



LOWER ALSACE TOWNSHIP

FINANCIAL STATEMENTS AND SUPPLEMENTARY AND OTHER INFORMATION

Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Lower Alsace Township
Reading, Pennsylvania**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Alsace Township as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Alsace Township as of December 31, 2017, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Lower Alsace Township's basic financial statements. The combining modified cash basis - nonmajor governmental funds and fiduciary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining modified cash basis - nonmajor governmental funds and fiduciary funds financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Lower Alsace Township's basic financial statements. The budgetary comparison information and the pension plan schedule of funding progress and employer contributions, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 10, 2018**

LOWER ALSACE TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 603,638
	<u>603,638</u>
	TOTAL ASSETS
	<u>603,638</u>
LIABILITIES	
Payroll tax withholdings	829
Escrow deposits	1,001
	<u>1,830</u>
	TOTAL LIABILITIES
	<u>1,830</u>
NET POSITION	
Restricted for:	
Fire services	5,402
Emergency medical services	6,167
Highway and streets	476
Unrestricted	589,763
	<u>597,768</u>
	TOTAL NET POSITION
	<u>\$ 601,808</u>

LOWER ALSACE TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary Government				
Governmental Activities:				
General government	\$ 285,404	\$ 103,046	\$ 4,576	\$ (177,782)
Public safety:				
Police	920,375	23,567	-	(896,808)
Fire	115,460	-	22,271	(93,189)
Ambulance/rescue	75,071	7,564	-	(67,507)
Other (planning, zoning, etc.)	128,339	82,235	-	(46,104)
Public works - sanitation	14,528	-	-	(14,528)
Public works - highways and streets	1,394,565	1,425	726,323	(666,817)
Culture and recreation	9,800	-	-	(9,800)
Debt service	398,477	-	157,881	(240,596)
Employer paid benefits and insurance	261,636	-	27,530	(234,106)
Total Governmental Activities	\$ 3,603,655	\$ 217,837	\$ 938,581	(2,447,237)
General Revenues:				
Taxes:				
				1,416,143
				553,240
				111,266
				6,855
				7,578
				<u>2,095,082</u>
				Change in Net Position
				(352,155)
				Net Position - Beginning of year
				<u>953,963</u>
				Net Position - End of year
				<u>\$ 601,808</u>

LOWER ALSACE TOWNSHIP

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

December 31, 2017

	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 591,593	\$ 12,045	\$ 603,638
TOTAL ASSETS	<u>\$ 591,593</u>	<u>\$ 12,045</u>	<u>\$ 603,638</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payroll tax withholdings	\$ 829	\$ -	\$ 829
Escrow deposits	1,001	-	1,001
TOTAL LIABILITIES	1,830	-	1,830
FUND BALANCES			
Restricted for:			
Fire services	-	5,402	5,402
Emergency medical services	-	6,167	6,167
Highways and streets	-	476	476
Assigned fund balance	361,077	-	361,077
Unassigned fund balance	228,686	-	228,686
TOTAL FUND BALANCES	<u>589,763</u>	<u>12,045</u>	<u>601,808</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 591,593</u>	<u>\$ 12,045</u>	<u>\$ 603,638</u>

LOWER ALSACE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

Year Ended December 31, 2017

	General	Nonmajor Funds	Total Governmental Funds
REVENUES			
Real estate taxes	\$ 1,297,897	\$ 118,246	\$ 1,416,143
Earned income taxes	553,240	-	553,240
Other taxes	111,266	-	111,266
Licenses, permits, and fines	117,184	-	117,184
Interest and rent	6,712	143	6,855
Intergovernmental	780,700	157,881	938,581
Charges for services	93,060	-	93,060
Other	7,563	15	7,578
	<u>2,967,622</u>	<u>276,285</u>	<u>3,243,907</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	285,404	-	285,404
Public safety:			
Police	920,375	-	920,375
Fire	55,167	60,293	115,460
Ambulance/rescue	1,874	73,197	75,071
Other (planning, zoning, etc.)	128,339	-	128,339
Public works - sanitation	14,528	-	14,528
Public works - highways and streets	1,394,565	-	1,394,565
Culture and recreation	9,800	-	9,800
Debt service - principal	184,886	154,775	339,661
Debt service - interest	54,591	4,225	58,816
Employer paid benefits and insurance	261,636	-	261,636
	<u>3,311,165</u>	<u>292,490</u>	<u>3,603,655</u>
TOTAL EXPENDITURES			
DEFICIENCY OF REVENUES OVER EXPENDITURES	(343,543)	(16,205)	(359,748)
OTHER FINANCING SOURCES			
Sale of capital assets	7,593	-	7,593
	<u>7,593</u>	<u>-</u>	<u>7,593</u>
NET CHANGE IN FUND BALANCES	(335,950)	(16,205)	(352,155)
FUND BALANCES - BEGINNING OF YEAR	<u>925,713</u>	<u>28,250</u>	<u>953,963</u>
FUND BALANCES - END OF YEAR	<u>\$ 589,763</u>	<u>\$ 12,045</u>	<u>\$ 601,808</u>

