

SOUTH HEIDELBERG TOWNSHIP

**FINANCIAL STATEMENTS,
SUPPLEMENTARY AND OTHER INFORMATION**

Year Ended December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
South Heidelberg Township
Sinking Spring, 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 South Heidelberg 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 risks 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 South Heidelberg 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 modified cash 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 South Heidelberg Township's basic financial statements. The combining modified cash basis nonmajor governmental fund and fiduciary fund 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 South Heidelberg Township's basic financial statements. The budgetary comparison information and the pension plan schedules of funding progress and employer contributions, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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
April 10, 2018

SOUTH HEIDELBERG TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	<u>\$ 2,362,593</u>
TOTAL ASSETS	<u>2,362,593</u>
LIABILITIES	
Payroll taxes withheld	<u>442</u>
NET POSITION	
Restricted for:	
Public safety	136,015
Highways and streets	450,547
Culture and Recreation	53,355
Unrestricted	<u>1,722,234</u>
TOTAL NET POSITION	<u><u>\$ 2,362,151</u></u>

SOUTH HEIDELBERG TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities:				
General government	\$ 735,172	\$ 266,511	\$ 127,988	\$ (340,673)
Public safety:				
Police	993,957	37,122	-	(956,835)
Fire/ambulance/rescue	497,055	48,503	44,177	(404,375)
Other (planning, zoning)	207,110	237,848	-	30,738
Health and human services	12,049	-	-	(12,049)
Public works - sanitation	37,617	6,157	15,981	(15,479)
Public works - highways and streets	1,178,019	569,896	334,699	(273,424)
Culture and recreation	148,389	71,906	-	(76,483)
Debt service principal	130,411	-	-	(130,411)
Debt service interest	33,582	-	-	(33,582)
Employer paid benefits and insurance	258,387	-	108,959	(149,428)
Total Governmental Activities	\$ 4,231,748	\$ 1,237,943	\$ 631,804	(2,362,001)
General Revenues:				
Taxes:				
Property taxes				1,601,770
Earned income taxes				1,054,766
Franchise, local services, and other taxes				300,039
Investment earnings				19,323
Proceeds from issuance of long-term debt				255,266
Miscellaneous income				54,956
Total General Revenues				3,286,120
Change in Net Position				924,119
Net Position - Beginning of Year				1,438,032
Net Position - End of Year				\$ 2,362,151

See accompanying notes.

SOUTH HEIDELBERG TOWNSHIP

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

December 31, 2017

	General	State Liquid Fuels	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,054,753	\$ 70,684	\$ 237,156	\$ 2,362,593
TOTAL ASSETS	\$ 2,054,753	\$ 70,684	\$ 237,156	\$ 2,362,593
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payroll taxes withheld	\$ 442	\$ -	\$ -	\$ 442
FUND BALANCES				
Restricted for:				
Fire protection	-	-	125,083	125,083
Ambulance rescue	-	-	10,932	10,932
Traffic impact	278,722	-	-	278,722
Liquid fuels	-	70,684	-	70,684
Street lighting	-	-	101,141	101,141
Recreation	53,355	-	-	53,355
Committed for:				
Bridge capital fund	10,000	-	-	10,000
Buildings and maintenance capital fund	64,813	-	-	64,813
MS4 capital fund	50,000	-	-	50,000
Police capital fund	5,900	-	-	5,900
Public works equipment fund	10,000	-	-	10,000
Roadway capital fund	70,000	-	-	70,000
Unassigned Fund Balances:				
General fund	1,511,521	-	-	1,511,521
TOTAL FUND BALANCES	2,054,311	70,684	237,156	2,362,151
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,054,753	\$ 70,684	\$ 237,156	\$ 2,362,593

