes new Pierce Velocity rescue truck and includes a \$2,620,826 transfer to pension trust fund paid from proceeds of a pension obligation bond.

Increase for 2008 includes partial payment of new Pierce Aerial fire truck.

⁴ Increase for 2007 includes construction costs for new Municipal Services Center which was completed in 2008.

LOWER ALLEN TOWNSHIP

SCHEDULE 5

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Fiscal year	Real estate ¹	Earned income ²	Other ³	Total
2017	\$ 4,334,574	\$ 2,912,357	\$ 1,437,117	\$ 8,684,048
2016	4,303,398	2,740,499	1,525,343	8,569,240
2015	4,218,501	2,492,318	1,186,516	7,897,335
2014	4,131,103	2,477,010	1,200,934	7,809,047
2013	4,074,359	2,357,101	1,120,697	7,552,157
2012	3,411,244	1,704,963	1,315,054	6,431,261
2011	3,415,929	1,698,572	1,371,923	6,486,424
2010	3,346,986	1,792,666	1,246,120	6,385,772
2009	3,348,573	1,702,243	1,255,868	6,306,684
2008	2,643,014	1,356,328	1,399,770	5,399,112
Change 2008 to 2017	64.00%	114.72%	2.67%	60.84%

¹ The tax rate increased from 2.00 to 2.50 mills in 2009, decreased from 2.50 to 2.05 in 2011 and increased from 2.05 to 2.45 in 2013.

² The tax rate increased from 0.5% to 0.6% in 2013.

³ In 2008, the Emergency and Municipal Services Tax was renamed the Local Services Tax. It is included in the other.

LOWER ALLEN TOWNSHIP

SCHEDULE 6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal year	Residential property	Commercial property	Industrial property	Less: Tax-exempt property	Total taxable assessed value	Total direct tax rate ¹	Estimated actual taxable value ²	Taxable assessed value as a percentage of actual taxable value
2017	\$ 1,019,686,900	\$ 927,412,000	\$ 38,593,700	\$ 247,829,200	\$ 1,737,863,400	2.45	\$ 1,772,606,487	98.04 %
2016	1,008,962,700	909,799,000	38,593,700	244,975,000	1,712,380,400	2.45	1,715,812,024	99.80
2015	1,000,713,700	905,678,300	38,593,700	249,555,400	1,695,430,300	2.45	1,695,430,300	100.00
2014	998,610,700	902,404,100	38,593,700	252,275,800	1,687,332,700	2.45	1,687,669,278	99.00
2013	980,176,000	870,220,600	31,996,300	245,353,700	1,637,039,200	2.45	1,687,669,278	97.00
2012	1,018,965,890	851,784,410	31,996,300	245,353,700	1,657,392,900	2.05	1,657,392,900	100.00
2011	983,470,000	850,053,700	31,996,300	242,740,600	1,622,779,400	2.05	1,622,779,400	100.00
2010	774,690,620	741,630,460	28,294,600	239,838,250	1,304,777,430	2.50	1,628,935,618	80.10
2009	767,461,410	742,288,710	27,624,600	239,457,230	1,297,917,490	2.50	1,640,856,498	79.10
2008	772,121,430	752,768,320	27,709,140	241,488,860	1,311,110,030	2.00	1,653,354,388	79.30

Source: Cumberland County Assessment Office

¹ Tax rate per \$1,000 assessed value. The year 2010 was a reassessment year for Cumberland County (with the new values going into effect in 2011), which impacted the tax rate.

² Estimate based on a countywide common level ratio provided by the Pennsylvania Tax Equalization Board.

LOWER ALLEN TOWNSHIP

SCHEDULE 7

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS
(Rate per \$1,000 of Assessed Value)

Fiscal year	Lower Allen Township Direct Rates				Overlapping Rates	
	General purposes	Debt service	Fire service ¹	Total direct rate ²	West Shore School District	Cumberland County
2017	1.60	0.41	0.44	2.45	11.20	2.36
2016	1.60	0.41	0.44	2.45	10.92	2.34
2015	1.60	0.41	0.44	2.45	10.18	2.34
2014	1.60	0.41	0.44	2.45	9.68	2.05
2013	1.60	0.41	0.44	2.45	9.30	2.05
2012	1.23	0.41	0.41	2.05	9.30	2.05
2011	1.23	0.41	0.41	2.05	9.00	2.58
2010	1.50	0.50	0.50	2.50	10.61	2.58
2009	1.50	0.50	0.50	2.50	10.60	2.47
2008	1.00	0.50	0.50	2.00	10.50	2.47

Source: Cumberland County Assessment Office Township tax ordinances

¹ In 2007, there was a new allocation of .50 mills to Fire Service.

