

**EXETER TOWNSHIP,  
BERKS COUNTY, PENNSYLVANIA**

**ANNUAL FINANCIAL REPORT**

***Year Ended December 31, 2018***



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

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**YEAR ENDED DECEMBER 31, 2018**

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## **FINANCIAL SECTION**

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

To the Board of Supervisors  
Exeter Township  
Exeter, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Exeter Township (the Township), Berks County, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Exeter Township's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Emphasis of Matter***

For the year ended December 31, 2018, the Exeter Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

To the Board of Supervisors  
Exeter Township  
Reading, Pennsylvania

***Basis for Adverse Opinion***

As discussed in Note B to the financial statements, management has not recorded capital assets in governmental activities, business-type activities, the Sewer Fund and the Country Club Fund, and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, the Sewer Fund and the Country Club Fund. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements of the governmental activities, business-type activities, the Sewer Fund and the Country Club Fund do not present fairly, in accordance with the accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2018, and the changes in financial position thereof for the year then ended.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information for the Township, as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 and other required supplementary information on pages 69 to 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Supervisors  
Exeter Township  
Reading, Pennsylvania

***Supplementary Information***

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

*Maullie LLP*

Oaks, Pennsylvania  
July 15, 2019

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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Our discussion and analysis of Exeter Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Township's financial statements beginning on page 18.

### FINANCIAL HIGHLIGHTS

- The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. The Township's financial statements do not include the recording of capital assets nor the related depreciation. Prior to fiscal year ended December 31, 2016, the Township financial statements were presented on the modified cash basis of accounting where only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded.
- Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position does include general obligation debt and other long-term liabilities associated with the capital assets. Depreciation is also not recorded in the Township's expenditures.
- Due to the Township not recording capital assets, the liabilities of Exeter Township exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$33,007,559. Current assets, which may be used to meet the Township's on-going obligations to citizens and creditors, totaled \$20,454,725 at December 31, 2018.
- As of the close of fiscal year 2018, Exeter Township's governmental funds reported combined ending fund balances of \$10,348,375. Approximately 11% of this total amount is available for spending at the Township's discretion (unassigned fund balance). The remaining 89% is held for specific expenditures and capital projects.
- At the end of fiscal year 2018, the unassigned fund balance for the General Fund was \$1,183,667.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

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

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

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

## EXETER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

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

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

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

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Exeter Township's Police and Employees' Pension Plans, post-employment benefits other than pensions and the budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 69 through 78 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the budgetary comparison schedule. Combining and individual fund statements and schedules can be found on pages 79 through 82 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Township's net position held constant with a slight decrease of \$18,988 when comparing December 31, 2018 over the prior year. The Township's total liabilities exceed total assets due to the exclusion of capital assets (land, buildings, infrastructure, machinery and equipment} from the financial statements.

Governmental net position increased \$5,220,279 while business-type activity net position decreased \$5,239,267.

**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

A condensed summary of the Township's Statement of Net Position at December 31, 2018 and 2017 is presented below:

**Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Cash	\$ 2,813,236	\$ 4,985,924	\$ 4,739,774	\$ 4,143,947	\$ 7,553,010	\$ 9,129,871
Certificate of deposit	7,074,208	-	-	7,000,000	7,074,208	7,000,000
Internal balances	640,000	-	(640,000)	-	-	-
Receivables, prepaids and inventory	1,765,178	1,704,561	4,062,329	3,559,481	5,827,507	5,264,042
TOTAL ASSETS	12,292,622	6,690,485	8,162,103	14,703,428	20,454,725	21,393,913
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	4,077,254	2,189,760	692,185	670,580	4,769,439	2,860,340
<b>LIABILITIES</b>						
Other liabilities	1,067,933	1,167,310	1,270,240	523,305	2,338,173	1,690,615
Long-term liabilities	35,634,747	28,441,593	19,777,708	21,571,893	55,412,455	50,013,486
TOTAL LIABILITIES	36,702,680	29,608,903	21,047,948	22,095,198	57,750,628	51,704,101
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	345,727	1,427,163	135,368	196,541	481,095	-
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(19,136,162)	(19,422,283)	(18,597,847)	(20,539,401)	(37,734,009)	(39,961,684)
Restricted	8,160,616	211,411	-	-	8,160,616	211,411
Unrestricted	(9,702,985)	(2,944,949)	6,268,819	13,621,670	(3,434,166)	10,676,721
TOTAL NET POSITION	\$ (20,678,531)	\$ (22,155,821)	\$ (12,329,028)	\$ (6,917,731)	\$ (33,007,559)	\$ (29,073,552)

Net position is shown as restricted if it can only be used for a specific purpose. Net position of \$8,160,616 and \$211,411 at December 31, 2018 and 2017, respectively, is restricted.

**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

**Statement of Activities**

For the year ended December 31, 2018 and 2017, net position of the Township changed as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,596,533	\$ 2,169,244	\$ 7,719,833	\$ 7,962,186	\$ 9,316,366	\$ 10,131,430
Operating grants and contributions	1,502,806	1,636,504	-	-	1,502,806	1,636,504
General revenues						
Taxes						
Real estate	4,581,182	4,560,166	-	-	4,581,182	4,560,166
Real estate transfer	452,951	556,148	-	-	452,951	556,148
Per capita	66,769	64,302	-	-	66,769	64,302
Earned income	3,895,821	3,594,487	-	-	3,895,821	3,594,487
Local services	262,189	393,276	-	-	262,189	393,276
Business privilege	855,444	668,460	-	-	855,444	668,460
Interest income	191,728	111,433	251,539	380,523	443,267	491,956
Proceeds from sale of assets	10,827	28,002	-	-	10,827	28,002
Miscellaneous	328,607	171,482	-	-	328,607	171,482
<b>TOTAL REVENUES</b>	<b>13,744,857</b>	<b>13,953,504</b>	<b>7,971,372</b>	<b>8,342,709</b>	<b>21,716,229</b>	<b>22,296,213</b>
<b>EXPENDITURES</b>						
General government	2,195,305	3,056,259	-	-	2,195,305	3,056,259
Public safety	8,486,337	9,430,731	-	-	8,486,337	9,430,731
Public works - sanitation	232,475	227,775	-	-	232,475	227,775
Public works - highways and streets	2,337,117	2,834,280	-	-	2,337,117	2,834,280
Culture and recreation	1,214,099	1,068,242	-	-	1,214,099	1,068,242
Community development	125,271	138,708	-	-	125,271	138,708
Debt service	896,482	695,851	-	-	896,482	695,851
Insurance	337,492	417,825	-	-	337,492	417,825
Capital outlay	-	-	-	-	-	-
Sewer	-	-	4,517,312	3,320,993	4,517,312	3,320,993
Country club	-	-	1,393,327	870,242	1,393,327	870,242
Miscellaneous	-	5,697	-	-	-	5,697
<b>TOTAL EXPENDITURES</b>	<b>15,824,578</b>	<b>17,875,368</b>	<b>5,910,639</b>	<b>4,191,235</b>	<b>21,735,217</b>	<b>22,066,603</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,079,721)</b>	<b>(3,921,864)</b>	<b>2,060,733</b>	<b>4,151,474</b>	<b>(18,988)</b>	<b>229,610</b>
<b>TRANSFERS</b>	<b>7,300,000</b>	<b>594,868</b>	<b>(7,300,000)</b>	<b>(594,868)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>5,220,279</b>	<b>(3,326,996)</b>	<b>(5,239,267)</b>	<b>3,556,606</b>	<b>(18,988)</b>	<b>229,610</b>
<b>NET POSITION AT BEGINNING OF YEAR (2018 restated)</b>	<b>(25,898,810)</b>	<b>(18,828,825)</b>	<b>(7,089,761)</b>	<b>(10,474,337)</b>	<b>(32,988,571)</b>	<b>(29,303,162)</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ (20,678,531)</b>	<b>\$ (22,155,821)</b>	<b>\$ (12,329,028)</b>	<b>\$ (6,917,731)</b>	<b>\$ (33,007,559)</b>	<b>\$ (29,073,552)</b>

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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The following table depicts revenues by source for governmental activities in 2018:

### Revenues by Source - Governmental Activities

Property taxes	\$ 4,581,182	33.33%
Earned income taxes	3,895,821	28.34%
Charges for services	1,596,533	11.62%
Operating grants and contributions	1,502,806	10.93%
Business privilege taxes	855,444	6.22%
Real estate transfer taxes	452,951	3.30%
Taxes - other	328,958	2.39%
Interest and rents	191,728	1.39%
Other	<u>339,434</u>	<u>2.47%</u>
TOTAL	\$ <u>13,744,857</u>	<u>100.00%</u>

Government-wide revenues were primarily derived from property tax collections at 33.33% and earned income tax collections at 28.34% of the total. Charges for services, at 11.62%, are the third largest source of revenue.

For the years ended December 31, 2018 and 2017, total revenues for governmental activities amounted to \$13,744,857 and \$13,953,504, respectively.

The following table depicts an expense breakdown for governmental activities in 2018:

### Expenses - Governmental Activities

Public safety	\$ 8,486,337	53.63%
Highways and streets	2,337,117	14.77%
General government	2,195,305	13.87%
Culture and recreation	1,214,099	7.67%
Debt service	896,482	5.67%
Other	<u>695,238</u>	<u>4.39%</u>
TOTAL	\$ <u>15,824,578</u>	<u>100.00%</u>

The expenses reflect the delivery of a wide range of services, with the largest being public safety at 53.63%. The second largest program is highways and streets at 14.77%.

Governmental activities increased Exeter Township's net position by \$5,220,279.

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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Noteworthy events in 2018:

- The Township's real estate tax for 2018 was 2.145 mills for general purposes, .605 mills for the purchase of fire apparatus and making appropriations to the fire company, and .72 mills for the purpose of debt service related to the acquisition of the Reading Country Club. Real estate tax decreased slightly by \$41,997 or 1% from 2017.
- Real estate transfer tax decreased \$103,197 in 2018. The Township real estate market remained active in 2018, however there were no significant commercial property sales during the year.
- Earned income tax increased \$46,790 or 1% from 2017.
- Business privilege tax increased \$186,984 or 28% from 2017. The Township retained a new business privilege tax collection agency in 2016. The discovery actions of the new agency resulted in a more robust annual revenue stream. In 2018, the Township also received a one-time payment of \$170,000 from a local business for prior year business privilege taxes.
- Governmental fund expenditures decreased by 12% in 2018. General fund expenditures decreased by \$87,149 or 1% from 2017 primarily in the categories of General Government, Highways & Streets, and Insurance. Other governmental fund expenses decreased by \$1,941,497 or 40% from 2017 due to a decrease in capital purchases in 2018.