SOUTH HEIDELBERG TOWNSHIP

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

For The Year Ended December 31, 2017

	General	State Liquid Fuels	Nonmajor Funds	Total Governmental Funds
REVENUES				
Real estate taxes	\$ 1,214,833	\$ -	\$ 386,937	\$ 1,601,770
Earned income taxes	1,054,766	-	-	1,054,766
Enabling taxes	300,039	-	-	300,039
Licenses, permits, and fines	99,014	-	-	99,014
Interest and rent	185,419	2,854	2,310	190,583
Intergovernmental	281,291	332,516	-	613,807
Charges for services	862,613	-	-	862,613
Special assessments	-	-	105,056	105,056
Other	108,218	-	-	108,218
TOTAL REVENUES	4,106,193	335,370	494,303	4,935,866
EXPENDITURES				
Current:				
General government	735,172	-	-	735,172
Public safety:				
Police	993,957	-	-	993,957
Fire/ambulance/rescue	81,354	-	415,701	497,055
Other (planning, zoning)	207,110	-	-	207,110
Health and human services	12,049	-	-	12,049
Public works - sanitation	37,617	-	-	37,617
Public works - highways and streets	716,180	377,643	84,196	1,178,019
Culture and recreation	148,389	-	-	148,389
Debt service principal	130,411	-	-	130,411
Debt service interest	33,582	-	-	33,582
Employer paid benefits and insurance	293,652	-	-	293,652
TOTAL EXPENDITURES	3,389,473	377,643	499,897	4,267,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	716,720	(42,273)	(5,594)	668,853
OTHER FINANCING SOURCES				
Proceeds from issuance of long-term debt	255,266	-	-	255,266
NET CHANGE IN FUND BALANCE	971,986	(42,273)	(5,594)	924,119
FUND BALANCES - BEGINNING OF YEAR - RESTATED	1,082,325	112,957	242,750	1,438,032
FUND BALANCES - END OF YEAR	\$ 2,054,311	\$ 70,684	\$ 237,156	\$ 2,362,151

See accompanying notes.

SOUTH HEIDELBERG TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS - FIDUCIARY FUNDS

December 31, 2017

	Pension Trust Funds	Agency Fund (Developer Escrows)
ASSETS		
Cash and Investments	\$ 1,318,815	\$ 3,409
TOTAL ASSETS	<u>1,318,815</u>	<u>3,409</u>
LIABILITIES		
Funds held in escrow	-	\$ 3,409
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 1,318,815</u>	

SOUTH HEIDELBERG TOWNSHIP

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

For The Year Ended December 31, 2017

	<u>Pension Trust Funds</u>
ADDITIONS	
Municipal and state contributions	\$ 112,540
Investment income	<u>155,385</u>
TOTAL ADDITIONS	267,925
DEDUCTIONS	
Benefit payments	76,535
Administrative expenses	<u>20,888</u>
TOTAL DEDUCTIONS	<u>97,423</u>
CHANGE IN NET POSITION	170,502
TOTAL NET POSITION - BEGINNING OF YEAR	<u>1,148,313</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 1,318,815</u></u>

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

South Heidelberg Township (the "Township"), Berks County, Pennsylvania, is a second class township created in 1914. The Township is governed by three (3) elected supervisors in accordance with laws of the Commonwealth of Pennsylvania. The supervisors must be residents and 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 1D., 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.

The South Heidelberg Township Municipal Authority was evaluated as a potential component unit; however, although the Township appoints the Authority's governing board, the Township is not able to impose its will nor does the Authority impose any financial burden on the Township. Therefore, the Authority is not considered a component unit of the Township.

B. 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. They 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 does not have any business-type activities.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

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 charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function or 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.

C. 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 Reports the Following Major Governmental Funds:

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.

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 following is a major fund:

- *State Liquid Fuels 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.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The Township's nonmajor special revenue funds are:

- *Fire Hydrant Fund* - This fund is used to account for the receipts generated from the fire hydrant assessments received from Township residents for the purpose of providing fire protection support throughout the Township.
- *Fire Protection Fund* - This fund is used to account for receipts generated from the 0.8 mill real estate tax received from Township residents for the purpose of providing fire protection services throughout the Township.
- *Ambulance Services Fund* - This fund is used to account for receipts generated from the 0.2 mill real estate tax received from Township residents for the purpose of providing ambulance services throughout the Township.
- *Street Lighting Fund* - This fund is used to account for the collection of street light assessments which are used for lighting designated streets within the Township.