² The Cumberland County reassessment occurred in 2010, which affected the tax rate in 2011.

LOWER ALLEN TOWNSHIP

SCHEDULE 8

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of business	2017			2008		
		Taxable assessed value	Rank	Percentage of total Township taxable assessed value	Taxable assessed value	Rank	Percentage of total Township taxable assessed value
Asbury Atlantic, Inc.	Commercial	\$ 94,003,800	1	4.72 %	\$ 32,303,770	2	3.02 %
PR CC Limited Partnership (Capital City Mall)	Commercial rental	79,000,000	2	3.97	35,480,130	1	3.32
Lisburn Devco LLP	Land Development	21,360,000	3	1.07			
High Hotels, LTD	Commercial rental	18,960,000	4	0.95	11,118,420	6	1.04
I&G Real Estate 330 LP	Warehousing	17,500,000	5	0.88			
High Properties	Commercial rental	13,734,900	6	0.69	15,014,120	3	1.40
Alstores Realty Corp.	Commercial rental	12,776,500	7	0.64	11,250,000	5	1.05
VS Woods Holdings, Inc.	Real estate rental	12,557,200	8	0.63			
Alstores Realty Corp.	Commercial rental	12,154,100	9	0.61			
2850 Appleton Associates, Inc.	Commercial	11,500,700	10	0.58	9,232,410	10	0.86
Century Park Investments, LP	Commercial rental				9,750,000	7	0.91
TRT-DCT Westport, LLC	Warehousing				14,994,780	4	1.40
Reva PBC Wesley Tic 16, LLC	Commercial rental				9,699,000	8	0.91
Wilt, Walter & Ronald Felty	Commercial				9,354,200	9	0.87
Total		\$ 293,547,200		14.74 %	\$ 158,196,830		14.78 %

Source: Cumberland County Assessment Office

LOWER ALLEN TOWNSHIP

SCHEDULE 9

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collection in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2017	\$ 4,257,765	\$ 4,183,435	98.25 %		\$ 4,183,435	98.25 %
2016	4,195,334	4,111,955	98.01	\$ 40,850	4,152,805	98.99
2015	4,133,970	4,034,758	97.60	82,577	4,117,335	99.60
2014	4,078,378	3,967,115	97.27	75,378	4,042,493	99.12
2013	4,005,087	3,924,870	98.00	50,912	3,975,782	99.27
2012	3,466,141	3,361,505	96.98	43,765	3,405,270	98.24
2011	3,326,706	3,216,554	96.69	98,218	3,314,772	99.64
2010	3,261,985	3,173,278	97.28	35,011	3,208,289	98.35
2009	3,244,859	3,167,740	97.62	48,788	3,216,528	99.13
2008	2,550,341	2,479,075	97.21	46,383	2,525,458	99.02

Source: Cumberland County Assessment Office
Lower Allen delinquent tax records

LOWER ALLEN TOWNSHIP

SCHEDULE 10

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal year	Governmental activities			Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Capital leases	Premium (discount)			
2017	\$ 10,205,000	\$ 914,525	\$ 40,186	\$ 11,159,711	2.30 %	\$ 621
2016	11,245,000	1,002,690	49,638	12,297,328	2.69	684
2015	12,270,000	1,176,684	59,734	13,506,418	3.25	751
2014	13,285,000	1,106,791	70,255	14,462,046	3.50	804
2013	13,840,000	986,428	(49,017)	14,777,411	3.76	822
2012	10,710,000	955,600	(56,132)	11,609,468	3.40	646
2011	11,345,000	812,767	(63,515)	12,094,252	3.56	673
2010	12,020,000	741,661	(71,069)	12,690,592	3.54	706
2009	12,130,000	1,035,807		13,165,807	3.87	755
2008	12,965,000	594,560		13,559,560	5.00	778

Note: The percentage of personal income is calculated using the personal income figure taken from Schedule 14.

LOWER ALLEN TOWNSHIP

SCHEDULE 11

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

<u>Fiscal year</u>	<u>General bonded debt outstanding</u> <u>General obligation bonds net of discounts/premiums</u>	<u>Percentage of actual taxable value of property</u>	<u>Per capita</u>
2017	\$ 10,245,186	0.58 %	\$ 570
2016	11,294,638	0.66	628
2015	12,329,734	0.73	686
2014	13,355,255	0.78	743
2013	13,790,983	0.82	767
2012	10,653,868	0.64	593
2011	11,281,485	0.70	647
2010	11,948,931	0.73	685
2009	12,130,000	0.74	696
2008	12,965,000	0.78	744

Note: See Schedule 6 for actual taxable value of property.

