

# **Township of Manheim**

## Financial Statements and Required Supplementary Information

Year Ended December 31, 2015 with  
Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

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# TOWNSHIP OF MANHEIM

YEAR ENDED DECEMBER 31, 2015

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## Independent Auditor's Report

Board of Commissioners  
Township of Manheim

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Manheim (Township) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the Township to record its net pension liability and related items on the government-wide and proprietary fund financial statements. Our opinion is not modified with respect to that matter.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other postemployment benefit information on pages i through xii, 55 through 57, and pages 58 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Maher Duessel*

Harrisburg, Pennsylvania  
June 24, 2016

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

### Management's Discussion and Analysis

As management of the **Township of Manheim**, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with our financial statements. While the General Municipal Authority of the Township of Manheim (Authority) is a separate legal entity, it is shown in the financial statements as a discretely presented component unit. This overview, however, focuses on the primary government and, unless otherwise noted, this component unit is not included in this discussion.

### Financial Highlights

The following information highlights the most significant changes to the Township's financial position over the last year. Though not intended to be all-inclusive, this information provides a snapshot of the most important changes in the Township's financial position over the 2015 calendar year.

- The government-wide assets of the **Township of Manheim** exceeded its liabilities at the close of the most recent financial year by \$83,039,975 (net position). Of this amount, \$14,949,173 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Township's government-wide total net position increased by \$6,278,708.
- As of the close of the current financial year, the **Township of Manheim's** governmental funds reported a combined ending fund balance of \$31,082,231, an increase of \$409,407 in comparison with the prior year. Of this ending fund balance, \$13,018,147 is available for spending at the Township's discretion (unassigned fund balance). This unassigned fund balance for the general fund comprises 41.9 percent of the total fund balances for governmental funds.
- The **Township of Manheim** had \$17,730,000 in debt outstanding compared to \$18,275,000 in the prior year, an decrease of 3.0 percent. The 2009 General Obligation Bond proceeds funded the construction of a new Library and sports field's complex and the purchase of the land housing the sports complex. This bond issue also funded the Northwest Pumping Station and Transmission Main for the Manheim Township General Municipal Authority. The debt service payments for this project will be reimbursed, to the extent possible, by the Authority. A portion of the 2009 General Obligation Bonds was refunded through the issuance of the 2014 General Obligation Bonds. Additionally the **Township of Manheim** has three capital lease obligations of which \$1,607,544 remains outstanding.

### Noteworthy Events

The Board of Directors of the Manheim Township Overlook Community Foundation adopted a plan of complete liquidation and dissolution. In accordance with the plan, the Foundation distributed all their net assets, almost \$6,900,000, to Manheim Township during 2015.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

Manheim Township adopted GASB Statement Nos. 68 and 71 for pension reporting, which requires the Township to record its net pension liability and related items on the government-wide and proprietary fund financial statements for year ending December 31, 2015. The beginning net position was restated by \$5,279,430 for governmental activities and by \$90,050 for the enterprise fund.

### **Overview of the Financial Statements**

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

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

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

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

The government-wide financial statements of the Township distinguish functions or programs of the Township that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the **Township of Manheim** include general government, police, other public safety, public works, library, parks and recreation, and debt service interest. The business-type activity of the **Township of Manheim** is the overlook golf course.

### **Fund Financial Statements**

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

**Governmental Funds** - Governmental fund financial statements focus on "current financial flow" of financial resources. Such information may be useful in evaluating a government's near-term financing requirements.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

The Township maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, general capital reserve fund, and the impact fee fund, which are considered to be major funds. Data from the other governmental funds, which consist of the state highway aid fund, fire protection tax fund, and the park reserve fund, which are considered non-major funds, is combined for an aggregated presentation.

The Township adopts an annual appropriated budget for its general fund, fire protection tax fund, state highway aid fund, general capital reserve fund, impact fee fund, and park reserve fund. Budgetary comparison statements have been provided for the general fund and impact fee fund to demonstrate compliance with the budget.

**Proprietary Funds** - The **Township of Manheim** maintains one type of proprietary fund, an enterprise fund to account for its Overlook Golf Course operations.

The Township adopts an annual appropriated budget for its overlook golf course fund.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held as a trustee or agent for individuals, private organizations, and/or governmental units. Fiduciary funds resources are not available to support the Township's own programs. The Township uses fiduciary funds to account for the police pension plan, non-uniformed employee pension plan, and the non-uniformed employee money purchase pension plan.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information. The budgetary comparison information and historical pension and other postemployment benefit information are presented in this section.