See accompanying notes.

LOWER ALSACE TOWNSHIP
STATEMENT OF NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

December 31, 2017

	Pension Trust Funds
ASSETS	
Cash	\$ 30,938
Investments	<u>1,586,554</u>
TOTAL ASSETS	<u>1,617,492</u>
NET POSITION - held in trust for pension benefits	<u><u>\$ 1,617,492</u></u>

LOWER ALSACE TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

Year Ended December 31, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
Township and Commonwealth	\$ 87,942
Employees	11,865
Investment income	232,354
	<hr/>
TOTAL ADDITIONS	332,161
 DEDUCTIONS	
Benefit payments	120,048
Administrative expenses	18,443
	<hr/>
TOTAL DEDUCTIONS	138,491
CHANGE IN NET POSITION	193,670
 TOTAL NET POSITION - BEGINNING OF YEAR	 1,423,822
	<hr/>
TOTAL NET POSITION - END OF YEAR	\$ 1,617,492
	<hr/> <hr/>

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

Lower Alsace Township (the "Township"), Berks County, Pennsylvania, is a second class township created in 1888. The Township is governed by three (3) elected supervisors in accordance with laws of the Commonwealth of Pennsylvania. The supervisors must be residents who are elected every two years, on a staggered basis, for a six-year term. The supervisors have the power to establish policies to be carried out by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As described further in Note 1E., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements. The Township is financially accountable if it appoints a voting majority of the organization's governing board, and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. Based on the application of these criteria, the Township has determined that it does not have any component units.

B. Jointly Governed Organizations

Governments often enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a jointly governed organization whereby governments enter into an arrangement to plan for and address certain activities for their mutual benefit. The following are such relationships:

Antietam Valley Municipal Authority

The Township, in conjunction with Mount Penn Borough, has created the Antietam Valley Municipal Authority (the "Authority"). The Antietam Valley Municipal Authority's board is comprised of three members from Mount Penn Borough and two members from the Township. The primary purpose of the Authority is to own and maintain the sewer collection and conveyance system, the pump station, and the wastewater treatment plant. The Authority provides service to sewer customers in the Township, Mount Penn Borough, St. Lawrence Borough, a portion of Exeter Township, and the City of Reading.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Jointly Governed Organizations - continued

Central Berks Regional Police Commission

The Township, in conjunction with Mount Penn Borough, has created the Central Berks Regional Police Commission (the "Commission"). The Commission's board is composed of two representatives and one alternate from each municipality. The primary purpose of the Commission is to manage police business and activities of the Central Berks Regional Police. See Note 8 for further details of the agreement.

C. 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 within the limitations of the modified cash basis of accounting. The statements include all funds of the reporting entity except for fiduciary funds, which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services. The Township presently does not have any business-type activities.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Township are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Township presently has no enterprise funds.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation - Fund Financial Statements- continued

The Township Reports the Following Major Governmental Fund:

General Fund - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

The Township also Reports the Following Nonmajor Governmental Funds:

Special Revenue Funds - These funds are established to account for the cash receipts of specific sources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes. The Township's special revenue funds include the following, all of which are reported as nonmajor governmental funds:

- Fire Tax Fund - This fund is used to account for the receipts generated from the .25 mill assessment received from Township residents for the purpose of providing fire protection support throughout the Township.
- Emergency Services Tax Fund - This fund is used to account for the receipts generated from the .50 mill assessment received from Township residents for the purpose of providing emergency medical services to Township residents.
- State Highway Aid Fund - This 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. Disbursements are legally restricted to disbursements 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.