LOWER ALLEN TOWNSHIP

SCHEDULE 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF DECEMBER 31, 2017

<u>Governmental unit</u>	<u>Debt outstanding</u>	<u>Estimated percentage applicable ¹</u>	<u>Estimated share of direct and overlapping debt</u>
West Shore School District ²	\$ 36,297,634	33.73 %	\$ 12,243,192
Mechanicsburg School District ³	33,525,494	0.54	181,038
Cumberland County	<u>36,739,198</u>	7.15	<u>2,626,853</u>
Subtotal, overlapping debt	106,562,326	14.12	15,051,083
Lower Allen Township direct debt	11,159,711	100.00 %	<u>11,159,711</u>
Total direct and overlapping debt			<u><u>\$ 26,210,794</u></u>

Sources: West Shore School District
 Mechanicsburg Area School District
 Cumberland County

¹ Percent applicable to the Township is calculated by using the assessed valuation of the Township divided by the assessed valuation of the taxing district.

² This is the percent applicable to the Township using the assessed valuation less the assessed valuation for the Shiremanstown Annex.

³ This is the percent applicable to the Shiremanstown Annex only.

LOWER ALLEN TOWNSHIP

SCHEDULE 13

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Legal debt margin calculation for fiscal year 2017

Borrowing base ¹	\$ 13,544,855
Debt limit (250% of borrowing base)	\$ 33,862,138
Debt applicable to limit:	
General obligation bonds	7,310,000
Capital leases	914,525
Less, amount set aside for repayment of general obligation debt	<u> -</u>
Legal debt margin	<u><u>\$ 25,637,613</u></u>

	Fiscal year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 33,862,138	\$ 32,293,653	\$ 31,034,686	\$ 29,201,890	\$ 27,843,963	\$ 25,943,852	\$ 25,817,758	\$ 25,064,872	\$ 26,264,671	\$ 25,216,472
Total net debt applicable to limit	<u>8,224,525</u>	<u>9,137,690</u>	<u>10,126,684</u>	<u>10,866,791</u>	<u>11,096,428</u>	<u>11,665,600</u>	<u>12,157,767</u>	<u>12,761,661</u>	<u>13,165,807</u>	<u>13,559,560</u>
Legal debt margin	<u><u>\$ 25,637,613</u></u>	<u><u>\$ 23,155,963</u></u>	<u><u>\$ 20,908,002</u></u>	<u><u>\$ 18,335,099</u></u>	<u><u>\$ 16,747,535</u></u>	<u><u>\$ 14,278,252</u></u>	<u><u>\$ 13,659,991</u></u>	<u><u>\$ 12,303,211</u></u>	<u><u>\$ 13,098,864</u></u>	<u><u>\$ 11,656,912</u></u>
Total net debt applicable to the limit as a percentage of debt limit	24.29%	28.30%	32.63%	37.21%	39.85%	44.96%	47.09%	50.91%	50.13%	53.77%
The Township adopted a debt policy in 2014. This policy strives to keep total long-term liabilities (from the statement of net position/assets) below the limits shown below in parentheses.										
Percent of legal debt limit (max 75%)	29.4%	39.8%	43.8%	49.6%	52.8%	44.7%	46.2%	49.1%	46.5%	50.2%
Percent of taxable real estate market value (max 1.25%)	0.6%	0.8%	0.8%	0.9%	0.9%	0.7%	0.7%	0.9%	0.9%	1.0%

¹ Borrowing base is the average of the total revenues and other financing sources of the most current three years combined less the proceeds from disposition of capital assets and other non-recurring items, including bonds or note proceeds of the same most current three years combined.

LOWER ALLEN TOWNSHIP

SCHEDULE 14

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Calendar year</u>	<u>Population</u>	<u>Personal income</u>	<u>Per capita personal income</u>	<u>Unemployment rate</u>
2017	17,980	\$ 485,392,833	\$ 26,996	3.40 %
2016	17,980	456,749,833	25,403	3.50
2015	17,980	415,386,333	23,103	3.62
2014	17,980	412,835,000	22,961	4.20
2013	17,980	392,850,167	21,849	5.70
2012	17,980	340,992,600	18,965	6.30
2011	17,980	339,714,400	18,894	6.20
2010	17,980	358,533,200	19,941	7.10
2009	17,437	340,448,600	19,524	6.70
2008	17,437	271,265,600	15,557	4.30

Source: Center for Workforce Information and Analysis.