### **Business-Type Activities**

A review of the business-type activities for the year ended December 31, 2018 resulted in changes in net position for both the Sewer Fund and Country Club of \$(4,450,546) and \$(788,721), respectively. Operating income for the Sewer Fund was \$3,202,544 compared to \$4,433,156 for the year ended December 31, 2017. Country Club operating income was \$(788,902) compared to \$36,429 for the year ended December 31, 2017.

**EXETER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

Business-type activities decreased Exeter Township's net position by \$5,239,267 in 2018.

	Sewer		Country Club		Totals	
	2018	2017	2018	2017	2018	2017
<b>OPERATING REVENUES</b>						
Sewer charges	\$ 7,026,611	\$ 6,924,015	\$ -	\$ -	\$ 7,026,611	\$ 6,924,015
Tapping fees	7,420	36,695	-	-	7,420	36,695
Charges for services	-	-	586,805	662,636	586,805	662,636
Lease rental revenues	-	-	17,620	244,035	17,620	244,035
Miscellaneous	81,377	94,805	-	-	81,377	94,805
<b>TOTAL OPERATING REVENUES</b>	<b>7,115,408</b>	<b>7,055,515</b>	<b>604,425</b>	<b>906,671</b>	<b>7,719,833</b>	<b>7,962,186</b>
<b>OPERATING EXPENDITURES</b>						
Wastewater collection and treatment	3,912,864	2,622,359	-	-	3,912,864	2,622,359
Culture and recreation expenses	-	-	1,393,327	870,242	1,393,327	870,242
<b>TOTAL OPERATING EXPENDITURES</b>	<b>3,912,864</b>	<b>2,622,359</b>	<b>1,393,327</b>	<b>870,242</b>	<b>5,306,191</b>	<b>3,492,601</b>
<b>OPERATING INCOME</b>	<b>3,202,544</b>	<b>4,433,156</b>	<b>(788,902)</b>	<b>36,429</b>	<b>2,413,642</b>	<b>4,469,585</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	251,358	378,727	181	1,796	251,539	380,523
Debt service Interest	(604,448)	(698,634)	-	-	(604,448)	(698,634)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(353,090)</b>	<b>(319,907)</b>	<b>181</b>	<b>1,796</b>	<b>(352,909)</b>	<b>(318,111)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>2,849,454</b>	<b>4,113,249</b>	<b>(788,721)</b>	<b>38,225</b>	<b>2,060,733</b>	<b>4,151,474</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(7,300,000)	(300,000)	-	(294,868)	(7,300,000)	(594,868)
<b>CHANGE IN NET POSITION</b>	<b>(4,450,546)</b>	<b>3,813,249</b>	<b>(788,721)</b>	<b>(256,643)</b>	<b>(5,239,267)</b>	<b>3,556,606</b>
<b>FUND BALANCES AT BEGINNING OF YEAR (2018 restated)</b>	<b>(7,103,809)</b>	<b>(10,745,028)</b>	<b>14,048</b>	<b>270,691</b>	<b>(7,089,761)</b>	<b>(10,474,337)</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (11,554,355)</b>	<b>\$ (6,931,779)</b>	<b>\$ (774,673)</b>	<b>\$ 14,048</b>	<b>\$ (12,329,028)</b>	<b>\$ (6,917,731)</b>

# EXETER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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## A FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

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

- Capital Projects Fund – a 2018 Chevrolet Silverado 3500H truck was purchased for \$31,511. Lorane Hollow Park improvements, including a new pavilion roof and pedestrian walkway, totaling \$23,833 were completed in 2018.
- Capital Improvement Fund – Lorane Hollow Park and the Dunn Community Center were both received extensive renovations in 2018. Lorane Hollow Park improvements, including bathroom renovations, baseball field fencing and retaining wall installation, new blacktop and street lights, resurfaced basketball court, extended patio, and pedestrian trail, totaling \$116,825 were completed. Dunn Center renovations, including kitchen refurbishment, bathroom upgrades, interior and exterior painting, flooring installation, and online door lock system installation, totaling \$23,207 were completed.
- Park Fund – Additional Lorane Hollow Park improvements, including basketball court resurfacing, bench installation, tree planting, and plumbing upgrades, totaling \$35,973 were completed in 2018.

### Capital Assets

Capital assets (including buildings, equipment, infrastructure, and other long-term assets) are not included in the Township's Statement of Net Position. The Statement of Net Position includes general obligation debt and other long-term liabilities associated with the capital assets. At December 31, 2018, the capital assets associated with \$37,734,009 in long-term liabilities not included on the Statement of Net Position resulted in a deficit Net Position of \$33,007,559.

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

The Township has contracted with a consultant to complete the fixed asset valuation. The valuation will be complete and represented in the 2019 Township audited financials.

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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### Long-Term Debt

As of December 31, 2018, the Township had \$20,328,635 and \$18,855,000 of general obligation debt outstanding in the Governmental and Business-Type Activities, respectively. See Note G to the financial statements for a detailed analysis of long-term debt. The following details activity related to the general obligation debt during 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
BEGINNING BALANCE AT JANUARY 1, 2018	\$ 20,620,351	\$ 20,775,000
Additions	3,050,000	-
Principal payments	<u>(3,341,716)</u>	<u>(1,920,000)</u>
ENDING BALANCE AT DECEMBER 31, 2018	<u>\$ 20,328,635</u>	<u>\$ 18,855,000</u>

### Budgetary Highlights

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

For the year ended December 31, 2018, General Fund revenues were over budgetary estimates by \$478,068. Business privilege tax was \$263,489 over budget. Earned income tax was \$142,095 over budget. General Fund expenditures were over budget \$802,923 which was mostly attributable to increased legal fees.

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

### Overview

The Township utilized actions taken previously as building blocks for actions taken in 2018. The Board of Supervisors entered into an Asset Purchase Agreement with Pennsylvania American Water Company to sell Exeter's wastewater collection and treatment system for \$96 million. The Township anticipates Pennsylvania Public Utility Commission approval of the sale in late 2019. Immediately following the approval of the sale and the receipt of proceeds, the Board of Supervisors will authorize the implementation of the Use of Proceeds report prepared in 2018. This report recommends funding the unfunded liability of the police and employee pension plans, the entire cost of the OPEB benefit, and defease the outstanding General Fund debt not related to the Reading Country Club. It is anticipated that the Board of Supervisors will also institute a homestead exemption program, exempting the first \$50,000 of assessed value from the real estate tax. The result of the homestead exemption will be the elimination of the real estate tax for 12% of Township residents.

The Board adopted the Township-Wide Master Park & Recreation Plan. This plan enabled the Township to receive two (2) grants to develop individual park master plans, one for Trout Run Park and the second for the Daniel Boone Homestead. This second project is in cooperation with the Pennsylvania Historic & Museum Commission (PHMC), which owns the Homestead. PHMC will establish the core historic area related to the Homestead. Following this, it is anticipated that the Master Plan will identify an area of the Homestead that PHMC will lease to the Township for a passive park.

# EXETER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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The Township completely renovated Lorane Hollow Park and the Dunn Community Center.

The Township was awarded two (2) State grants totaling \$3,955,670 to fund a streetscape project along Perkiomen Avenue. As PennDOT is rebuilding Perkiomen Avenue, this streetscape project will include sidewalks, ornamental street lights, and street trees. It is anticipated that construction for this project will begin in 2020.

The Perkiomen Avenue improvements, coupled with the rezoning of this area of the Township, are designed to encourage mixed use development.

A cornerstone of the economic development program is the Township negotiating with the owners of the Promenade Shopping Center to acquire the nearly abandoned center. The Township intends to relocate the police, administration, highway, fire and ambulance facilities to the site.

### **Employment Base**

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

<u>Employer</u>	<u>Number of Employees</u>
Boscov's	969
Godiva Chocolatier	529
Wal-Mart	318
Giant Food Stores	221
Fairlane Gardens	160
Lowe's	141
Target	131
Genesis Eldercare, Berkshire Center	100
Redner's	97
Home Depot	96

### **Capital Projects**

During 2019, the Township has budgeted to complete several major infrastructure and capital projects to add to the overall quality of life in the Township. These projects and the estimated costs include the following:

- Traffic Camera Installation (Gibraltar/DeMoss/422) \$80,000
- Pineland Park Improvements 25,000
- Reiffon LED Street Light Installation (Phase II) 17,000

# **EXETER TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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## **Budget Highlights**

All of these factors were considered in preparing the Township's budget for the 2019 fiscal year. General Fund revenues are anticipated to increase 14.7 percent to \$12,646,740. Expenditures are budgeted to decrease 5.8 percent to \$11,965,997. Other governmental fund revenues for 2019 are budgeted at \$3,423,761 while expenditures are budgeted at \$3,582,858. The excess of expenditures over revenues will be covered by the fund balances at December 31, 2018. Proprietary fund revenues are budgeted at \$7,845,747 while expenditures are budgeted at \$6,672,936.

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

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

**EXETER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash - unrestricted	\$ 1,539,597	\$ 4,739,774	\$ 6,279,371
Cash - restricted	1,273,639	-	1,273,639
Certificate of deposit	7,074,208	-	7,074,208
Accounts receivable	208,938	3,987,165	4,196,103
Accrued interest receivable	-	880	880
Taxes receivable	1,526,619	-	1,526,619
Internal balances	640,000	(640,000)	-
Prepays	29,621	38,454	68,075
Inventory	-	35,830	35,830
TOTAL ASSETS	<u>12,292,622</u>	<u>8,162,103</u>	<u>20,454,725</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refinancing	1,481,700	540,036	2,021,736
Pension	1,797,395	115,465	1,912,860
OPEB	798,159	36,684	834,843
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,077,254</u>	<u>692,185</u>	<u>4,769,439</u>
<b>LIABILITIES</b>			
Accounts payable	454,783	852,299	1,307,082
Accrued salaries	352,965	35,484	388,449
Accrued interest payable	259,285	259,285	518,570
Deposits held in escrow	900	30,000	30,900
Unearned revenues	-	93,172	93,172
Long-term liabilities			
Bonds and notes payable, current portion	660,153	2,020,000	2,680,153
Bonds and notes payable, long-term portion	19,667,104	17,117,883	36,784,987
Capital leases, current portion	99,455	-	99,455
Capital leases, long-term portion	191,150	-	191,150
Compensated absences payable	931,782	41,531	973,313
Net pension liability	2,383,194	60,468	2,443,662
OPEB liability	11,701,909	537,826	12,239,735
TOTAL LIABILITIES	<u>36,702,680</u>	<u>21,047,948</u>	<u>57,750,628</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	345,727	135,368	481,095
<b>NET POSITION</b>			
Net investment in capital assets	(19,136,162)	(18,597,847)	(37,734,009)
Restricted	8,160,616	-	8,160,616
Unrestricted	(9,702,985)	6,268,819	(3,434,166)
TOTAL NET POSITION	<u>\$ (20,678,531)</u>	<u>\$ (12,329,028)</u>	<u>\$ (33,007,559)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 2,195,305	\$ 398,430	\$ 48,201
Public safety	8,486,337	269,799	551,951
Public works - sanitation	232,475	815,556	-
Public works - highways and streets	2,337,117	7,128	893,161
Culture and recreation	1,214,099	105,620	9,493
Community development	125,271	-	-
Debt service	896,482	-	-
Insurance	337,492	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>15,824,578</b>	<b>1,596,533</b>	<b>1,502,806</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Sewer	4,517,312	7,115,408	-
Country Club	1,393,327	604,425	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,910,639</b>	<b>7,719,833</b>	<b>-</b>
	<b>\$ 21,735,217</b>	<b>\$ 9,316,366</b>	<b>\$ 1,502,806</b>