Additionally, the Township Reports the Following Fund Types:

Fiduciary Funds - The Township's fiduciary funds are trust funds and agency 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 trust funds include:

- *South Heidelberg Township Police Pension Fund* - This fund was established to provide pension benefits to Township employees.
- *South Heidelberg Township Nonuniformed Pension Fund* - This fund was established to provide pension benefits to Township employees.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township's agency funds include monies held for large construction projects.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

D. 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, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The Township currently has no business-type activities.

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.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

1. Measurement Focus - continued

- 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 statements of net position or balance sheets 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, interfund receivables and payables, 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.

If the Township utilized accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for 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.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. 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.

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).

4. Net Position/Fund Balance Classifications

Government-Wide Statements and Fiduciary Funds

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.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

4. Net Position/Fund Balance Classifications - continued

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 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.

Spending Policy

The Township does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available is 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.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. 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 revenues. The Township has the following program revenues in each activity:

General Government - Includes receipts for licenses, rent of buildings, reimbursement from other governments for shared employee costs and contributions, and an operating grant from the Commonwealth of Pennsylvania.

Public Safety - Charges for services include receipts for fines and permits, fire hydrant fees, and reimbursement from other entities for shared costs; operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania.

Public Works: Sanitation - Charges for services includes fees for composting/recycling and a recycling grant.

Public Works: Highways and Streets - Charges for services include impact fees, street light fees, and receipts for winter maintenance of state roads; operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania.

Culture and Recreation - Includes receipts from the Township's summer recreation program.

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

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

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 3.1 mills for general purposes, a fire tax of 0.8 mills and an EMS tax of 0.2 mills for a total of 4.1 mills. 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 \$397,295,200 for the 2017 tax year.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Revenues, Expenditures, and Expenses - continued

3. Compensated Absences

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

G. 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 only for the general fund and state liquid fuels fund. 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, no individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

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:

Petty cash	\$ 75
Deposits	1,895,589
Pooled cash and investments (PLGIT)	470,338
Pension cash equivalent and investments	<u>1,318,815</u>
	<u>\$ 3,684,817</u>

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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 \$1,895,589 and the bank balance was \$2,095,858. Of the balance, \$253,409 was covered by federal depository insurance and \$1,842,449 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.

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

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA Local Government Investment Trust			
Money Market Fund	< 1 year	\$ 472,525	\$ 472,525
Less: Reconciling Items			<u>(2,187)</u>
Total Pooled Cash and Investments			<u>\$ 470,338</u>

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Certain external pool investments held by the Township, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The Township measures those investments, which include PLGIT, at amortized cost.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

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 assets.

As of December 31, 2017, the Township had all its pension investments in mutual funds which consisted of the following at December 31, 2017:

	<u>Balance</u>	<u>Level</u>
Mutual Funds:		
Domestic Equity	\$ 689,312	2
Fixed Income	462,014	2
International Equity	108,028	2
Short-Term Cash Equivalents	<u>59,461</u>	2
	<u>\$ 1,318,815</u>	

An investment company holds the Township's investments in diversified and balanced portfolios consisting of mutual funds. These investments are valued based on the quoted market prices for shares held. The fair value of the Township's investments has been established utilizing the net asset value of the units allocated to the Township.

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 has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2017, the Township's investments were all in mutual funds which had no ratings, or PLGIT which is not rated as it is part of a government investment pool.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The Township places no limit on the amount that may be invested in any one issuer. All of the Township's investments are either issued or guaranteed by the U.S. Government or are in mutual funds/pools.

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 \$1,318,815 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.

NOTE 4 - LONG-TERM DEBT

Notes payable are as follows at December 31, 2017:

General Obligation Note - Series A of 2012:

On June 12, 2012, the Township was approved for General Obligation Note, Series A of 2012 in the amount of \$1,221,000. Principal payments are due semi-annually on June 15th and December 15th of each year beginning on December 15, 2018, while interest is due semi-annually on June 15th and December 15th of each year. Final payment of outstanding principal and accrued interest is due on December 15, 2027. Effective January 15, 2015, the note was modified and now bears interest at 2.19% through December 15, 2021, at which time it will convert to a variable rate equal to the sum of 67% of LIBOR, plus 1.50% through maturity, provided that at no time shall such rate be lower than 2.0% nor exceed 4.95%. Proceeds from the issuance of this note were used to purchase a building.