Additionally, the Township Reports the Following Fund Types:

Fiduciary Funds - The Township's fiduciary funds are trust funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the Township's own programs. The Township's two trust funds are:

- *Lower Alsace Township Non-Uniformed Pension Fund* - this fund was established to provide pension benefits to Township employees. This fund is a defined benefit plan.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation - Fund Financial Statements - continued

Additionally, the Township Reports the Following Fund Types - continued:

- *Lower Alsace Township Non-Uniform DC Plan* - this fund was established to provide pension benefits to Township employees. This fund is a defined contribution plan.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

1. Measurement Focus

In the government-wide statement of net position and statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - continued

1. Measurement Focus - continued

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

2. Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, payroll taxes withholdings, and developer escrows arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - continued

2. Basis of Accounting - continued

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

F. Financial Position

1. Cash and Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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 fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. Capital Assets

In the government-wide and fund financial statements, capital assets arising from cash transactions are recorded as capital outlay expenditures (expenses) upon acquisition. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are recorded as an expenditure in the fund expending the funds. Proceeds from the sale of capital assets are reported as other financing sources in the fund financial statements, and are netted against capital outlay expenditures (expenses) in the government-wide financial statements.

3. Long-Term Debt

Debt proceeds are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses).

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Net Position/Fund Balance Classifications

Government-Wide Statements

Net Position is classified and displayed in two components:

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

Unrestricted - This category represents net positions of the Township, which are not restricted for any project or other purpose.

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

Governmental Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for a specific purpose determined by a formal action of the Township's board of supervisors; the government's highest level of decision-making authority. The formal action (resolution) to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned - Amounts that the Township intends to use for a specific purpose. Assignments of fund balance are made by the Township's board of supervisors.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Net Position/Fund Balance Classifications - continued

Fund Balance Policies

Spending Policy

The Township does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the governmental accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

The Township has no formal minimum fund balance policies or any formal stabilization arrangements in place.

G. Revenues, Expenditures, and Expenses

1. Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program receipts. The Township has the following program receipts in each activity:

General Government - Charges for services include receipts for licenses and permits; operating grants include revenues for general governmental expenditures.

Public Safety - Charges for services include receipts for fines and permits, as well as repayments received from a loan receivable; operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Charges for services include receipts for mowing and plowing contracts. Operating grants and contributions include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania and recycling grants received.

Debt Service - Operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania.

Employee Paid Benefits and Insurance - Includes general municipal pension system state aid from the Commonwealth of Pennsylvania.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues, Expenditures, and Expenses - continued

1. Program Revenues - continued

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

2. 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. Property taxes are levied on March 1 and are payable on or before June 30. The tax levy ordinance for the 2017 calendar year levied taxes on March 1, 2017, at 7.93 mills for general purposes, a fire tax of .25 mills, and an emergency services tax of .50 mills leading to a total of 8.68 mills assessed. Taxes paid prior to April 30 are payable at a 2% discount, and taxes paid after June 30 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Berks County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$165,879,500.

3. Compensated Absences

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

H. Use of Estimates

The preparation of the financial statements in accordance with the modified cash basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The Township adopts an annual operating budget, which can be amended by the supervisors throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township; however, budgets are adopted for all governmental funds. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect revenue and expenditures (expenses) recognized on the modified cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts.

Excess of Expenditures over Appropriations

For the year ended December 31, 2017, the General Fund had excess expenditures over appropriations of \$601,509. The excess expenses were paid through the receipt of unbudgeted grant revenue.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

The components of cash and investments, as presented on the various statements of assets, liabilities, and fund equity, are as follows at December 31, 2017:

Deposits	\$ 634,576
Pension investments	<u>1,586,554</u>
	<u>\$ 2,221,130</u>

Cash

Custodial Credit Risk - Deposit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2017, the carrying amount of the Township's deposits was \$634,576 and the bank balance was \$1,106,801. Of the balance, \$280,460 was covered by federal depository insurance and \$826,341 was exposed to custodial credit risk because the related collateral is held by the pledging bank's trust department and not in the Township's name, but was covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

Investments

Under Section 3204.1 of the Township Code, the Township is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Fund

The pension trust funds' investments are held separately from those of other Township funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition.