### **Government-Wide Financial Analysis**

As noted earlier, net position serves over time as a useful indicator of a government's financial position. In the case of the **Township of Manheim**, assets exceeded liabilities by \$83,039,975 at the close of the most recent financial year. The balance of unrestricted net position, \$14,949,173, may be used to meet the government's ongoing obligations to its citizens and creditors.



# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

At the end of the current financial year, the **Township of Manheim** is able to report positive net position, both for the governmental activities, as well as the business-type activity.

### Statement of Net Position

	Governmental Activities		Business-type Activity		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$33,814,184	\$33,250,807	\$ 19,735	\$ 298	\$33,833,919	\$33,251,105
Capital assets	66,549,476	60,546,984	8,593,701	8,744,251	75,143,177	69,291,235
Other noncurrent assets	3,055,000	3,562,678	-	-	3,055,000	3,562,678
Total assets	<u>103,418,660</u>	<u>97,360,469</u>	<u>8,613,436</u>	<u>8,744,549</u>	<u>112,032,096</u>	<u>106,105,018</u>
Deferred outflows of resources	4,531,826	828,997	142,799	-	4,674,625	828,997
Current liabilities	2,185,353	1,834,415	113,330	205,757	2,298,683	2,040,172
Noncurrent liabilities	29,875,611	28,015,531	255,509	117,045	30,131,120	28,132,576
Total liabilities	<u>32,060,964</u>	<u>29,849,946</u>	<u>368,839</u>	<u>322,802</u>	<u>32,429,803</u>	<u>30,172,748</u>
Deferred inflows of resources	1,236,943	-	-	-	1,236,943	-
Net investment in capital assets	51,138,739	44,514,130	8,566,706	8,690,389	59,705,445	53,204,519
Restricted for:						
Emergency services	426,484	413,000	-	-	426,484	413,000
Public works	7,560,893	7,506,689	-	-	7,560,893	7,506,689
Parks	397,980	364,329	-	-	397,980	364,329
Unrestricted	15,128,483	15,541,372	(179,310)	(268,642)	14,949,173	15,272,730
Total net position	<u>\$74,652,579</u>	<u>\$68,339,520</u>	<u>\$ 8,387,396</u>	<u>\$ 8,421,747</u>	<u>\$83,039,975</u>	<u>\$76,761,267</u>

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

### Statement of Activities

	Governmental Activities		Business-type Activity		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 5,909,364	\$ 5,657,288	\$ 987,633	\$ 893,090	\$ 6,896,997	\$ 6,550,378
Operating grants and contributions	2,034,543	2,067,826	-	-	2,034,543	2,067,826
Capital grants and contributions	8,400,308	581,874	-	-	8,400,308	581,874
<b>General Revenues:</b>						
Property taxes	8,178,597	8,194,982	-	-	8,178,597	8,194,982
Other taxes	9,135,039	8,573,969	-	-	9,135,039	8,573,969
Cable television franchise fees	678,302	638,947	-	-	678,302	638,947
Investment earnings	127,211	160,235	-	-	127,211	160,235
Other	1,078,056	1,126,672	-	-	1,078,056	1,126,672
<b>Total revenues</b>	<b>35,541,420</b>	<b>27,001,793</b>	<b>987,633</b>	<b>893,090</b>	<b>36,529,053</b>	<b>27,894,883</b>
<b>Expenses</b>						
General government	2,310,054	2,271,522	-	-	2,310,054	2,271,522
Police	11,287,171	10,988,588	-	-	11,287,171	10,988,588
Other public safety	3,371,780	3,580,523	-	-	3,371,780	3,580,523
Public works	6,147,119	6,065,659	-	-	6,147,119	6,065,659
Library	990,882	977,015	-	-	990,882	977,015
Parks and recreation	4,383,898	3,568,418	-	-	4,383,898	3,568,418
Debt service interest	709,544	880,048	-	-	709,544	880,048
Golf course	-	-	1,049,897	1,014,350	1,049,897	1,014,350
<b>Total expenses</b>	<b>29,200,448</b>	<b>28,331,773</b>	<b>1,049,897</b>	<b>1,014,350</b>	<b>30,250,345</b>	<b>29,346,123</b>
<b>Increase (decrease) in net position before transfers</b>	<b>6,340,972</b>	<b>(1,329,980)</b>	<b>(62,264)</b>	<b>(121,260)</b>	<b>6,278,708</b>	<b>(1,451,240)</b>
<b>Transfers in (out)</b>	<b>(27,913)</b>	<b>-</b>	<b>27,913</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>6,313,059</b>	<b>(1,329,980)</b>	<b>(34,351)</b>	<b>(121,260)</b>	<b>6,278,708</b>	<b>(1,451,240)</b>
<b>Net Position</b>						
Beginning of year	68,339,520	74,948,930	8,421,747	8,633,057	76,761,267	83,581,987
Adjustment to net position due to implementation of GASB Statement No. 68	-	(5,279,430)	-	(90,050)	-	(5,369,480)
<b>End of year</b>	<b>\$ 74,652,579</b>	<b>\$ 68,339,520</b>	<b>\$ 8,387,396</b>	<b>\$ 8,421,747</b>	<b>\$ 83,039,975</b>	<b>\$ 76,761,267</b>