**GENERAL REVENUES**

Taxes  
Real estate taxes  
Real estate transfer  
Per capita  
Earned income  
Local services  
Business privilege  
Interest income  
Proceeds from disposal of assets  
Miscellaneous

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

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR, restated**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (1,748,674)	\$ -	\$ (1,748,674)
(7,664,587)	-	(7,664,587)
583,081	-	583,081
(1,436,828)	-	(1,436,828)
(1,098,986)	-	(1,098,986)
(125,271)	-	(125,271)
(896,482)	-	(896,482)
(337,492)	-	(337,492)
<u>(12,725,239)</u>	<u>-</u>	<u>(12,725,239)</u>
-	2,598,096	2,598,096
-	(788,902)	(788,902)
<u>-</u>	<u>1,809,194</u>	<u>1,809,194</u>
<u>(12,725,239)</u>	<u>1,809,194</u>	<u>(10,916,045)</u>
4,581,182	-	4,581,182
452,951	-	452,951
66,769	-	66,769
3,895,821	-	3,895,821
262,189	-	262,189
855,444	-	855,444
191,728	251,539	443,267
10,827	-	10,827
328,607	-	328,607
<u>7,300,000</u>	<u>(7,300,000)</u>	<u>-</u>
<u>17,945,518</u>	<u>(7,048,461)</u>	<u>10,897,057</u>
5,220,279	(5,239,267)	(18,988)
<u>(25,898,810)</u>	<u>(7,089,761)</u>	<u>(32,988,571)</u>
\$ <u>(20,678,531)</u>	\$ <u>(12,329,028)</u>	\$ <u>(33,007,559)</u>

**EXETER TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash, unrestricted	\$ 543,551	\$ 996,046	\$ 1,539,597
Cash, restricted	9,516	1,264,123	1,273,639
Certificate of deposit	-	7,074,208	7,074,208
Accounts receivable	208,938	-	208,938
Taxes receivable	1,451,218	75,401	1,526,619
Prepays	29,621	-	29,621
Due from other funds	645,000	-	645,000
	<u>645,000</u>	<u>-</u>	<u>645,000</u>
TOTAL ASSETS	<u>\$ 2,887,844</u>	<u>\$ 9,409,778</u>	<u>\$ 12,297,622</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 243,777	\$ 211,006	\$ 454,783
Accrued salaries	352,965	-	352,965
Deposits held in escrow	900	-	900
Due to other funds	-	5,000	5,000
	<u>-</u>	<u>5,000</u>	<u>5,000</u>
TOTAL LIABILITIES	<u>597,642</u>	<u>216,006</u>	<u>813,648</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	121,598	58,685	180,283
Unavailable revenue, earned income taxes	955,316	-	955,316
	<u>955,316</u>	<u>-</u>	<u>955,316</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,076,914</u>	<u>58,685</u>	<u>1,135,599</u>
<b>FUND BALANCES</b>			
Nonspendable	29,621	-	29,621
Restricted	-	8,160,616	8,160,616
Committed	-	979,694	979,694
Unassigned	1,183,667	(5,223)	1,178,444
	<u>1,183,667</u>	<u>(5,223)</u>	<u>1,178,444</u>
TOTAL FUND BALANCES	<u>1,213,288</u>	<u>9,135,087</u>	<u>10,348,375</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,887,844</u>	<u>\$ 9,409,778</u>	<u>\$ 12,297,622</u>

See accompanying notes to the basic financial statements.

# EXETER TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 10,348,375

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

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds. 1,135,599

Deferred outflows of resources related to the refinancing of debt will not be paid or received in the current period and, therefore, are not reported in the funds. 1,481,700

Deferred outflows and inflows of resources related to the pension and OPEB plans will not be paid or received in the current period and, therefore, are not reported in the funds 2,249,827

Long-term liabilities are not due and payable in the current period and therefore are not reported in as liabilities in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2018 are as follows:

Bonds and notes payable	(20,328,635)
Bond premium	(30,866)
Bond discounts	32,244
Capital leases	(290,605)
Accrued interest payable	(259,285)
Net pension liability	(2,383,194)
OPEB liability	(11,701,909)
Compensated absences payable	<u>(931,782)</u>

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ (20,678,531)

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Real estate	\$ 2,907,615	\$ 1,651,803	\$ 4,559,418
Real estate transfer	452,951	-	452,951
Per capita	66,769	-	66,769
Earned income	3,696,346	-	3,696,346
Local services	262,189	-	262,189
Business privilege	855,444	-	855,444
Licenses and permits	378,473	222,223	600,696
Fines and forfeits	126,460	-	126,460
Interest and rents	41,321	150,407	191,728
Intergovernmental revenues	594,172	887,298	1,481,470
Charges for services	1,092,680	2,500	1,095,180
Miscellaneous	108,434	15,706	124,140
TOTAL REVENUES	<u>10,582,854</u>	<u>2,929,937</u>	<u>13,512,791</u>
<b>EXPENDITURES</b>			
Current			
General government	2,153,868	22,702	2,176,570
Public safety	7,035,422	685,419	7,720,841
Public works - sanitation	232,475	-	232,475
Public works - highway and streets	1,418,177	1,019,659	2,437,836
Culture and recreation	925,155	205,100	1,130,255
Community development	97,291	27,980	125,271
Debt service			
Principal	322,098	365,808	687,906
Interest	41,259	569,650	610,909
Bond issuance costs	-	65,000	65,000
Insurance	337,492	-	337,492
TOTAL EXPENDITURES	<u>12,563,237</u>	<u>2,961,318</u>	<u>15,524,555</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,980,383)</u>	<u>(31,381)</u>	<u>(2,011,764)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	-	3,050,000	3,050,000
Payment to refunded bond escrow agent	-	(2,874,873)	(2,874,873)
Transfers in	300,000	7,155,415	7,455,415
Transfers out	-	(155,415)	(155,415)
Proceeds from disposal of assets	10,827	-	10,827
TOTAL OTHER FINANCING SOURCES (USES)	<u>310,827</u>	<u>7,175,127</u>	<u>7,485,954</u>
NET CHANGE IN FUND BALANCES	(1,669,556)	7,143,746	5,474,190
FUND BALANCES AT BEGINNING OF YEAR	<u>2,882,844</u>	<u>1,991,341</u>	<u>4,874,185</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,213,288</u>	<u>\$ 9,135,087</u>	<u>\$ 10,348,375</u>

*See accompanying notes to the basic financial statements.*

# EXETER TOWNSHIP

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,474,190

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

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

Real estate	21,764	
Earned income taxes	<u>199,475</u>	
		221,239

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

6,085

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

Proceeds from bond insurance	(3,050,000)	
Payment to refunded bond escrow agent	2,750,000	
Principal repayments	591,716	
Amortization of premium discount, prepaid insurance, and refinancing loss	(101,785)	
Payments on capital leases	<u>96,190</u>	
		286,121

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

Net pension expense	(105,995)	
Compensated absences payable	(16,179)	
Other postemployment benefits (OPEB) liability	<u>(645,182)</u>	
		<u>(767,356)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,220,279

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	Sewer	Country Club	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash, unrestricted	\$ 4,687,089	\$ 52,685	\$ 4,739,774
Accounts receivable	3,987,165	-	3,987,165
Accrued interest receivable	-	880	880
Prepays	36,573	1,881	38,454
Inventory	-	35,830	35,830
TOTAL CURRENT ASSETS	<u>8,710,827</u>	<u>91,276</u>	<u>8,802,103</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refinancing	540,036	-	540,036
Pension	115,465	-	115,465
OPEB	36,684	-	36,684
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>692,185</u>	<u>-</u>	<u>692,185</u>
<b>LIABILITIES</b>			
Accounts payable	754,818	97,481	852,299
Accrued salaries	25,188	10,296	35,484
Accrued interest payable	259,285	-	259,285
Due to other funds	-	640,000	640,000
Deposits held in escrow	5,000	25,000	30,000
Unearned revenue	-	93,172	93,172
Bonds payable, current portion	2,020,000	-	2,020,000
Bonds payable, long-term portion	17,117,883	-	17,117,883
Compensated absences payable	41,531	-	41,531
Net pension liability	60,468	-	60,468
OPEB liability	537,826	-	537,826
TOTAL LIABILITIES	<u>20,821,999</u>	<u>865,949</u>	<u>21,687,948</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	135,368	-	135,368
<b>NET POSITION</b>			
Net investment in capital assets	(18,597,847)	-	(18,597,847)
Unrestricted	7,043,492	(774,673)	6,268,819
TOTAL NET POSITION	<u>\$ (11,554,355)</u>	<u>\$ (774,673)</u>	<u>\$ (12,329,028)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Sewer	Country Club	Total
<b>OPERATING REVENUES</b>			
Sewer charges	\$ 7,026,611	\$ -	\$ 7,026,611
Tapping fees	7,420	-	7,420
Charges for services	-	586,805	586,805
Lease rental revenue	-	17,620	17,620
Miscellaneous	81,377	-	81,377
<b>TOTAL OPERATING REVENUES</b>	<u>7,115,408</u>	<u>604,425</u>	<u>7,719,833</u>
<b>OPERATING EXPENSES</b>			
Wastewater collection treatment	3,912,864	-	3,912,864
Culture and recreation expenses	-	1,393,327	1,393,327
<b>TOTAL OPERATING EXPENSES</b>	<u>3,912,864</u>	<u>1,393,327</u>	<u>5,306,191</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,202,544</u>	<u>(788,902)</u>	<u>2,413,642</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	251,358	181	251,539
Debt service			
Interest	(604,448)	-	(604,448)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(353,090)</u>	<u>181</u>	<u>(352,909)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>2,849,454</u>	<u>(788,721)</u>	<u>2,060,733</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(7,300,000)	-	(7,300,000)
<b>CHANGE IN NET POSITION</b>	(4,450,546)	(788,721)	(5,239,267)
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>	<u>(7,103,809)</u>	<u>14,048</u>	<u>(7,089,761)</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ (11,554,355)</u>	<u>\$ (774,673)</u>	<u>\$ (12,329,028)</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Sewer	Country Club	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,435,927	\$ 660,566	\$ 7,096,493
Payments to suppliers	(1,988,159)	(897,665)	(2,885,824)
Payments to employees	(1,308,694)	(456,936)	(1,765,630)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,139,074</u>	<u>(694,035)</u>	<u>2,445,039</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund activity	<u>(7,300,000)</u>	<u>640,000</u>	<u>(6,660,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	(670,524)	-	(670,524)
Principal paid on bonds	(1,920,000)	-	(1,920,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,590,524)</u>	<u>-</u>	<u>(2,590,524)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments	7,150,653	-	7,150,653
Interest income	251,358	(699)	250,659
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,402,011</u>	<u>(699)</u>	<u>7,401,312</u>
NET INCREASE (DECREASE) IN CASH	650,561	(54,734)	595,827
CASH AT BEGINNING OF YEAR	<u>4,036,528</u>	<u>107,419</u>	<u>4,143,947</u>
CASH AT END OF YEAR	<u>\$ 4,687,089</u>	<u>\$ 52,685</u>	<u>\$ 4,739,774</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 3,202,544	\$ (788,902)	\$ 2,413,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Pension and OPEB expense	(5,644)	-	(5,644)
(Increase) decrease in assets			
Accounts receivable	(679,481)	-	(679,481)
Prepays	(9,725)	(1,881)	(11,606)
Inventory	-	2,572	2,572
Increase (decrease) in liabilities			
Accounts payable	709,967	37,031	746,998
Accrued salaries	(12,686)	1,004	(11,682)
Compensated absences payable	(65,901)	-	(65,901)
Unearned revenue	-	56,141	56,141
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,139,074</u>	<u>\$ (694,035)</u>	<u>\$ 2,445,039</u>