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

	<u>Fair Value</u>	<u>Level</u>
Pension Investments:		
Domestic Equity	\$ 861,926	1
Corporate Fixed Income	98,765	2
Mutual Funds	554,436	1
Other instruments (EFT/CEF and Alternative Instruments)	<u>71,427</u>	1
Total Pension Investments	<u>\$ 1,586,554</u>	

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 fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest Rate Risk

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

Credit Risk

The Township does not have an investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Township places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk - Investment

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments held, the Township has a custodial credit risk exposure of \$1,586,554 because the related securities are uninsured, unregistered and held by the broker or dealer, or by its trust department or agency, but not in the government's name.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 - LONG-TERM DEBT

The Township has the following long-term debt outstanding at December 31, 2017:

General Obligation Notes - Series of 2013

On April 15, 2013, the Township was approved for General Obligation Note, Series of 2013 in the amount of \$1,980,000. Principal payments are due annually on November 1st of each year beginning on November 1, 2013, while interest is due semi-annually on May 1st and November 1st of each year. Final payment of outstanding principal and accrued interest is due on November 1, 2037. The note bears interest at 2.5% through May 1, 2020, at which point it will be reset at 67% of the sum of LIBOR rate plus 150 basis points, but in no event less than 2.45% or more than 5.25% through the remaining life of the note. The note was used to refinance the outstanding principal of the General Obligation Notes of 2003 and 2007. Present value savings from the refinancing was approximately \$115,000.

\$ 1,518,000

Infrastructure Bank Loan of 2014

In August 2014, the Township entered into the infrastructure bank loan of 2014 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$600,000. Principal and interest payments are due annually on July 18th of each year beginning on July 18, 2015. The note bears interest at 1.625% through maturity on July 18, 2024. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note will be used for infrastructure improvements.

428,678

Infrastructure Bank Loan of 2014 - Equipment Loan

In July 2014, the Township entered into the infrastructure bank loan of 2014 - equipment loan with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$55,000. Principal and interest payments are due annually on July 15th of each year beginning on July 15, 2015. The note bears interest at 1.625% through maturity on July 15, 2019. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for purchase of capital assets.

22,534

Infrastructure Bank Loan of 2011

In September 2011, the Township entered into the infrastructure bank loan of 2011 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$500,000. Principal and interest payments are due annually on September 15th of each year beginning on September 15, 2012. The note bears interest at 1.625% through maturity on September 15, 2021. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for infrastructure improvements.

209,717

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 - LONG-TERM DEBT - CONTINUED

Infrastructure Bank Loan of 2009

In September 2009, the Township entered into the infrastructure bank loan of 2009 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$1,050,000. Principal and interest payments are due annually on November 18th of each year beginning on November 18, 2010. The note bears interest at 1.625% through maturity on November 18, 2019. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for infrastructure improvements.

223,752

Total long-term debt \$ 2,402,681

Maturities of long-term debt are as follows:

	General Obligation Notes - Series of 2013	Infrastructure Bank Loan of 2014	Infrastructure Bank Loan of 2014 - Equipment	Infrastructure Bank Loan of 2011	Infrastructure Bank Loan of 2009	Total Long- Term Debt	Interest
2018	\$ 118,000	\$ 57,960	\$ 11,720	\$ 51,168	\$ 110,975	\$ 349,823	\$ 52,348
2019	122,000	59,455	10,814	52,000	112,777	357,046	45,631
2020	109,000	60,421	-	52,845	-	222,266	38,433
2021	96,000	61,403	-	53,704	-	211,107	33,603
2022	102,000	62,400	-	-	-	164,400	29,381
2023 - 2027	247,000	127,039	-	-	-	374,039	110,313
2028 - 2032	317,000	-	-	-	-	317,000	73,892
2033 - 2037	407,000	-	-	-	-	407,000	30,756
	<u>\$ 1,518,000</u>	<u>\$ 428,678</u>	<u>\$ 22,534</u>	<u>\$ 209,717</u>	<u>\$ 223,752</u>	<u>\$ 2,402,681</u>	<u>\$ 414,357</u>

Interest expense commitments disclosed above for the General Obligation Notes - Series of 2013 are calculated using the fixed rate of 2.5% through May 1, 2020, and the interest rate floor of 2.45% through maturity.