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

**Governmental Activities** - The **Township of Manheim's** net position increased by \$6,313,059, accounting for all of the total increase in growth of the Township of \$6,278,708. Some key elements of the increase are as follows:

- The Manheim Township Overlook Community Foundation assets transferred to the Township in the amount of approximately \$6,900,000 and are shown as Park and Recreation Capital Grants and Contributions.
- Roadway projects increased by approximately \$855,000.
- Earned income, real estate transfer, and local services tax revenues increased approximately \$562,000 as a result of the increased collection efforts of the Lancaster County Tax Collection Bureau and an increase in home sales.

**Business-Type Activity** - The business-type activity decreased the **Township of Manheim's** net position by \$34,351 accounting for a reduction of 0.5 percent of the total government's increase in net position. Key elements of the decrease are as follows:

- Golf course revenue increased by \$94,543 due to an increase in the number of golf rounds purchased.
- The golf course salaries and benefits increased approximately \$42,000.
- Purchases of materials and supplies increased just over \$76,000.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and has previously implemented Government Accounting Standards Board (GASB) Statement Number 54. The objective of GASB 54 is to enhance the usefulness of fund balance information by clarifying existing governmental fund type definitions, and providing clearer fund balance classifications that can be more consistently applied.

The five components of fund balance are as follows:

- **Non-spendable**(inherently non-spendable)
  - Cannot be spent because of the form (i.e. inventory)
  - Must be maintained intact (i.e. principal of an endowment)
- **Restricted** (externally enforceable limitations on use)
  - Can be spent only for the specific purposes imposed by grantors, creditors, contributors or laws and regulations of other governments
  - Can be spent according to laws through constitutional provisions or enabling legislation
  - Effectively, restrictions may be changed or lifted only with the consent of the resource providers
- **Committed** (self-imposed limitations set in place prior to the end of the period)
  - Can be used only for the specific purposes determined by a formal action of the Board of Commissioners
  - Requires formal action at the same level to remove the limitation
  - Formal action must be taken prior to the government's year-end

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

- **Assigned** (limitation resulting from intended use)
  - Intent can be expressed by the Board of Commissioners or by an official to which the Board of Commissioners designates the authority
  - In government funds other than the general fund, the assigned fund balance represents the amount that is not restricted or committed which indicates that these resources are, at a minimum, intended to be used for the purpose of that fund
- **Unassigned** (residual net resources)
  - Total fund balance in the general fund in excess of non-spendable, restricted, committed and assigned fund balance
  - Positive unassigned amounts will only be reported in the general fund

**Governmental Funds** - The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the **Township of Manheim's** financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the financial year.

As of the end of the current financial year, the Township's governmental funds reported combined ending fund balances of \$31,082,231 an increase of \$409,407 in comparison with the prior year. Approximately 41.9 percent of this total amount of \$31,082,231, or \$13,018,147, constitutes unassigned fund balance, which is available for spending at the government's discretion. The non-spendable portion of the total fund balance is just under \$12,000 which is comprised of inventory, the restricted fund balance is \$8,385,357, or 27 percent of the total governmental fund balance, and the amount assigned for future capital projects is \$9,667,426, or 31.1 percent.

The general fund is the chief operating fund of the **Township of Manheim**. At the end of the current financial year, total fund balance of the general fund was \$13,029,448, of which \$13,018,471 was unassigned.