\$ 1,221,000

General Obligation Note - Series B of 2012:

On June 12, 2012, the Township was also approved for General Obligation Note, Series B of 2012 in the amount of \$774,000. Principal and interest payments are due semi-annually on June 15th and December 15th of each year. Final payment of outstanding principal and accrued interest is due on December 15, 2018. Effective January 15, 2015, the note was modified and now bears interest at a fixed rate of 2.99% through maturity. Proceeds from the issuance of this note were used to purchase a building.

119,000

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 - LONG-TERM DEBT - CONTINUED

General Obligation Note - Series of 2017 (Vehicle):

On November 10, 2017, the Township was approved for General Obligation Note, Series of 2017 in the amount of \$89,982. Principal and interest payments are due monthly beginning in December 2017 through maturity in November 2022. The note bears interest at fixed rate of 2.50%. Proceeds from the issuance of this note were used to purchase a new vehicle.

88,571

General Obligation Note - Series of 2017 (Freightliner):

In October 2017, the Township was approved for General Obligation Note, Series of 2017 in the amount of \$165,284. Principal and interest payments are due monthly beginning in 2018 through maturity in 2023. The note bears interest at fixed rate of 2.50%. Proceeds from the issuance of this note were used to purchase a new freightliner.

165,284

Total Notes Payable \$ 1,593,855

Funds to pay outstanding long-term liabilities will be provided by future tax revenues and other general revenue. Total interest and fiscal agent expense during the year ended December 31, 2017, was \$33,582.

Maturities on the General Obligation Notes are as follows:

	GON Series 2012 A	GON Series 2012 B	GON Series 2017 - Vehicle	GON Series 2017 - Freightliner	Total	Interest *
2018	\$ 16,000	\$ 119,000	\$ 17,145	\$ 25,856	\$ 178,001	\$ 35,167
2019	128,000	-	17,578	26,510	172,088	30,381
2020	120,000	-	18,022	27,181	165,203	26,594
2021	126,000	-	18,478	27,868	172,346	22,790
2022	133,000	-	17,348	28,573	178,921	17,308
2023 - 2027	698,000	-	-	29,296	727,296	36,588
	<u>\$ 1,221,000</u>	<u>\$ 119,000</u>	<u>\$ 88,571</u>	<u>\$ 165,284</u>	<u>\$ 1,593,855</u>	<u>\$ 168,828</u>

* Interest subject to a variable rate is calculated using 2.19% which was the variable rate at time of report issuance for GON Series 2012 and a fixed rate of 2.5% for GON Series 2017.

SOUTH HEIDELBERG 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 1/1/2017	Additions	Deductions	Balance 12/31/2017
Series A Note of 2012	\$ 1,221,000	\$ -	\$ -	\$ 1,221,000
Series B Note of 2012	248,000	-	129,000	119,000
Note of 2017 - Vehicle	-	89,982	1,411	88,571
Note of 2017 - Freightliner	-	165,284	-	165,284
	<u>\$ 1,469,000</u>	<u>\$ 255,266</u>	<u>\$ 130,411</u>	<u>\$ 1,593,855</u>

NOTE 5 - SOUTH HEIDELBERG TOWNSHIP'S RETIREMENT PLANS

South Heidelberg Township has two defined benefit pension plans: South Heidelberg Township Police Pension Plan and South Heidelberg Nonuniformed Pension Plan. The assets of the Plans are invested separately and each Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan.

Plan Descriptions

South Heidelberg Township Police Pension Plan is a single-employer defined benefit plan that covers all full-time police officers of South Heidelberg Township and which is controlled by the provisions of Ordinance No. 109, as amended, adopted pursuant to Act 600. The plan is governed by the Township board of supervisors. The Township board of supervisors has delegated the authority to manage certain plan assets to Nationwide Pension Services. The plan provides retirement, disability, and pre-retirement death benefits to the plan members.