Funds to pay outstanding long-term debt will be provided by future tax revenues, liquid fuel tax allocations, and other general revenues. Total interest expense during the year ended December 31, 2017, was \$58,816.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 - LONG-TERM DEBT - CONTINUED

The following is a summary of the Township's long-term debt transactions for the year:

	Balance 01/1/2017	Additions	Deductions	Balance 12/31/2017	Due within one year
General Obligation Notes, 2013	\$ 1,629,000	\$ -	\$ 111,000	\$ 1,518,000	\$ 118,000
Infrastructure Bank Loans	1,113,342	-	228,661	884,681	231,823
	<u>\$ 2,742,342</u>	<u>\$ -</u>	<u>\$ 339,661</u>	<u>\$ 2,402,681</u>	<u>\$ 349,823</u>

NOTE 5 - LOWER ALSACE TOWNSHIP PENSION PLAN

Lower Alsace Township administers and contributes to one single-employer defined benefit plan - Lower Alsace Township Non-Uniformed Pension Plan, and one single-employer defined contribution plan - Lower Alsace Township Non-Uniform DC Plan. The assets of the plans are invested separately and may be used only for payment of benefits to the members of the plan in accordance with the terms of the plans.

Defined Benefit Plan

Plan Description

The Lower Alsace Township Non-Uniformed Pension Plan ("the DB Plan") provides retirement, disability, and death benefits to plan members and beneficiaries. The DB Plan is governed by the Lower Alsace Township, which is responsible for the management of plan assets. The DB Plan is considered part of the Township's financial reporting entity and is included in the Township's financial statements as a pension trust fund.

Funding Policy

The contribution requirements of plan members and the Township are established and may be amended by the Township board of supervisors. For the year ended December 31, 2016, active members contributed 5% of total compensation to the DB Plan. The contributions required of the Township are based on actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended December 31, 2017, the rate of Township contributions for the DB Plan was 16.49%. The Township's contributions to the Plan for the years ended December 31, 2017, 2016, and 2015 were \$87,942, \$92,935, and \$88,941, respectively, which are equal to or exceeded the required contribution for each year.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 - LOWER ALSACE TOWNSHIP PENSION PLAN - CONTINUED

Defined Contribution Plan

Plan Description

The Lower Alsace Non-Uniform DC Plan (“the DC Plan”) is a single-employer defined contribution plan that covers all full-time, non-uniformed employees of the Lower Alsace Township hired after the DC Plan adoption resolution approved on January 28, 2015. The DC Plan is governed by the Township board of supervisors who are responsible for the management of Plan assets. The Township board of supervisors has delegated the authority to manage certain DC Plan assets to the Morgan Stanley Smith Barney LLC. The DC Plan provides for retirement, disability, and death benefits. The DC Plan is considered part of the Township’s financial reporting entity and is included in the Township’s fiduciary fund financial statements as a Pension Trust Fund.

Funding Policy

The contribution requirements of plan members and the Township are based on the plan document which has a stated rate for the Township of 8% of employee compensation as of December 31, 2017. The Township did not have a contribution to the Non-Uniform DC Plan for the year ended December 31, 2017.

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2017 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7 - INTERMUNICIPAL AGREEMENTS

County of Berks Public Safety Radio System Loans

During 2012, the Township entered into interest-free lease agreements with the County of Berks, Pennsylvania, for public safety system hardware and accessory hardware on behalf of the Community Volunteer Fire Company of Lower Alsace Township and Lower Alsace Ambulance Association. Annual payments of \$13,333 will be made beginning June 1, 2013 through 2019. The annual payments consist of \$11,459 for the Community Volunteer Fire Company of Lower Alsace Township and \$1,874 for Lower Alsace Ambulance Association.

Annual payments for all leases for the year ended December 31, 2017, were \$13,333.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 7 - INTERMUNICIPAL AGREEMENTS - CONTINUED

The future minimum lease payments are as follows at December 31:

2018		\$	13,333
2019			13,333
			13,333
		\$	26,666

Lower Alsace Volunteer Ambulance Association Loan

During 2015, the Township entered into a loan agreement with Lower Alsace Volunteer Ambulance Association in the amount of \$66,562. Under the agreement, payments of \$3,782, which include principal and interest accrued at 2.5%, are payable to the Township semi-annually. Payments to the Township commenced October 1, 2015, with all unpaid principal and interest being due March 1, 2025. Proceeds from the loan were used to purchase an advanced life support ambulance which is the Township’s security for the loan.