LOWER ALLEN TOWNSHIP

SCHEDULE 15

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO

Employer ²	2017			2008		
	Employees	Percent	Rank ¹	Employees	Percent	Rank ¹
Commonwealth of Pennsylvania	20,354	31.52 %	1	24,000	29.90 %	1
United States Government	18,877	29.23	2	18,000	22.43	2
Pinnacle Health System	6,430	9.96	3	4,100	5.11	7
JFC Staffing	4,878	7.55	4	11,193	13.95	3
Highmark Blue Shield	3,800	5.88	5	5,200	6.48	5
Holy Spirit Health System	2,603	4.03	6	2,225	2.77	8
Select Medical Corp.	2,432	3.77	7			
Capital Blue Cross	1,802	2.79	8	2,131	2.66	9
Harrisburg Area Community College	1,721	2.66	9			
Dauphin County	1,686	2.61	10	1,701	2.12	10
Giant Food Stores				7,000	8.72	4
Tyco Electronics Corp.				4,700	5.86	6
Total employees	64,583	100.00 %		80,250	100.00 %	
Estimated number of employed Township residents	6,343			9,711		

Source: *Central Penn Business Journal*

Note: The "Employees" column represents the local employees, 16 years old and over, for each business, but not necessarily Lower Allen residents.

¹ The top 10 employers are located within a 10-mile radius of the Township.

² More statistical data must be accumulated to determine where Lower Allen residents work. Ratios involving the population of Cumberland County and Lower Allen Township have been used to estimate the number of employed Township residents. For 2017, the number of earned income tax returns filed was used.

LOWER ALLEN TOWNSHIP

SCHEDULE 16

FULL-TIME-EQUIVALENT TOWNSHIP EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/program	Full-time-equivalent employees as of December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
Administration	3.2	3.3	3.2	3.2	3.1	3.1	4.5	4.0	4.0	3.0
Finance	4.0	4.0	4.0	4.0	4.0	3.7	3.5	3.5	4.0	4.0
Community and human resources	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Building	2.1	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.5	1.5
Fleet maintenance	2.8	2.7	2.5	2.6	2.7	2.5	2.0	2.0	2.0	2.0
Public safety:										
Police officers	24.6	23.4	22.4	20.7	18.1	17.5	17.0	20.0	20.0	21.0
Clerical	2.0	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.5	3.0
Evidence	1.1	1.1	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Community service officers	3.0	2.3	2.2	2.8	4.3	6.0	5.5	5.0	7.0	8.5
Crossing guards	1.0	1.2	1.1	1.2	2.5	3.8	3.5	3.5	3.0	3.0
Public safety adm and officers	6.3	6.5	5.6	6.5	7.9	7.8	8.0	8.0	8.0	6.0
Emergency medical technicians	11.0	10.2	10.2	9.7	9.5	10.0	13.0	12.0	13.0	15.5
Community development	8.2	9.1	8.1	8.2	8.1	8.0	8.0	7.0	9.5	9.5
Public works	9.4	10.2	11.2	10.5	10.3	10.0	10.0	10.5	13.0	11.5
Parks and recreation	5.6	4.3	3.6	3.8	3.8	3.9	4.0	4.0	4.5	5.0
Total	85.3	83.3	80.2	77.7	78.8	80.8	83.5	84.0	93.5	96.0

Source: Township payroll records

Notes: Part-time positions are mainly community services officers, crossing guards and emergency medical technicians (EMTs).