South Heidelberg Township Nonuniformed Pension Plan is a single-employer defined benefit plan that covers all full-time, nonuniformed employees of South Heidelberg Township and which is controlled by the provisions of Ordinance No. 98, adopted pursuant to Act 69. The plan is governed by the Township board of supervisors. The Township board of supervisors has delegated the authority to manage certain plan assets to Nationwide Pension Services. The plan provides retirement and pre-retirement death benefits only to the plan members.

The Plans are considered part of the Township's financial reporting entity and are included in the Township's fiduciary fund financial statements as Pension Trust Funds.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 - SOUTH HEIDELBERG TOWNSHIP'S RETIREMENT PLANS - CONTINUED

Funding Policy

The contribution requirements of plan members and the Township are established and may be amended by the Township board of supervisors. 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 Police Pension Plan and the Nonuniformed Pension Plan was 9.30% and 3.32% of covered payroll, respectively. The Township's contributions to the Police Pension Plan for the years ended December 31, 2017, 2016, and 2015 were \$86,471, \$81,470, and \$73,249, respectively, which are equal to or more than the required contribution for each year. The Township's contributions to the Nonuniformed Pension Plan for the years ended December 31, 2017, 2016, and 2015 were \$26,069, \$25,899, and \$16,932, respectively, which are equal to or more than the required contribution for each year.

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

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 South Heidelberg Township Police Department, Western Berks Ambulance Association, and Western Berks Fire Department. Annual payments of \$41,440 will be made beginning June 1, 2013 through 2019. The annual payments consist of \$8,251 for the South Heidelberg Township Police Department hardware, \$853 for Western Berks Ambulance Association hardware, and \$32,336 for Western Berks Fire Department hardware.

Total payments under this lease for the year ended December 31, 2017, were \$41,440.

SOUTH HEIDELBERG 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	\$ 9,104
2019	<u>33,213</u>
	<u>\$ 42,317</u>

The Township entered into a reimbursement agreement with Western Berks Fire Department on January 15, 2013. Western Berks Fire Department will make annual payments of \$32,336 to the Township beginning June 1, 2013 through 2019 to reimburse the Township for lease payments made on behalf of Western Berks Fire Department for public safety system hardware and accessory hardware.

During 2012, the Township entered into an agreement to lease a portion of their office space. Under the agreement, the Township receives \$11,506 per month base rent from June 12, 2012, through May 31, 2019, when the rental agreement may be ended or renewed. The Township also receives a monthly reimbursement for the tenant's share of utilities. Beginning January 1, 2013, the tenant is responsible for the payment of all real estate taxes imposed against the property during the term of the agreement. Total rental income received for the year ended December 31, 2017, was \$171,260.

NOTE 8 - INTERGOVERNMENTAL COOPERATION AGREEMENT

The Township is an agency member, along with three other participating municipalities, of the Western Berks Fire Department. All agency members are required to pay an annual membership fee in accordance with its proportionate share of the tax base of the region served. For the year ended December 31, 2017, the Township's percentage of the tax base was 37.67% with membership fees paid of \$311,519.

SOUTH HEIDELBERG TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 9 - FUND BALANCE/RESTATEMENT OF BEGINNING FUND BALANCES

On January 1, 2017, the Township restated beginning fund balance in the general fund, fire protection tax fund (nonmajor fund), and ambulance services tax fund (nonmajor fund) in order to separate fire protection and ambulance services tax revenues in special revenue funds. The restatement was as follows:

	<u>General</u>	<u>Fire Protection (Nonmajor Fund)</u>	<u>Ambulance Services (Nonmajor Fund)</u>
Fund balance - December 31, 2016	\$ 1,205,145	\$ -	\$ -
Allocation to Special Revenue Funds	<u>(122,820)</u>	<u>109,708</u>	<u>13,112</u>
Fund balance - January 1, 2017	<u>\$ 1,082,325</u>	<u>\$ 109,708</u>	<u>\$ 13,112</u>

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

General Fund

The general fund has unassigned funds of \$1,511,033. The general fund has restricted funds of \$332,077, consisting of \$278,722 in unspent traffic impact fees and \$53,355 in unspent subdivision culture and recreation fees. In addition, the Township committed \$210,713 for capital improvements.