See accompanying notes to the basic financial statements.

**EXETER TOWNSHIP**  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2018

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	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 130,039
Investments	<u>19,620,220</u>
 TOTAL ASSETS	 <u>19,750,259</u>
 NET POSITION	
Assets held in trust for pension benefits	\$ <u>19,750,259</u>

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

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	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 550,393
Employee	<u>235,006</u>
TOTAL CONTRIBUTIONS	<u>785,399</u>
Investment income	
Realized and unrealized losses on investments	(1,825,970)
Interest and dividends	<u>705,425</u>
TOTAL INVESTMENT EARNINGS	<u>(1,120,545)</u>
Less investment expense	<u>(94,125)</u>
NET INVESTMENT EARNINGS	<u>(1,214,670)</u>
TOTAL ADDITIONS	<u>(429,271)</u>
DEDUCTIONS	
Benefit payments	737,551
Administrative expenses	<u>17,025</u>
TOTAL DEDUCTIONS	<u>754,576</u>
CHANGE IN NET POSITION	(1,183,847)
NET POSITION OF ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	<u>20,934,106</u>
NET POSITION OF ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	<u>\$ 19,750,259</u>

*See accompanying notes to the basic financial statements.*

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE A - NATURE OF ACTIVITY**

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

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

Except for not recording the Township's capital assets and related depreciation, the Township follows the practice of presenting its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**The Financial Reporting Entity**

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Township.

**Basis of Presentation**

***Government-Wide Financial Statements***

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

***Fund Financial Statements***

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

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

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

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

The following are the Township's governmental funds:

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

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

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Fire Fund** - is used to account for revenues generated from the .605 mill assessment received from Township residents for the purpose of providing support for the Township's volunteer fire department.

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

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

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

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

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

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

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

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

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

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

***Proprietary Fund***

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

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

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

***Fiduciary Fund Type***

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

The following is the Township's fiduciary fund type:

**Pension Trust Funds** - are used to account for assets held for the Township's pension plans which are funded by employer contributions. These Funds account for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits. The Township sponsors two pension plans: the Exeter Township Police Pension Plan and the Exeter Township Employees' Pension Plan.

**Measurement Focus and Basis of Accounting**

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

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

***Government-Wide Financial Statements***

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

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

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

***Fund Financial Statements***

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

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

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

Investment income is recognized as earned.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

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

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

***Cash***

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

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

**Investments**

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

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

Investments are carried at fair value.

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Accounts Receivable**

Accounts receivable are shown net of allowances for uncollectible amounts.

**Due to and From Other Funds**

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

**Capital Assets**

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

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

**Bond Premiums and Discounts**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reports as other financing uses.

**Deferred Outflows and Inflows of Resources**

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

**Long-Term Debt**

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

**Compensated Absences**

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

**Equity**

**Government-Wide Statements**

The Township classifies net position into the following components:

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

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

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

***Governmental Fund Financial Statements***

Fund balance is classified into specifically designed classifications as follows:

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

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

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

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

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

**Revenues and Expenditures Program Revenues**

All revenues are recognized when received.

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

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

**Property Taxes**

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2018 was 3.34 mills, consisting of 2.145 mills for general purposes, .605 mills for fire services/purchase of fire apparatus, .09 mills for hydrant service and .50 mills for debt service, as established by the Board of Supervisors. Current tax collections for the Township were approximately 98% of the total tax levy.

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

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

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

**Intergovernmental Revenues**

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Internal and Interfund Balances and Activities**

***Fund Financial Statements***

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

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

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

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

***Use of Estimates***

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

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

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

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

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

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2017, and the cash received for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, expenditures exceeded appropriations in the General Fund by \$668,632 and \$1,811,562, respectively.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE D - DEPOSITS AND INVESTMENTS**

The Township's available cash is invested in demand deposit accounts and a certificate of deposit. Pension fund assets are invested in equities, mutual funds, other investments, and collective investment funds. The carrying amount of cash and investments at December 31, 2018 consists of the following:

Cash		
Demand deposits	\$	7,682,049
Petty cash		<u>1,000</u>
	\$	<u><u>7,683,049</u></u>
Investments		
Certificates of deposit	\$	7,074,208
Mutual Funds		
Fixed income		5,441,836
Equities		12,704,347
Real estate		249,071
Other		691,116
Common stock		<u>533,850</u>
		<u><u>26,694,428</u></u>
	\$	<u><u>34,377,477</u></u>

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

Cash		
Governmental activities	\$	2,813,236
Business-type activities		4,739,774
Fiduciary funds		<u>130,039</u>
		<u><u>7,683,049</u></u>
Investments		
Governmental activities		7,074,208
Fiduciary funds		<u>19,620,220</u>
		<u><u>26,694,428</u></u>
	\$	<u><u>34,377,477</u></u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2018, the carrying amounts of the Township's bank deposits were \$7,683,049, and the corresponding bank balances were \$7,783,113, of which \$250,000 was covered by Federal Depository Insurance. Pension fund deposits of \$130,039 were uninsured and uncollateralized. The remaining \$7,403,074 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**Investments**

As of December 31, 2018, the Township had the following investments:

Investment Type	Amortized Cost	Fair Value Level 1	Investment Maturities Less Than One Year
<b>GOVERNMENTAL ACTIVITIES</b>			
Certificates of deposit	\$ 7,074,208	\$ -	\$ 7,074,208
<b>PENSION ACTIVITIES</b>			
Mutual funds, fixed income	\$ -	\$ 5,441,836	\$ 5,441,836
Mutual funds, equities	-	12,704,347	12,704,347
Mutual funds, real estate	-	249,071	249,071
Mutual funds, other	-	691,116	691,116
Common stocks	-	533,850	533,850
<b>TOTAL PENSION ACTIVITIES</b>	<b>\$ -</b>	<b>\$ 19,620,220</b>	<b>\$ 19,620,220</b>

**Fair Value Measurement** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2018:

Investments in mutual funds, fixed income of \$5,441,836, mutual funds, equities of \$12,704,347, mutual funds, real estate of \$249,071, mutual funds, other of \$691,116 and common stocks of \$533,850 are valued using quoted market prices (Level 1 inputs).

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

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Credit Risk** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of government funds as described in Note B. The Township limits the type of investments permitted as defined in the Township Code. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

**Concentration of Credit Risk** - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There were no investments that exceeded 5% of the total investments reported in the Governmental, Proprietary, or Fiduciary Funds that would be considered a concentration of credit risk.

**NOTE E - RESTRICTED CASH**

Cash and investments whose use is limited to a specific purpose have been classified as "restricted" in the financial statements. Restricted assets at December 31, 2018 consist of the following:

GOVERNMENTAL ACTIVITIES

General Fund		
Police equipment	\$	1,910
Fire police		7,506
Other		100
K-9 Fund		15,687
State Liquid Fuels Highway Aid Fund		175,349
GOB 2009 Capital Projects Fund		158
Capital Improvement Fund		218,867
Traffic Improvement Fund		36,108
Debt Service Fund		<u>817,954</u>
 TOTAL RESTRICTED CASH	\$	<u><u>1,273,639</u></u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at December 31, 2018, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Fund	\$ 645,000	\$ -
Nonmajor governmental funds	-	(5,000)
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>645,000</u>	<u>(5,000)</u>
<b>PROPRIETARY FUNDS</b>		
Country Club Fund	-	(640,000)
	<u>\$ 645,000</u>	<u>\$ (645,000)</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers between funds for the year ended December 31, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Fund	\$ 300,000	\$ -
Nonmajor governmental funds	7,155,415	(155,415)
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>7,455,415</u>	<u>(155,415)</u>
<b>PROPRIETARY FUNDS</b>		
Sewer Fund	-	(7,300,000)
	<u>\$ 7,455,415</u>	<u>\$ (7,455,415)</u>

In general, transfers are made from various funds to the Debt Service Fund for that fund's share of debt service payments and to capital project funds to cover capital outlays. During 2018, the Township transferred a \$7,000,000 certificate of deposit from the Sewer Fund to the capital project fund and also transferred \$300,000 from the Sewer Fund to the General Fund as reimbursement for expenses paid by the General Fund on behalf of the Sewer Fund.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE G - LONG-TERM DEBT**

At December 31, 2018, long-term debt consists of the following:

	Balance Outstanding December 31, 2017	Additions	Payments	Balance Outstanding December 31, 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Pennsylvania Infrastructure Investment Authority Loan, initial issue of \$299,193, interest due monthly at 1.387% principal payments due monthly through February 2026	\$ 139,867	\$ -	\$ (15,475)	\$ 124,392	\$ 15,910
General Obligation Notes, Series of 2012, in the initial amount of \$3,615,000, interest due semiannually at rates ranging from 1.250% to 2.000% principal due annually through July 2024	2,205,000	-	(300,000)	1,905,000	305,000
General Obligation Bonds, Series of 2015, in the initial amount of \$1,808,000, interest due semiannually at rates ranging from 4.050% to 6.250% principal due annually through August 2030	1,609,000	-	(98,000)	1,511,000	101,000
General Obligation Bonds, Series A of 2015, in the initial amount of \$9,755,000, interest due semiannually at rates ranging from 0.550% to 3.800% principal due annually through August 2046	9,565,000	-	(2,840,000)	6,725,000	95,000
General Obligation Bonds, Series of 2016, in the initial amount of \$7,005,000, interest due semiannually at rates ranging from 1.500% to 3.450% principal due annually through August 2046	6,965,000	-	(20,000)	6,945,000	25,000
<b>SUBTOTAL FORWARD</b>	<b>\$ 20,483,867</b>	<b>\$ -</b>	<b>\$ (3,273,475)</b>	<b>\$ 17,210,392</b>	<b>\$ 541,910</b>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