Total principal and interest payments received on the loan for the year ended December 31, 2017, were \$7,564, which includes principal of \$6,162 and interest of \$1,402.

The future loan payments receivable are as follows at December 31:

	Principal	Interest	Total
2018	\$ 6,317	\$ 1,247	\$ 7,564
2019	6,476	1,088	7,564
2020	6,639	925	7,564
2021	6,806	758	7,564
2022	6,978	587	7,565
2023 - 2025	18,221	689	18,910
	\$ 51,437	\$ 5,294	\$ 56,731

NOTE 8 - INTERGOVERNMENTAL COOPERATION AGREEMENT

Central Berks Regional Police Commission

The Township receives police services from the Central Berks Regional Police (“Police”), which is governed by the Central Berks Regional Police Commission (“Commission”). The operating budget for the Police is approved by the Commission and is funded equally by the participating municipalities; Lower Alsace Township and Mount Penn Borough. The intergovernmental agreement for the Commission is renewed annually and participating municipalities are required to give a one-year notice in writing to withdraw. In 2017, the Township’s cost for police services was \$890,802.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 9 - FUND BALANCE

Fund balance classifications of the Township for the year ended December 31, 2017, were as follows:

General Fund

The general fund has assigned funds of \$361,077 consisting of \$25,000 for future recreation grant matches and \$336,077, which is the appropriation of fund balance for the 2018 budget, and unassigned funds of \$228,686.

Nonmajor Funds

The nonmajor special revenue funds have restricted funds of \$5,402 in undistributed fire protection service assessments, \$6,167 in unspent emergency services funds assessments, and \$476 in unspent highway state aid funds.

NOTE 10 - COMMITMENTS

During the year ended December 31, 2017, the Township awarded a contract in the amount of \$1,094,656 for the Skyline Drive Renovation Project. The project has a remaining commitment of \$98,105 at December 31, 2017, which will be paid through grant funding from the Commonwealth of Pennsylvania.

SUPPLEMENTARY INFORMATION

LOWER ALSACE TOWNSHIP

COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	Fire Tax	Emergency Services Tax	State Highway Aid	Totals
ASSETS				
Cash and investments	\$ 5,402	\$ 6,167	\$ 476	\$ 12,045
TOTAL ASSETS	<u>\$ 5,402</u>	<u>\$ 6,167</u>	<u>\$ 476</u>	<u>\$ 12,045</u>
FUND BALANCES				
Restricted	\$ 5,402	\$ 6,167	\$ 476	\$ 12,045
TOTAL FUND BALANCES	<u>\$ 5,402</u>	<u>\$ 6,167</u>	<u>\$ 476</u>	<u>\$ 12,045</u>

LOWER ALSACE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2017

	Fire Tax	Emergency Services Tax	State Highway Aid	Totals
REVENUES				
Real estate taxes	\$ 39,576	\$ 78,670	\$ -	\$ 118,246
Interest and rent	19	3	121	143
Intergovernmental	-	-	157,881	157,881
Other	-	-	15	15
	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
TOTAL REVENUES	39,595	78,673	158,017	276,285
EXPENDITURES				
Public Safety:				
Fire	60,293	-	-	60,293
Ambulance/rescue	-	73,197	-	73,197
Debt Service - principal	-	-	154,775	154,775
Debt Service - interest	-	-	4,225	4,225
	<u>-</u>	<u>-</u>	<u>4,225</u>	<u>4,225</u>
TOTAL EXPENDITURES	60,293	73,197	159,000	292,490
NET CHANGE IN FUND BALANCES	(20,698)	5,476	(983)	(16,205)
FUND BALANCES - BEGINNING OF YEAR	26,100	691	1,459	28,250
	<u>26,100</u>	<u>691</u>	<u>1,459</u>	<u>28,250</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,402</u>	<u>\$ 6,167</u>	<u>\$ 476</u>	<u>\$ 12,045</u>