State Liquid Fuels Fund

The liquid fuels fund has restricted funds of \$70,684, consisting of unspent highway state aid funds.

Nonmajor Funds

The nonmajor special revenue funds have restricted funds of \$237,156, consisting of \$125,083 in unspent fire protection funds, \$10,932 in undistributed ambulance rescue fees, and \$101,141 in unspent street lighting funds.

SUPPLEMENTARY INFORMATION

SOUTH HEIDELBERG TOWNSHIP

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

December 31, 2017

	<u>Fire Hydrant</u>	<u>Fire Protection</u>	<u>Ambulance Services</u>	<u>Street Lighting</u>	<u>Totals</u>
ASSETS					
Cash and investments	<u>\$ 16,174</u>	<u>\$ 108,909</u>	<u>\$ 10,932</u>	<u>\$ 101,141</u>	<u>\$ 237,156</u>
TOTAL ASSETS	<u><u>\$ 16,174</u></u>	<u><u>\$ 108,909</u></u>	<u><u>\$ 10,932</u></u>	<u><u>\$ 101,141</u></u>	<u><u>\$ 237,156</u></u>
FUND BALANCES					
Restricted	<u>\$ 16,174</u>	<u>\$ 108,909</u>	<u>\$ 10,932</u>	<u>\$ 101,141</u>	<u>\$ 237,156</u>
TOTAL FUND BALANCES	<u><u>\$ 16,174</u></u>	<u><u>\$ 108,909</u></u>	<u><u>\$ 10,932</u></u>	<u><u>\$ 101,141</u></u>	<u><u>\$ 237,156</u></u>

SOUTH HEIDELBERG TOWNSHIP

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

For The Year Ended December 31, 2017

	Fire Hydrant	Fire Protection	Ambulance Services	Street Lighting	Totals
REVENUES					
Real estate taxes	\$ -	\$ 309,550	\$ 77,387	\$ -	\$ 386,937
Interest and rent	175	1,170	113	852	2,310
Special assessments	16,167		-	88,889	105,056
TOTAL REVENUES	16,342	310,720	77,500	89,741	494,303
EXPENDITURES					
Public safety - fire/ambulance/rescue	24,502	311,519	79,680	-	415,701
Public works - highways and streets	-	-	-	84,196	84,196
TOTAL EXPENDITURES	24,502	311,519	79,680	84,196	499,897
NET CHANGE IN FUND BALANCES	(8,160)	(799)	(2,180)	5,545	(5,594)
FUND BALANCES - BEGINNING OF YEAR - RESTATED	24,334	109,708	13,112	95,596	242,750
FUND BALANCES - END OF YEAR	\$ 16,174	\$ 108,909	\$ 10,932	\$ 101,141	\$ 237,156

SOUTH HEIDELBERG TOWNSHIP

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

December 31, 2017

	Police Pension Fund	Nonuniformed Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and Investments	\$ 969,452	\$ 349,363	\$ 1,318,815
TOTAL ASSETS	<u>969,452</u>	<u>349,363</u>	<u>1,318,815</u>
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 969,452</u>	<u>\$ 349,363</u>	<u>\$ 1,318,815</u>

SOUTH HEIDELBERG TOWNSHIP

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

For The Year Ended December 31, 2017

	Police Pension Funds	Nonuniformed Pension Fund	Total Pension Trust Funds
ADDITIONS			
Municipal and state contributions	\$ 86,471	\$ 26,069	\$ 112,540
Investment income	114,553	40,832	155,385
TOTAL ADDITIONS	201,024	66,901	267,925
DEDUCTIONS			
Benefit payments	63,484	13,051	76,535
Administrative expenses	14,112	6,776	20,888
TOTAL DEDUCTIONS	77,596	19,827	97,423
CHANGE IN NET POSITION	123,428	47,074	170,502
TOTAL NET POSITION - BEGINNING OF YEAR	846,024	302,289	1,148,313
TOTAL NET POSITION - END OF YEAR	<u>\$ 969,452</u>	<u>\$ 349,363</u>	<u>\$ 1,318,815</u>