	Balance Outstanding December 31, 2017	Additions	Payments	Balance Outstanding December 31, 2018	Due Within One Year
SUBTOTAL FORWARDED	\$ 20,483,867	\$ -	\$ (3,273,475)	\$ 17,210,392	\$ 541,910
General Obligation Note, Federally Taxable, Series of 2018, in the amount of \$3,050,000, interest due semiannually at 4.45%, principal due annually through August 2027	-	3,050,000	-	3,050,000	50,000
Loan payable to the County of Berks original principal amount of \$261,411, without interest, annual payments of \$37,344 through June 2019	74,691	-	(37,344)	37,347	37,347
Loan payable to the County of Berks, original principal amount of \$31,997, without interest, annual payments of \$4,571 through June 2019	9,142	-	(4,571)	4,571	4,571
Loan payable to the County of Berks, original principal amount of \$17,812, without interest, annual payments of \$2,545 through June 2019	5,087	-	(2,545)	2,542	2,542
Loan payable to the County of Berks, original principal amount of \$120,811, without interest, annual payments of \$17,259 through June 2019	34,516	-	(17,259)	17,257	17,257
Loan payable to the County of Berks, original principal amount of \$17,110, without interest, annual payments of \$2,444 through June 2019	4,890	-	(2,444)	2,446	2,446
Loan payable to the County of Berks, original principal amount of \$21,856, without interest, annual payments of \$3,122 through June 2019	<u>6,246</u>	<u>-</u>	<u>(3,122)</u>	<u>3,124</u>	<u>3,124</u>
SUBTOTAL FORWARD	\$ <u>20,618,439</u>	\$ <u>3,050,000</u>	\$ <u>(3,340,760)</u>	\$ <u>20,327,679</u>	\$ <u>659,197</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

	Balance Outstanding December 31, 2017	Additions	Payments	Balance Outstanding December 31, 2018	Due Within One Year
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
SUBTOTAL FORWARDED	\$ 20,618,439	\$ 3,050,000	\$ (3,340,760)	\$ 20,327,679	\$ 659,197
Loan payable to the County of Berks, original principal amount of \$6,692, without interest, annual payments of \$956 through June 2019	<u>1,912</u>	<u>-</u>	<u>(956)</u>	<u>956</u>	<u>956</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>20,620,351</u>	\$ <u>3,050,000</u>	\$ <u>(3,341,716)</u>	\$ <u>20,328,635</u>	\$ <u>660,153</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Notes, Series of 2007, in the initial amount of \$21,380,000, interest due semiannually at rates ranging from 4.750% to 5.300%, principal due annually through July 2021	7,715,000	-	(1,780,000)	5,935,000	1,870,000
General Obligation Notes, Series of 2012, in the initial amount of \$6,055,000, interest due semiannually at rates ranging from 1.250% to 2.000%, principal due annually through July 2026	5,740,000	-	(65,000)	5,675,000	70,000
General Obligation Notes, Series of 2013, in the initial amount of \$7,755,000, interest due semiannually at rates ranging from 0.400% to 2.000%, principal due annually through July 2024	<u>7,320,000</u>	<u>-</u>	<u>(75,000)</u>	<u>7,245,000</u>	<u>80,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>20,775,000</u>	<u>-</u>	<u>(1,920,000)</u>	<u>18,855,000</u>	<u>2,020,000</u>
TOTAL DEBT	\$ <u>41,395,351</u>	\$ <u>3,050,000</u>	\$ <u>(5,261,716)</u>	\$ <u>39,183,635</u>	\$ <u>2,680,153</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

Aggregate maturities required on long-term debt at December 31, 2018 are as follows:

**Governmental Activities**

Year Ending December 31,	Principal	Interest	Total Debt Service
2019	\$ 660,153	\$ 658,179	\$ 1,318,332
2020	650,357	645,328	1,295,685
2021	663,817	629,489	1,293,306
2022	672,289	612,717	1,285,006
2023	685,775	595,151	1,280,926
2024 to 2028	5,858,244	2,610,493	8,468,737
2029 to 2033	3,338,000	1,624,425	4,962,425
2034 to 2038	3,525,000	1,101,563	4,626,563
2039 to 2043	2,975,000	492,248	3,467,248
2044 to 2046	1,300,000	90,563	1,390,563
	<u>\$ 20,328,635</u>	<u>\$ 9,060,156</u>	<u>\$ 29,388,791</u>

**Business-Type Activities**

Year Ending December 31,	Principal	Interest	Total Debt Service
2019	\$ 2,020,000	\$ 565,713	\$ 2,585,713
2020	2,150,000	464,128	2,614,128
2021	2,285,000	356,178	2,641,178
2022	2,400,000	241,965	2,641,965
2023	2,440,000	200,000	2,640,000
2024 to 2026	7,560,000	301,700	7,861,700
	<u>\$ 18,855,000</u>	<u>\$ 2,129,684</u>	<u>\$ 20,984,684</u>

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

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE H - CAPITAL LEASES**

At December 31, 2018, the Township's capital leases consisted of the following:

	Balance Outstanding December 31, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	Balance Outstanding December 31, <u>2018</u>	<u>Due Within One Year</u>
2016 Mack dump truck, financed through a leasing company, payable in quarterly installments of \$9,056, including interest at a rate of 2.25%, through September 2020	\$ 96,285	\$ -	\$ 34,316	\$ 61,969	\$ 35,107
2016 John Deere loader, financed through a leasing company, payable in quarterly installments of \$6,265, including interest at a rate of 2.52%, through March 2021	77,961	-	23,314	54,647	23,907
2018 Elgin Whirlwind street sweeper, financed through a leasing company, payable in quarterly installments of \$12,015, including interest at a rate of 2.61%, through December 2022	<u>212,549</u>	<u>-</u>	<u>38,560</u>	<u>173,989</u>	<u>40,441</u>
	<u>\$ 386,795</u>	<u>\$ -</u>	<u>\$ 96,190</u>	<u>\$ 290,605</u>	<u>\$ 99,455</u>

The following is a schedule of future minimum annual lease payments under the capital lease agreement as of December 31, 2018:

Total future minimum lease payments	\$ 312,007
Amount representing interest	<u>21,402</u>
Present value of net minimum lease payments	<u>\$ 290,605</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

Changes in long-term liabilities for the year ended December 31, 2018 are as follows:  
in prior years.

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation debt					
Bonds and notes payable	\$ 20,620,351	\$ 3,050,000	\$ (3,341,716)	\$ 20,328,635	\$ 660,153
Less deferred amounts					
Bond and note premiums	4,297	26,569	-	30,866	-
Bond and note discounts	(33,413)	-	1,169	(32,244)	-
Capital leases	386,795	-	(96,190)	290,605	99,455
Compensated absences	915,603	16,179	-	931,782	-
Net pension liability	32,381	2,350,813	-	2,383,194	-
Net OPEB liability	<u>10,258,568</u>	<u>1,443,341</u>	<u>-</u>	<u>11,701,909</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>	<u>\$ 32,184,582</u>	<u>\$ 6,886,902</u>	<u>\$ (3,436,737)</u>	<u>\$ 35,634,747</u>	<u>\$ 759,608</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation debt					
Bonds and notes payable	\$ 20,775,000	\$ -	\$ (1,920,000)	\$ 18,855,000	\$ 2,020,000
Less deferred amounts					
Bond premiums	395,781	-	(108,001)	287,780	-
Bond discounts	(5,779)	-	882	(4,897)	-
Compensated absences	107,432	-	(65,901)	41,531	-
Net pension liability	-	60,468	-	60,468	-
Net OPEB liability	<u>471,489</u>	<u>66,337</u>	<u>-</u>	<u>537,826</u>	<u>-</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES</b>	<u>\$ 21,743,923</u>	<u>\$ 126,805</u>	<u>\$ (2,093,020)</u>	<u>\$ 19,777,708</u>	<u>\$ 2,020,000</u>

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

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE J - FUND BALANCE**

The fund balances of the Township's governmental funds at December 31, 2018 consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in					
General Fund	\$ 29,621	\$ -	\$ -	\$ 1,183,667	\$ 1,213,288
Other governmental funds					
Utility Fund	-	-	-	(5,223)	(5,223)
Fire Protection Fund	-	-	70,177	-	70,177
Detention Pond/ Storm					
Water Maintenance	-	-	89,505	-	89,505
K-9 Program Fund	-	15,687	-	-	15,687
Park Improvement Fund	-	-	28,843	-	28,843
State Liquid Fuels					
Highway Aid Fund	-	149,842	-	-	149,842
Debt Service Fund	-	824,255	-	-	824,255
Capital Projects Funds	-	7,170,832	791,169	-	7,962,001
	<u>-</u>	<u>8,160,616</u>	<u>979,694</u>	<u>(5,223)</u>	<u>9,135,087</u>
	<u>\$ 29,621</u>	<u>\$ 8,160,616</u>	<u>\$ 979,694</u>	<u>\$ 1,178,444</u>	<u>\$ 10,348,375</u>

**Fund Balance Policy**

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

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

**Spending Policy**

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

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

**Minimum Fund Balance Policy**

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

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Reservations of Fund Balance**

***Nonspendable - General Fund***

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

***Restricted - General Fund***

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

***Restricted - Other Governmental Funds***

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

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

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

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

**Debt Service Fund** - is restricted fund balance consisting of funds raised through a dedicated real estate tax millage.