The fund balance of the Township's general fund increased by \$1,203,104 during the current financial year. Key factors in this increase are as follows:

- Earned income, real estate transfer, and local services tax revenues increased approximately \$735,000 as a result of the increased collection efforts of the Lancaster County Tax Collection Bureau and an increase in home sales.
- Charges for services increased by approximately \$424,900 mainly as a result of:
  - Increase in contracted police service revenue approximating \$80,000 due to increase in contract amounts from the prior year (as a result in increased level of police services)
  - Increase of approximating \$178,000 due to the reimbursement for emergency services provided for the USGA Women's Golf Event.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

*Proprietary Funds* - The **Township of Manheim's** proprietary fund provide detailed information on the business-type activity of the Township.

Unrestricted net position of the Overlook golf fund operations at the end of the year amounted to (\$179,310). The total decrease in the unrestricted net position was \$718. A key factor contributing to this change is as follows:

- The golf course depreciation expense of \$178,463 was responsible for the operating loss of \$60,162.

### **General Fund Budgetary Highlights**

- Budgetary adjustments are made by resolution to the general operating budget. In 2015, a resolution was adopted to make the necessary budgetary expenditure adjustments.
- Real estate transfer tax revenues were over budget by more than \$310,000 due to an increase in home sales.
- Earned income tax revenues were approximately \$372,000 higher than budgeted.
- Food Service Revenues were approximately \$432,000 under the budgeted amount, due to no activity for the restaurant. This resulted in the Barn expenses coming in lower than budget by \$262,000.
- Police wages were \$155,000 under budget, due to largely to a large number of retirements.
- Total General Fund expenses were under budget by approximately \$877,000, due to departmental cost cutting measures.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

### Capital Assets and Debt Administration

	Capital Assets					
	Governmental Activities		Business-Type Activity		Totals	
	2015	2014	2015	2014	2015	2014
Construction in progress	\$ 949,664	\$ 308,282	\$ -	\$ -	\$ 949,664	\$ 308,282
Land	13,792,252	11,846,395	7,154,810	7,154,810	20,947,062	19,001,205
Land improvements	17,141,103	16,603,782	2,031,822	2,031,822	19,172,925	18,635,604
Transfer development rights	2,099,322	2,099,322	-	-	2,099,322	2,099,322
Infrastructure	44,806,580	38,863,757	-	-	44,806,580	38,863,757
Building and building improvements	24,374,524	20,976,759	1,538,251	1,538,251	25,912,775	22,515,010
Swimming pools	4,281,360	4,281,360	-	-	4,281,360	4,281,360
Furniture and equipment	8,858,229	8,414,482	974,659	1,169,368	9,832,888	9,583,850
Vehicles	8,257,834	8,218,875	-	17,855	8,257,834	8,236,730
Accumulated depreciation	(58,011,392)	(51,066,030)	(3,105,841)	(3,167,855)	(61,117,233)	(54,233,885)
Total	<u>\$ 66,549,476</u>	<u>\$ 60,546,984</u>	<u>\$ 8,593,701</u>	<u>\$ 8,744,251</u>	<u>\$ 75,143,177</u>	<u>\$ 69,291,235</u>

**Capital Assets** - The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$75,143,177 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, swimming pools, machinery and equipment, park facilities, roads and vehicles.

Major capital asset events during the current year include the following:

- Overlook Community Foundation assets totaling approximately \$6.9 million added.
- Continued traffic preemption project.
- Purchase of public works equipment totaling \$384,434.
- Purchase of new police vehicles totaling \$129,549.
- Annual road paving work.
- Ongoing improvements to individual municipal parks.

Additional information on the **Township of Manheim's** changes in capital assets can be found in Note 6 of this report.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

**Long-Term Debt** - At the end of the current financial year, the **Township of Manheim** had total long-term debt and capital lease obligations outstanding in the amount of \$19,337,544.

	Long-Term Debt					
	Governmental Activities		Business-Type Activity		Totals	
	2015	2014	2015	2014	2015	2014
2009 General Obligation Bond	\$ 7,740,000	\$ 8,280,000	\$ -	\$ -	\$ 7,740,000	\$ 8,280,000
2014 General Obligation Bond	9,990,000	9,995,000	-	-	9,990,000	9,995,000
Capital lease obligations	1,580,549	1,848,746	26,995	53,862	1,607,544	1,902,608
Total	\$ 19,310,549	\$ 20,123,746	\$ 26,995	\$ 53,862	\$ 19,337,544	\$ 20,177,608

The Township entered into a General Obligation Bond purchase agreement during the fiscal year ended December 31, 2009, in the amount of \$19.155 million. This long-term borrowing financed the following projects of the Township and the Authority:

- The Manheim Township Public Library construction is funded with \$5 million.
- The Weaver Road land purchase and construction of a municipal sports field complex is funded with \$10 million.
- The North West pumping station and supply and transmission main construction and improvements. This portion of the 2009 General Obligation Bond debt, \$4 million, will be repaid by the Authority.