LOWER ALLEN TOWNSHIP

SCHEDULE 17

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety:										
Police:										
Motor violations revenue	\$ 42,480	\$ 43,161	\$ 44,658	\$ 41,522	\$ 48,210	\$ 54,617	\$ 64,262	\$ 83,872	\$ 105,941	\$ 88,432
Parking ticket revenue	\$ 1,400	\$ 4,410	\$ 3,290	\$ 2,540	\$ 2,385	\$ 2,670	\$ 2,890	\$ 5,480	\$ 4,987	\$ 3,540
Ordinance violation revenue	\$ 35,593	\$ 38,338	\$ 30,100	\$ 24,892	\$ 32,260	\$ 27,325	\$ 35,954	\$ 31,651	\$ 38,232	\$ 49,022
Police reports	\$ 5,933	\$ 5,877	\$ 5,755	\$ 4,460	\$ 5,455	\$ 4,895	\$ 4,366	\$ 5,136	\$ 5,005	\$ 6,666
Criminal arrests	720	623	738	575	619	584	577	627	702	704
Part I crime clearance ¹	55.50%	57.14%	53.20%	47.20%	42.10%	35.50%	58.00%	33.60%	33.33%	28.04%
Fire:										
Number of responses	563	732	768	556	662	502	845	579	575	602
Structure fires	39	44	45	37	79	51	35	29	39	47
Emergency medical:										
Number of trips	2,059	2,036	1,994	1,749	1,799	2,356	1,730	1,592	1,582	1,670
Ambulance billing revenue	\$ 857,569	\$ 963,500	\$ 792,901	\$ 640,461	\$ 689,518	\$ 657,653	\$ 668,440	\$ 562,163	\$ 620,920	\$ 598,978
Community development:										
Building permits issued	1,320	1,415	572	475	506	477	476	492	466	501
Value of construction	\$ 58,101,975	\$ 54,671,076	\$ 49,067,883	\$ 22,467,205	\$ 50,212,100	\$ 29,999,061	\$ 16,691,747	\$ 18,467,780	\$ 18,467,780	\$ 37,382,724
Public works:										
Miles of roads resurfaced	****	1.02	3.05	****	2.10	****	0.88	****	0.532	****
Tons of leaves picked up	892	978	1,216	1,105	1,229	1,164	1,831	1,701	1,978	1,992
Holiday trees collected	970	910	920	970	1,110	1,015	865	1,070	1,047	1,040
Tons of snow melting salt used	815	1,138	1,902	1,243	1,232	577	1,470	827	1,195	1,403
Cubic yards of wood chips from recycled yard waste	2,314	3,769	4,645	7,360	3,519	8,432	5,805	3,705	4,635	6,437
Parks and recreation:										
Community barn rental revenue	\$ 19,122	\$ 21,102	\$ 19,838	\$ 19,905	\$ 20,382	\$ 16,405	\$ 17,859	\$ 17,883	\$ 16,201	\$ 14,708
Park pavilion rental revenue	\$ 2,940	\$ 2,650	\$ 8,510	\$ 11,950	\$ 8,040	\$ 9,400	\$ 10,135	\$ 10,840	\$ 11,680	\$ 9,985
Field rentals	\$ 23,400	\$ 20,660	\$ 15,345	\$ 12,147	\$ 14,125	\$ 15,645	\$ 13,040	\$ 12,235	\$ 8,300	\$ 7,875

Source: Various Township departments
Township Annual Operating Statements

**** The Township paves every two years.

¹ Percent of reported Part I (formerly Group A) crimes ending with a conviction. Part I crimes are serious offenses, including rape, murder, robbery, assault burglary, larceny, vehicle theft and arson. The 2015 overall average for Cumberland County was 34.0% and Pennsylvania was 33.2%.

LOWER ALLEN TOWNSHIP

SCHEDULE 18

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety:										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Vehicles	13	13	12	13	13	13	15	15	15	14
Public safety, vehicles	3	3	3	2	4	2	2	2	2	1
Fire:										
Number of stations	3	3	3	3	3	3	3	3	3	3
Vehicles	13	12	12	12	12	12	11	11	11	11
Emergency medical:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Vehicles	4	4	3	3	4	3	3	3	3	3
Community development, vehicles	4	4	4	4	4	4	4	4	4	4
Public works:										
Paved Township road mileage	66.39	62.32	62.32	62.32	62.32	60.69	60.55	60.55	60.34	60.34
Traffic signals	29	29	29	29	28	28	27	22	22	22
Vehicles	15	15	14	13	13	13	13	13	13	13
Rolling stock equipment	18	18	18	17	17	18	18	18	18	18
Recycling pads	3	3	3	3	2	2	2	2	2	2
Parks and recreation:										
Number of public parks	16	16	16	15	15	15	15	15	15	15
Number of playgrounds	11	11	11	11	11	11	11	11	11	11
Number of ballfields	7	7	7	7	7	7	7	7	7	7
Public park acreage	282	282	282	280	280	280	280	280	280	280
Vehicles	3	3	3	3	3	3	3	3	3	3
Source: Various Township departments fixed assets listing										
Ratio of capital outlay to depreciation	139.4%	68.5%	114.5%	181.8%	221.3%	97.4%	150.6%	31.2%	221.6%	1339.3%
Capital asset useful life remaining	37.2%	64.5%	66.3%	67.9%	68.7%	69.5%	67.6%	67.5%	70.5%	70.8%