***Committed - Other Governmental Funds***

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

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

**Fire Protection Fund** - is committed by the Township Board of Supervisors, as set forth in the annual budget and any amendments thereto to provide funds for support of the volunteer fire department and is generated from the .605 mill assessment received from Township residents.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

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

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

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

**Disbursement of Fund Balance Reserves**

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

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

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

**NOTE K - EXETER TOWNSHIP POLICE PENSION PLAN**

**Plan Description**

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

**Benefits Provided**

Benefits are available to all officers hired before January 1, 2017, who have attained the age of fifty (50) years, and all officers hired after January 1, 2017 who have attained the age of fifty-five (55) years. All officers must also have completed 25 years of service. Benefits are calculated based on a monthly benefit equal to 50% of average monthly pay, plus a service increment of \$50 per year of service in excess of 25 years of service, up to a maximum of \$100 additional per month. Average monthly pay is based upon the last 36 months of employment. The Police Pension Plan provides retirement, disability, and death benefits to the Police Pension Plan members and beneficiaries. The Police Pension Plan's assets may be used only for the payment of benefits to the members of the Police Pension Plan in accordance with the terms of the Police Pension Plan.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Employees Covered by Benefit Terms**

At December 31, 2018, the following employees were covered by the Police Pension Plan:

Inactive members or beneficiaries currently receiving benefits	20
Inactive members entitled to but not yet receiving benefits	-
Active members	<u>26</u>
	<u><u>46</u></u>

**Contributions**

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

**Net Pension Liability**

The Township's net pension liability was measured as of December 31, 2018 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability of the Township at December 31, 2018, were as follows:

Total pension liability	\$ 20,247,389
Plan fiduciary net position	<u>(17,924,125)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u><u>2,323,264</u></u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>88.53%</u></u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Actuarial Assumptions**

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

**Rate of Return** - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -5.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Changes in Net Pension Liability**

The following table shows the changes in net pension liability for the year ended December 31, 2018.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
BALANCE AT DECEMBER 31, 2017	\$ 19,064,008	\$ 18,973,277	\$ 90,731
Changes for the year			
Service cost	413,002	-	413,002
Interest cost	1,404,857	-	1,404,857
Changes for experience	-	-	-
Contributions - employer	-	437,493	(437,493)
Contributions - member	-	235,006	(235,006)
Net investment income (loss)	-	(1,073,649)	1,073,649
Benefit payments, including refunds of member contributions	(634,478)	(634,478)	-
Administrative expense	-	(13,524)	13,524
BALANCE AT DECEMBER 31, 2018	<u>\$ 20,247,389</u>	<u>\$ 17,924,125</u>	<u>\$ 2,323,264</u>

**Net Pension Liability Sensitivity**

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
NET PENSION LIABILITY	<u>\$ 4,629,119</u>	<u>\$ 2,323,264</u>	<u>\$ 430,959</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

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

For the year ended December 31, 2018, the Township recognized pension expense of \$562,426. The Township has deferred outflows of resources related to the Police Pension Plan from the following source at December 31, 2018:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 211,563
Net difference between projected and actual earnings on pension plan investments	<u>1,682,957</u>	<u>-</u>
Total	<u>\$ 1,682,957</u>	<u>\$ 211,563</u>

Actuarially determined deferred outflows of resources related to the Police Pension Plan are as follows for the year ended December 31, 2018:

2019	\$ 484,924
2020	257,554
2021	210,412
2022	518,504

**NOTE L - EXETER TOWNSHIP EMPLOYEES' PENSION PLAN**

**Plan Description**

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

**Benefits Provided**

Benefits are calculated based on 1.75% of average monthly pay multiplied by the number of years of service. If a member was a participant prior to December 31, 1995, an additional monthly benefit is payable of \$10 multiplied by the number of years of service as of December 31, 1995. Average monthly pay is based upon the last 36 months of W-2 pay excluding unused vacation, sick, and personal days. The Employees' Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Employees' Pension Plan's assets may be used only for the payment of benefits to the members of the Employees' Pension Plan in accordance with the terms of the Employees' Pension Plan.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Employees Covered by Benefit Terms**

At December 31, 2018, the following employees were covered by the Employees' Pension Plan:

Inactive members or beneficiaries currently receiving benefits	7
Inactive members entitled to but not yet receiving benefits	6
Active members	<u>10</u>
	<u>23</u>

**Contributions**

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

**Net Pension Liability (Asset)**

The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability (asset) of the Township at December 31, 2018, were as follows:

Total pension liability	\$ 1,946,532
Plan fiduciary net position	<u>(1,826,134)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ 120,398</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>93.81%</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Actuarial Assumptions**

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

**Rate of Return** - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -6.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

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

The following table shows the changes in net pension liability (asset) for the year ended December 31, 2018.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2017	\$ 1,866,585	\$ 1,960,829	\$ (94,244)
Changes for the year			
Service cost	53,717	-	53,717
Interest cost	129,303	-	129,303
Changes for experience	-	-	-
Contributions - employer	-	112,900	(112,900)
Net investment income (loss)	-	(141,021)	141,021
Benefit payments, including refunds of member contributions	(103,073)	(103,073)	-
Administrative expense	-	(3,501)	3,501
BALANCE AT DECEMBER 31, 2018	<u>\$ 1,946,532</u>	<u>\$ 1,826,134</u>	<u>\$ 120,398</u>

**Net Pension Liability (Asset) Sensitivity**

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
PLAN'S NET PENSION LIABILITY (ASSET)	<u>\$ 321,343</u>	<u>\$ 120,398</u>	<u>\$ (40,914)</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

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

For the year ended December 31, 2018, the Township recognized pension expense of \$58,665. The Township has deferred outflows of resources related to the Employees' Pension Plan from the following sources at December 31, 2018:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 134,164
Net difference between projected and actual earnings on pension plan investments	<u>114,438</u>	<u>-</u>
Total	<u>\$ 114,438</u>	<u>\$ 134,164</u>

	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 135,368
Net difference between projected and actual earnings on pension plan investments	<u>115,465</u>	<u>-</u>
Total	<u>\$ 115,465</u>	<u>\$ 135,368</u>

Actuarially determined deferred outflows of resources related to the Employees' Pension Plan are as follows for the year ended December 31, 2018:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 12,121	\$ 12,230
2020	(1,284)	(1,295)
2021	(6,090)	(6,144)
2022	2,359	2,381
2023	(26,833)	(27,074)
Thereafter	-	-

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

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

As of December 31, 2018, 23 employees of the Township are covered under this plan. Contributions to the plan are based on varying rates for hours worked by the employees. Employer contribution rates for 2018 were \$440 per month for each full-time employee, and \$205 per month for each part-time employee working at least 86 hours per month. Teamster employees do not contribute to the plan. Contributions totaled \$148,685 for the year ended December 31, 2018.

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

**NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Descriptions**

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

**Plan Membership**

At January 1, 2017, plan membership consisted of the following:

Inactive members or beneficiaries currently receiving benefits	7
Inactive members entitled to but not yet receiving benefits	-
Active members	72
	<hr/>
	<u>79</u>

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Funding Policy**

The plan is an unfunded plan with no assets accumulated in a trust. The Township negotiates the contribution percentage between the Township and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

**Benefits Provided**

**Police Employees**

*Health Insurance Benefits:*

For employees hired prior to January 1, 2017:

Any employee who shall retire in good standing from Township employment at age 50 or later and with 25 or more years of continuous service shall continue to be enrolled in the health plans. Eligibility for such enrollment shall cease immediately upon the retiree becoming eligible for any other health insurance whether or not such health insurance is equivalent to that provided by the Township. The Township shall pay 100% of the premium cost for the retiree and 75% for the spouse, at the time of retirement, for the most inexpensive plan option that would provide coverage without reducing the benefit package.

When the retiree and spouse reach age 65 and become eligible for the Blue Cross/Blue Shield 65 Plus Plan, the Township shall pay 100% of the premium cost for the retiree and spouse; provided, however, that such payment shall not exceed the current cost of the plan the retiree and spouse were enrolled in prior to age 65.

If the retiree dies and is survived by the covered spouse, the Township shall continue to pay 75% of the spouse's premium until age 65. When the spouse shall become eligible for the Blue Cross/Blue Shield 65 Plus Plan, the Township shall pay 100% of the premium cost for the spouse; provided, however, that such payment shall not exceed the current cost of the plan the spouse was enrolled in prior to age 65. Such coverage shall cease immediately upon the spouse becoming eligible for any other health insurance whether or not such insurance is equivalent to that provided by the Township, or upon the remarriage of the spouse.

Employees hired on or after January 1, 2017 are not eligible for post-retirement health benefits.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

For all employees, the Township agrees to continue employee-only health coverage for any employee with at least 5 years of continuous, active service, who becomes disabled with a non-line of duty condition. The Township shall pay 100% of the premium cost until age 65. When the disabled retiree shall become eligible for the Blue Cross/Blue Shield 65 Plus Plan, the Township shall pay 100% of the premium cost for the retiree; provided however, that such payment shall not exceed the current cost of the plan the retiree was enrolled in prior to age 65. Eligibility for such enrollment shall cease immediately upon the retiree becoming eligible for any other health insurance whether or not such other health insurance is equivalent to that provided by the Township.

*Life Insurance Benefits:*

The Township also provides a \$5,000 life insurance policy at retirement for the life of the retiree, given that the retiree satisfies the retirement eligibility requirements.

**Management Employees**

*Health Insurance Benefits:*

Upon retirement from the Township, the Township shall pay the retiree's premium for medical benefits subject to the following conditions: the coverage shall be for the retiree only; the retiree has no other health insurance coverage available either through another employer or their spouse's employer; any increase in the premium after the retiree has retired shall be paid for by the retiree; and payment for coverage shall cease when the retiree reaches Medicare eligibility.

*Life Insurance Benefits:*

The Township also provides a \$5,000 life insurance policy at retirement for the life of the retiree, given that the retiree satisfies the retirement eligibility requirements.

**Teamsters Employees**

*Health Insurance Benefits:*

The Township agrees to reimburse any employee with at least 20 years of service retiring at age 57 or later from the Township, who qualifies for retiree coverage from the Central Pennsylvania Teamsters Health and Welfare Fund, a reimbursement amount not to exceed \$700 per month. This amount may be applied to any retiree coverage available to the retiree upon presentation to the Township of a paid receipt by the retiree. The Township agrees to this reimbursement policy until the retiree reaches the age of Medicare eligibility. The retiree may still be eligible to continue benefit coverage under a Retired Plan after that time; however, the Township will no longer be responsible for reimbursement of contribution.

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2017. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

**Salary Increases** – 5% annually.

**Discount Rate** – 3.16% based on the S&P 20 year high grade rate index.

**Healthcare Cost Trend Rate** – Medical costs are assumed to increase by 6.0% during 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Mortality** – IRS 2017 Static Combined Table for Small Plans.

**Disability** – Police based on SOA 1987 Group LTD. No disability assumed for management and teamsters.

**Retirement** – Police at latest of age 55, age at the completion of 30 years of service, or age on valuation date. Management at latest of age 62, age at the completion of 5 years of service, or age on valuation date. Teamsters at latest of age 57, age at the completion of 20 years of service, or age on valuation date.