OTHER INFORMATION

SOUTH HEIDELBERG TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

UNAUDITED

For The Year Ended December 31, 2017

	*		
	Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 1,585,540	\$ 1,214,833	\$ (370,707)
Earned income taxes	965,000	1,054,766	89,766
Enabling taxes	275,000	300,039	25,039
Licenses, permits, and fines	86,180	99,014	12,834
Interest and rent	183,800	185,419	1,619
Intergovernmental	268,728	281,291	12,563
Charges for services	201,495	862,613	661,118
Other	26,223	108,218	81,995
TOTAL REVENUES	3,591,966	4,106,193	514,227
EXPENDITURES			
Current:			
General government	619,549	735,172	(115,623)
Public safety:			
Police	990,420	993,957	(3,537)
Fire/ambulance/rescue	475,110	81,354	393,756
Other (planning, zoning)	102,420	207,110	(104,690)
Health and human services	9,875	12,049	(2,174)
Public works - sanitation	27,500	37,617	(10,117)
Public works - highways and streets	672,912	716,180	(43,268)
Culture and recreation	146,978	148,389	(1,411)
Debt service principal	129,000	130,411	(1,411)
Debt service interest	33,650	33,582	68
Employer paid benefits and insurance	303,765	293,652	10,113
TOTAL EXPENDITURES	3,511,179	3,389,473	121,706
EXCESS OF REVENUES OVER EXPENDITURES	80,787	716,720	635,933
OTHER FINANCING SOURCES			
Proceeds from issuance of long-term debt	-	255,266	255,266
NET CHANGE IN FUND BALANCE	\$ 80,787	971,986	\$ 891,199
FUND BALANCE - BEGINNING OF YEAR - RESTATED		1,082,325	
FUND BALANCE - END OF YEAR		\$ 2,054,311	

* Original and Final Budget are the same.

SOUTH HEIDELBERG TOWNSHIP

**POLICE AND NONUNIFORMED PENSION PLANS - SCHEDULE OF FUNDING PROGRESS
AND EMPLOYER CONTRIBUTIONS**

UNAUDITED

SCHEDULES 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)
POLICE PENSION PLAN						
1/1/2017	\$ 851,314	\$ 1,213,132	\$ 361,818	70.2%	\$ 634,859	57.0%
1/1/2015	775,876	1,038,545	262,669	74.7%	509,273	51.6%
1/1/2013	582,800	818,416	235,616	71.2%	481,193	49.0%
NONUNIFORMED PENSION PLAN						
01/01/17	\$ 303,377	\$ 515,354	\$ 211,977	58.9%	\$ 409,964	51.7%
01/01/15	263,924	340,989	77,065	77.4%	403,610	19.1%
01/01/13	211,270	236,212	24,942	89.4%	333,037	7.5%

NOTE: For the 1/1/17 actuarial valuation, changes in mortality assumptions and changes in benefits for the non-uniform plan (normal retirement age reduced from 65 to 62; benefit percentage changed to 1% at 25% maximum; and full vesting reduced from 15 years to 10 years) resulted in an additional liability of \$126,747 across all plans.

For the 1/1/15 actuarial valuation, the interest rate assumption decreased from 8.00% to 7.50% and the salary projection assumption decreased from 5.00% to 4.50%, which resulted in an additional liability of \$79,176 across all plans. In addition, asset method was changed to market value.

SCHEDULES OF EMPLOYER CONTRIBUTIONS*

Fiscal Year	Annual Required Contribution	Percentage Contributed
POLICE PENSION PLAN		
2017	\$ 86,471	100%
2016	74,528	109%
2015	73,249	100%
2014	65,804	100%
2013	65,190	100%
2012	62,823	100%
NONUNIFORMED PENSION PLAN		
2017	\$ 26,069	100%
2016	18,233	142%
2015	16,932	100%
2014	15,567	125%
2013	14,113	100%
2012	14,464	100%

* Schedules prepared in accordance with PA Act 205. The valuations are used to determine minimum municipal obligation for the plans.