LOWER ALSACE TOWNSHIP
COMBINING STATEMENT OF NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

December 31, 2017

	Defined Benefit Pension Fund	Defined Contribution Pension fund	Total Pension Trust Funds
ASSETS			
Cash	\$ 27,035	\$ 3,903	\$ 30,938
Investments	1,581,965	4,589	1,586,554
TOTAL ASSETS	<u>1,609,000</u>	<u>8,492</u>	<u>1,617,492</u>
NET POSITION - held in trust for pension benefits	<u>\$ 1,609,000</u>	<u>\$ 8,492</u>	<u>\$ 1,617,492</u>

LOWER ALSACE TOWNSHIP

**COMBINING STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

Year Ended December 31, 2017

	Defined Benefit Pension Fund	Defined Contribution Pension fund	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Township and Commonwealth	\$ 87,942	\$ -	\$ 87,942
Employees	10,291	1,574	11,865
Investment income	231,918	436	232,354
	TOTAL ADDITIONS	2,010	332,161
	330,151	2,010	332,161
DEDUCTIONS			
Benefit payments	120,048	-	120,048
Administrative expenses	18,273	170	18,443
	TOTAL DEDUCTIONS	170	138,491
	138,321	170	138,491
CHANGE IN NET POSITION	191,830	1,840	193,670
TOTAL NET POSITION - BEGINNING OF YEAR	1,417,170	6,652	1,423,822
TOTAL NET POSITION - END OF YEAR	\$ 1,609,000	\$ 8,492	\$ 1,617,492

OTHER INFORMATION

LOWER ALSACE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

UNAUDITED

Year Ended December 31, 2017

	*		
	Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 1,300,929	\$ 1,297,897	\$ (3,032)
Earned income taxes	510,000	553,240	43,240
Other taxes	105,378	111,266	5,888
Licenses, permits, and fines	108,686	117,184	8,498
Interest and rent	6,500	6,712	212
Intergovernmental	119,656	780,700	661,044
Charges for services	99,146	93,060	(6,086)
Other	-	7,563	7,563
	<u>2,250,295</u>	<u>2,967,622</u>	<u>717,327</u>
EXPENDITURES			
Current:			
General government	289,069	285,404	3,665
Public safety:			
Police	982,357	920,375	61,982
Fire	46,009	55,167	(9,158)
Ambulance/rescue	1,874	1,874	-
Other (planning, zoning)	122,030	128,339	(6,309)
Public works - sanitation	12,974	14,528	(1,554)
Public works - highways and streets	732,337	1,394,565	(662,228)
Culture and recreation	4,500	9,800	(5,300)
Debt service - principal	180,661	184,886	(4,225)
Debt service - interest	58,817	54,591	4,226
Employer paid benefits and insurance	279,028	261,636	17,392
	<u>2,709,656</u>	<u>3,311,165</u>	<u>(601,509)</u>
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES			
	(459,361)	(343,543)	115,818
OTHER FINANCING SOURCES			
Transfers out	(25,000)	-	25,000
Sale of capital assets	-	7,593	7,593
	<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ (335,950)</u>	<u>\$ 148,411</u>
FUND BALANCE - BEGINNING OF YEAR		<u>925,713</u>	
FUND BALANCE - END OF YEAR		<u>\$ 589,763</u>	

* Original and Final Budget are the same.

LOWER ALSACE TOWNSHIP
NON-UNIFORMED PENSION PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

UNAUDITED

SCHEDULE OF FUNDING PROGRESS*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ 1,583,169	\$ 1,849,331	\$ 266,162	85.6%	\$ 219,590	126.4%
01/01/15	1,478,430	1,762,599	284,169	83.9%	238,555	119.1%
01/01/13	1,211,292	1,631,515	420,233	74.2%	273,886	153.4%

NOTE: For the 1/1/17 actuarial valuation, the interest rate assumption decreased from 7.75% to 7.50% and the salary projection assumption decreased from 4.75% to 4.5%, which resulted in an additional liability of \$37,437. The Township also changed the valuation of pension assets from market value to a five year smoothed market value, which resulted in a reduction of the actuarial liability by \$166,396.

SCHEDULE OF EMPLOYER CONTRIBUTIONS*

Fiscal Year	Annual Required Contribution	Percentage Contributed
2017	\$ 87,942	100%
2016	92,935	100%
2015	88,941	100%
2014	93,024	100%
2013	86,510	109%
2012	80,432	100%

* Schedules prepared in accordance with PA Act 205