**Participation** – 100% of employees are assumed to elect coverage.

**Marital Status** – 75% of future retirees are assumed to have a spouse participating in coverage.

**Spouse Age** – Female spouses are assumed to be 2 years younger than male spouses.

**Actuarial Cost Method** – Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 10,730,057
Changes for the year	
Service cost	508,658
Interest cost	413,884
Changes of assumptions	739,995
Benefit payments	<u>(152,859)</u>
Net changes	<u>1,509,678</u>
Balance at December 31, 2018	<u>\$ 12,239,735</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current discount rate:

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total OPEB liability	\$ <u>14,232,217</u>	\$ <u>12,239,735</u>	\$ <u>10,628,051</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>10,246,251</u>	\$ <u>12,239,735</u>	\$ <u>14,806,005</u>

**EXETER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2018, the Township recognized OPEB expense of \$1,004,764. The Township has deferred outflows of resources from the following sources at December 31, 2018:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 628,870	\$ -
Benefit payments subsequent to the measurement date	<u>169,289</u>	<u>-</u>
Total	<u>\$ 798,159</u>	<u>\$ -</u>
	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 28,903	\$ -
Benefit payments subsequent to the measurement date	<u>7,781</u>	<u>-</u>
Total	<u>\$ 36,684</u>	<u>\$ -</u>

\$177,070 reported as deferred outflows of resources related to OPEB resulting from Township contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 78,609	\$ 3,613
2020	78,609	3,613
2021	78,609	3,613
2022	78,609	3,613
2023	78,609	3,613
Thereafter	235,824	10,839

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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**NOTE O - EXETER TOWNSHIP TAX INCREMENT FINANCING DISTRICT**

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

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

In 2018, the Township remitted \$124,052 to the Authority. This amount represents less than 2% of total real estate taxes collected by the Township.

At December 31, 2018, the outstanding balance was \$3,740,000. The Township has guaranteed the Series of 2008 Tax Incremental Financing Revenue Note issued by the Authority.

**NOTE P - READING COUNTRY CLUB**

Beginning with 2009, the following amounts were expended by the Township General Fund for public works projects and supplies for the benefit of the Reading Country Club:

2009	\$	45,839
2010		64,855
2011		103,244
2012		110,448
2013		37,111
2014		67,581
2015		39,905
2016		38,193
2017		72,788
2018		<u>5,167</u>
	\$	<u>585,131</u>

**EXETER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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**NOTE Q - COMMITMENTS AND CONTINGENCIES**

**Contingencies**

***Litigation***

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

***Concentration of Labor***

The Township entered into a collective bargaining agreement with the Police Officers Association effective January 1, 2017 through December 31, 2032. The Township also entered into a collective bargaining agreement with the nonuniform employees, effective January 1, 2015 through December 31, 2017, which was still in effect as of December 31, 2018. Of the Township's total workforce, 39% is covered by the agreement with the police officers and 46% is covered by the agreement with the nonuniform employees.

**NOTE R - PRIOR PERIOD RESTATEMENT**

The Township implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the Township must record any unfunded liability of their OPEB plans.

For the government-wide governmental activities, the Township has treated the beginning of year net OPEB liability of \$10,258,568 as having been recognized in the period incurred. As part of the implementation, the previously recognized liability for other postemployment benefits under GASB 45 in the amount of \$6,515,579 will be reversed. The Township has adjusted beginning net position for the governmental activities from (\$22,155,821) to (\$25,898,810).

For the government-wide business-type activities and the proprietary fund sewer fund, the Township has treated the beginning of year net OPEB liability of \$471,489 as having been recognized in the period incurred. As part of the implementation, the previously recognized liability for other postemployment benefits under GASB 45 in the amount of \$299,459 will be reversed. The Township has adjusted beginning net position for the government-wide business-type activities from (\$6,917,731) to (\$7,089,761) and the proprietary fund sewer fund from (\$6,931,779) to (\$7,103,809).

**NOTE S - SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through July 15, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2018 were noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 413,002	\$ 393,335	\$ 434,661	\$ 413,963
Interest	1,404,857	1,399,522	1,340,840	1,240,342
Changes for experience	-	(352,605)	-	-
Benefit payments, including refunds of member contributions	<u>(634,478)</u>	<u>(351,298)</u>	<u>(350,500)</u>	<u>(590,938)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,183,381	1,088,954	1,425,001	1,063,367
Total pension liability, beginning	<u>19,064,008</u>	<u>17,975,054</u>	<u>16,550,053</u>	<u>15,486,686</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 20,247,389</u>	<u>\$ 19,064,008</u>	<u>\$ 17,975,054</u>	<u>\$ 16,550,053</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 437,493	\$ 473,035	\$ 485,992	\$ 577,080
Contributions - member	235,006	205,799	185,978	187,619
Net investment income	(1,073,649)	2,493,400	966,854	42,786
Benefit payments, including refunds of member contributions	(634,478)	(351,298)	(350,500)	(590,938)
Administrative expense	<u>(13,524)</u>	<u>(6,375)</u>	<u>(1,800)</u>	<u>(5,750)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,049,152)	2,814,561	1,286,524	210,797
Plan net position, beginning	<u>18,973,277</u>	<u>16,158,716</u>	<u>14,872,192</u>	<u>14,661,395</u>
PLAN NET POSITION, ENDING	<u>\$ 17,924,125</u>	<u>\$ 18,973,277</u>	<u>\$ 16,158,716</u>	<u>\$ 14,872,192</u>
TOWNSHIP'S NET PENSION LIABILITY	<u>\$ 2,323,264</u>	<u>\$ 90,731</u>	<u>\$ 1,816,338</u>	<u>\$ 1,677,861</u>
PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>88.5%</u>	<u>99.5%</u>	<u>89.9%</u>	<u>89.9%</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 2,991,353</u>	<u>\$ 2,767,887</u>	<u>\$ 2,491,272</u>	<u>\$ 2,510,781</u>
TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>77.7%</u>	<u>3.3%</u>	<u>72.9%</u>	<u>66.8%</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 53,717	\$ 51,159	\$ 49,007	\$ 46,673
Interest	129,303	139,877	148,916	137,586
Changes for experience	-	(377,346)	-	-
Benefit payments, including refunds of member contributions	<u>(103,073)</u>	<u>(19,370)</u>	<u>(25,696)</u>	<u>(25,698)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	79,947	(205,680)	172,227	158,561
Total pension liability, beginning	<u>1,866,585</u>	<u>2,072,265</u>	<u>1,900,040</u>	<u>1,741,479</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 1,946,532</u>	<u>\$ 1,866,585</u>	<u>\$ 2,072,267</u>	<u>\$ 1,900,040</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 112,900	\$ 100,870	\$ 114,937	\$ 124,753
Net investment income (loss)	(141,021)	217,079	72,077	(19,771)
Benefit payments, including refunds of member contributions	(103,073)	(19,370)	(25,698)	(25,698)
Administrative expense	<u>(3,501)</u>	<u>(5,849)</u>	<u>(3,250)</u>	<u>(4,150)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(134,695)	292,730	158,066	75,134
Plan net position, beginning	<u>1,960,829</u>	<u>1,668,099</u>	<u>1,510,034</u>	<u>1,434,900</u>
PLAN NET POSITION, ENDING	<u>\$ 1,826,134</u>	<u>\$ 1,960,829</u>	<u>\$ 1,668,100</u>	<u>\$ 1,510,034</u>
TOWNSHIP'S NET PENSION LIABILITY	<u>\$ 120,398</u>	<u>\$ (94,244)</u>	<u>\$ 404,167</u>	<u>\$ 390,006</u>
PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>93.8%</u>	<u>105.0%</u>	<u>80.5%</u>	<u>79.5%</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 550,125</u>	<u>\$ 506,325</u>	<u>\$ 431,842</u>	<u>\$ 484,984</u>
TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>21.9%</u>	<u>-18.6%</u>	<u>93.6%</u>	<u>80.4%</u>

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

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

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2009	\$ 254,354	\$ 254,354	\$ -		
2010	268,564	268,564	-		
2011	447,195	447,195	-		
2012	387,491	387,491	-		
2013	424,764	424,764	-		
2014	456,349	456,349	-		
2015	577,080	577,080	-	\$ 2,510,781	22.98%
2016	485,992	485,992	-	2,491,272	19.51%
2017	473,035	473,035	-	2,767,887	17.09%
2018	437,493	437,493	-	2,991,353	14.63%

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

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

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

Changes in benefit terms: None since January 1, 2015.

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

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2009	\$ 100,572	\$ 100,572	\$ -		
2010	102,880	102,880	-		
2011	107,469	107,469	-		
2012	93,998	93,998	-		
2013	99,466	99,466	-		
2014	115,181	115,181	-		
2015	124,753	124,753	-	\$ 484,984	25.72%
2016	114,937	114,937	-	431,842	26.62%
2017	100,870	100,870	-	506,325	19.92%
2018	112,900	112,900	-	550,125	20.52%

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

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

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

Changes in benefit terms: None since January 1, 2015.

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

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>-5.29%</u>	<u>16.63%</u>	<u>6.61%</u>	<u>0.98%</u>

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

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

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>-6.74%</u>	<u>12.87%</u>	<u>5.38%</u>	<u>-0.30%</u>

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

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

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Township contributions	\$ <u>148,685</u>	\$ <u>188,455</u>	\$ <u>190,920</u>	\$ <u>181,440</u>

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

**EXETER TOWNSHIP****SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT  
BENEFITS LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\***

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 508,658
Interest	413,884
Changes of assumptions	739,995
Benefit payments, including refunds of member contributions	<u>(152,859)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	1,509,678
Total OPEB liability, beginning	<u>10,730,057</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 12,239,735</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 5,830,243</u>
TOWNSHIP'S TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>209.9%</u>

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

**NOTE TO SCHEDULE**

Changes of assumptions: In 2018 the discount rate changed from 3.71% to 3.16%. The trend assumption was updated.

**EXETER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Real estate	\$ 2,997,500	\$ 2,997,500	\$ 2,907,615	\$ (89,885)
Real estate transfer	450,000	450,000	452,951	2,951
Per capita	71,500	71,500	66,769	(4,731)
Earned income	3,601,264	3,601,264	3,696,346	95,082
Local services	321,000	321,000	262,189	(58,811)
Business privilege	625,000	625,000	855,444	230,444
Licenses and permits	382,000	382,000	378,473	(3,527)
Fines and forfeits	133,000	133,000	126,460	(6,540)
Interest and rents	50,000	50,000	41,321	(8,679)
Intergovernmental revenues	887,375	887,375	594,172	(293,203)
Charges for services	1,534,484	1,534,484	1,092,680	(441,804)
Miscellaneous	146,250	146,250	108,434	(37,816)
<b>TOTAL REVENUES</b>	<u>11,199,373</u>	<u>11,199,373</u>	<u>10,582,854</u>	<u>(616,519)</u>
<b>EXPENDITURES</b>				
Current				
General government	1,934,468	1,934,468	2,153,868	(219,400)
Public safety	6,871,591	6,871,591	7,035,422	(163,831)
Public works, sanitation	-	-	232,475	(232,475)
Public works, highways and streets	1,801,738	1,801,738	1,418,177	383,561
Culture and recreation	721,073	721,073	925,155	(204,082)
Community development	-	-	97,291	(97,291)
Debt service				
Principal	322,098	322,098	322,098	-
Interest	34,636	34,636	41,259	(6,623)
Insurance	209,001	209,001	337,492	(128,491)
<b>TOTAL EXPENDITURES</b>	<u>11,894,605</u>	<u>11,894,605</u>	<u>12,563,237</u>	<u>(668,632)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(695,232)</u>	<u>(695,232)</u>	<u>(1,980,383)</u>	<u>(1,285,151)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	300,000	300,000	300,000	-
Proceeds from disposal of assets	-	-	10,827	10,827
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>300,000</u>	<u>300,000</u>	<u>310,827</u>	<u>10,827</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (395,232)</u>	<u>\$ (395,232)</u>	<u>(1,669,556)</u>	<u>\$ (1,274,324)</u>
FUND BALANCE AT BEGINNING OF YEAR				
			<u>2,882,844</u>	
FUND BALANCE AT END OF YEAR				
			<u>\$ 1,213,288</u>	

# **EXETER TOWNSHIP**

## **NOTE TO BUDGETARY COMPARISON SCHEDULE**

**YEAR ENDED DECEMBER 31, 2018**

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### **NOTE A - BUDGET MATTERS**

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

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

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

## **SUPPLEMENTARY INFORMATION SECTION**

**EXETER TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	Special Revenue Funds					
	Utility	Fire Protection	Detention Pond/ Storm Water Maintenance	K-9 Program	Park Improvement	State Liquid Fuels Highway Aid
<b>ASSETS</b>						
Cash, unrestricted	\$ 9,050	\$ 64,126	\$ 89,505	\$ -	\$ 28,843	\$ -
Cash, restricted	-	-	-	15,687	-	175,349
Certificate of deposit	-	-	-	-	-	-
Taxes receivable	8,125	36,834	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 17,175</b>	<b>\$ 100,960</b>	<b>\$ 89,505</b>	<b>\$ 15,687</b>	<b>\$ 28,843</b>	<b>\$ 175,349</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 11,232	\$ 2,028	\$ -	\$ -	\$ -	\$ 25,507
Due to other funds	5,000	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>16,232</b>	<b>2,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,507</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue, property taxes	6,166	28,755	-	-	-	-
<b>FUND BALANCES</b>						
Restricted	-	-	-	15,687	-	149,842
Committed	-	70,177	89,505	-	28,843	-
Unassigned	(5,223)	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>(5,223)</b>	<b>70,177</b>	<b>89,505</b>	<b>15,687</b>	<b>28,843</b>	<b>149,842</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,175</b>	<b>\$ 100,960</b>	<b>\$ 89,505</b>	<b>\$ 15,687</b>	<b>\$ 28,843</b>	<b>\$ 175,349</b>

Capital Project Funds

<u>Capital Expenditure</u>	<u>GOB 2009 Capital Projects</u>	<u>Capital Improvement</u>	<u>Apparatus</u>	<u>Traffic Improvement</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 351,316	\$ -	\$ -	\$ 453,206	\$ -	\$ -	\$ 996,046
-	158	218,867	-	36,108	817,954	1,264,123
-	-	7,074,208	-	-	-	7,074,208
-	-	-	-	-	30,442	75,401
<u>\$ 351,316</u>	<u>\$ 158</u>	<u>\$ 7,293,075</u>	<u>\$ 453,206</u>	<u>\$ 36,108</u>	<u>\$ 848,396</u>	<u>\$ 9,409,778</u>
\$ 13,353	\$ -	\$ 158,509	\$ -	\$ -	\$ 377	\$ 211,006
-	-	-	-	-	-	5,000
<u>13,353</u>	<u>-</u>	<u>158,509</u>	<u>-</u>	<u>-</u>	<u>377</u>	<u>216,006</u>
-	-	-	-	-	23,764	58,685
-	158	7,134,566	-	36,108	824,255	8,160,616
337,963	-	-	453,206	-	-	979,694
-	-	-	-	-	-	(5,223)
<u>337,963</u>	<u>158</u>	<u>7,134,566</u>	<u>453,206</u>	<u>36,108</u>	<u>824,255</u>	<u>9,135,087</u>
<u>\$ 351,316</u>	<u>\$ 158</u>	<u>\$ 7,293,075</u>	<u>\$ 453,206</u>	<u>\$ 36,108</u>	<u>\$ 848,396</u>	<u>\$ 9,409,778</u>

# EXETER TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds					
	Utility	Fire Protection	Detention Pond/ Storm Water Maintenance	K-9 Program	Park Improvement	State Liquid Fuels Highway Aid
<b>REVENUES</b>						
Taxes, real estate	\$ 210,657	\$ 789,046	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Interest and rents	751	5,141	1,095	256	581	3,170
Intergovernmental revenues	-	-	-	-	-	887,298
Charges for services	-	-	-	-	2,500	-
Miscellaneous	-	-	3,363	2,850	9,493	-
<b>TOTAL REVENUES</b>	<b>211,408</b>	<b>794,187</b>	<b>4,458</b>	<b>3,106</b>	<b>12,574</b>	<b>890,468</b>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	-
Public safety	90,135	578,021	-	17,263	-	-
Public works - highway and streets	122,261	-	-	-	-	634,830
Culture and recreation	-	-	-	-	43,643	-
Community development	4,082	-	-	-	-	-
Debt service						
Principal	-	19,703	-	-	-	96,190
Interest	-	-	-	-	-	13,151
Bond issuance Costs	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>216,478</b>	<b>597,724</b>	<b>-</b>	<b>17,263</b>	<b>43,643</b>	<b>744,171</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,070)</b>	<b>196,463</b>	<b>4,458</b>	<b>(14,157)</b>	<b>(31,069)</b>	<b>146,297</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt proceeds	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(155,228)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(155,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,070)</b>	<b>41,235</b>	<b>4,458</b>	<b>(14,157)</b>	<b>(31,069)</b>	<b>146,297</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>(153)</b>	<b>28,942</b>	<b>85,047</b>	<b>29,844</b>	<b>59,912</b>	<b>3,545</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (5,223)</b>	<b>\$ 70,177</b>	<b>\$ 89,505</b>	<b>\$ 15,687</b>	<b>\$ 28,843</b>	<b>\$ 149,842</b>

Capital Project Funds

Capital Expenditure	GOB 2009 Capital Projects	Capital Improvement	Apparatus	Traffic Improvement	Debt Service Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 652,100	\$ 1,651,803
-	-	222,223	-	-	-	222,223
49,765	139	74,603	3,703	448	10,755	150,407
-	-	-	-	-	-	887,298
-	-	-	-	-	-	2,500
-	-	-	-	-	-	15,706
<u>49,765</u>	<u>139</u>	<u>296,826</u>	<u>3,703</u>	<u>448</u>	<u>662,855</u>	<u>2,929,937</u>
-	22,702	-	-	-	-	22,702
-	-	-	-	-	-	685,419
49,104	-	213,464	-	-	-	1,019,659
-	14,403	54,034	-	-	93,020	205,100
1,219	-	-	-	-	22,679	27,980
41,915	-	-	-	-	208,000	365,808
-	-	-	-	-	556,499	569,650
-	-	-	-	-	65,000	65,000
<u>92,238</u>	<u>37,105</u>	<u>267,498</u>	<u>-</u>	<u>-</u>	<u>945,198</u>	<u>2,961,318</u>
<u>(42,473)</u>	<u>(36,966)</u>	<u>29,328</u>	<u>3,703</u>	<u>448</u>	<u>(282,343)</u>	<u>(31,381)</u>
-	-	-	-	-	3,050,000	3,050,000
-	-	-	-	-	(2,874,873)	(2,874,873)
-	-	7,000,187	155,228	-	-	7,155,415
-	(187)	-	-	-	-	(155,415)
-	(187)	7,000,187	155,228	-	175,127	7,175,127
(42,473)	(37,153)	7,029,515	158,931	448	(107,216)	7,143,746
<u>380,436</u>	<u>37,311</u>	<u>105,051</u>	<u>294,275</u>	<u>35,660</u>	<u>931,471</u>	<u>1,991,341</u>
<u>\$ 337,963</u>	<u>\$ 158</u>	<u>\$ 7,134,566</u>	<u>\$ 453,206</u>	<u>\$ 36,108</u>	<u>\$ 824,255</u>	<u>\$ 9,135,087</u>

**EXETER TOWNSHIP**  
**COMBINING STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

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	Pension Trust Funds		
	Police Pension Fund	Employees' Pension Fund	Total Pension Trust Funds
ASSETS			
Cash	\$ 103,743	\$ 26,296	\$ 130,039
Investments	17,820,382	1,799,838	19,620,220
TOTAL ASSETS	\$ 17,924,125	\$ 1,826,134	\$ 19,750,259
NET POSITION			
Assets held in trust for pension benefits	\$ 17,924,125	\$ 1,826,134	\$ 19,750,259

**EXETER TOWNSHIP**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Pension Trust Funds		
	Police Pension Fund	Employees' Pension Fund	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 437,493	\$ 112,900	\$ 550,393
Employee	235,006	-	235,006
<b>TOTAL CONTRIBUTIONS</b>	<u>672,499</u>	<u>112,900</u>	<u>785,399</u>
Investment income			
Realized and unrealized losses on investments	(1,625,289)	(200,681)	(1,825,970)
Interest and dividends	625,620	79,805	705,425
<b>TOTAL INVESTMENT INCOME</b>	<u>(999,669)</u>	<u>(120,876)</u>	<u>(1,120,545)</u>
Less investment expense	(73,980)	(20,145)	(94,125)
<b>NET INVESTMENT EARNINGS</b>	<u>(1,073,649)</u>	<u>(141,021)</u>	<u>(1,214,670)</u>
<b>TOTAL ADDITIONS</b>	<u>(401,150)</u>	<u>(28,121)</u>	<u>(429,271)</u>
<b>DEDUCTIONS</b>			
Benefit payments	634,478	103,073	737,551
Administrative expenses	13,524	3,501	17,025
<b>TOTAL DEDUCTIONS</b>	<u>648,002</u>	<u>106,574</u>	<u>754,576</u>
<b>CHANGE IN NET POSITION</b>	(1,049,152)	(134,695)	(1,183,847)
<b>NET POSITION OF ASSETS HELD IN TRUST FOR BENEFITS AT BEGINNING OF YEAR</b>	<u>18,973,277</u>	<u>1,960,829</u>	<u>20,934,106</u>
<b>NET POSITION OF ASSETS HELD IN TRUST AT END OF YEAR</b>	<u>\$ 17,924,125</u>	<u>\$ 1,826,134</u>	<u>\$ 19,750,259</u>