On June 25, 2014, the Township incurred general obligation debt in the aggregate principal amount of \$9,995,000 in connection with the General Obligation Bonds, Series of 2014, issued by the Township for the purpose of advance refunding a portion of the outstanding General Obligation Bonds, Series of 2009 of the Township and paying related costs and expenses, including the costs of issuing the bonds. Included in this debt was \$1,145,000 issued for water projects being undertaken for the Authority. The Authority will, to the extent possible, pay to the Township the amounts necessary to pay the debt service when due.

The Township entered into a capital lease obligation during the fiscal year ended December 31, 2010 in the amount of \$2,555,894. This lease arrangement is financing the purchase of four fire trucks, pumpers, and two fire squad trucks. The lease is accounted for in the fire protection tax fund. The Township entered into an additional capital lease obligation during the fiscal year ended December 31, 2014 in the amount of \$214,448 for a new tanker. This lease is also accounted for in the fire protection tax fund.

# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

The Township entered into a capital lease obligation during the fiscal year ended December 31, 2011 in the amount of \$152,600. This lease arrangement is financing the purchase of golf carts. The lease is accounted for in the overlook golf course fund.

Additional information on the **Township of Manheim's** long-term debt can be found in Note 7 and Note 9 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

Economic factors affecting the Township have strengthened during 2015, with new residential construction increased and home sales up. As a noteworthy point, most of 2015 has experienced a strengthened performance; the interest rates for investments continue to remain steady. The Township has seen a very small increase in the taxable real estate assessments. Total assessments have increased by only 1.1 percent, taxable assessments have increased by 1.2 percent and 10.7 percent of assessments are tax exempt. The Township developed an operating and capital budget for 2015 that required no general millage tax increase for property owners. Some budgetary highlights follow:

- Revenue estimates contained in the Township's 2015 operating and capital budgets were developed on a conservative basis in response to the economic environment.
- The Township maintained the fire protection tax millage of 0.43 mills. The fire protection tax fund tracks the revenue and expenses, both operating and capital, associated with fire protection in the Township.
- All departmental user fees were reviewed and many were increased in 2015 to more accurately reflect the cost of the service.
- All expense line items were analyzed utilizing multi-year detailed variance analysis and were adjusted where appropriate.

All of these factors were considered in preparing the Township's general fund, general capital reserve fund, and all supplemental fund budgets for the 2016 calendar year. Amounts available for appropriation in the general fund are \$24.82 million - an increase of 1.9 percent over the final 2015 budget of \$24.35 million. Real Estate Transfer tax revenue, the earned income tax and local services tax revenue are expected to lead this increase. The Township will use these increases in revenues to finance the expected impact of inflation on the general fund and general capital reserve fund expenditures. In 2016, \$3.7 million from the general fund will be appropriated to the general capital reserve fund.

As for the business-type activity of the Township, the Township expects that the increase in user fees will assist in offsetting expenses. It is widely accepted that the Township's business service areas must cover their costs. Over the years, as the Township has moved toward this "cost to serve" concept, and there have been adjustments in some rates and fees. The budget is an ongoing work plan to monitor and control costs to all public service areas. It makes good business sense for these services to set fees that sufficiently recover costs associated with the service. The Township continues to reevaluate the cost to serve in all these service areas while keeping rates competitive in the municipal market place.



# TOWNSHIP OF MANHEIM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

### **Requests for Information**

This financial report is designed to provide a general overview of the **Township of Manheim's** finances for all those with an interest in the government's funds. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Township Manager, **Township of Manheim**, 1840 Municipal Drive, Lancaster, PA 17601.

# TOWNSHIP OF MANHEIM

## STATEMENT OF NET POSITION

DECEMBER 31, 2015

Assets	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	General Municipal Authority
<b>Current assets:</b>				
Cash and cash equivalents	\$ 28,459,778	\$ 17,606	\$ 28,477,384	\$ 3,438,309
Cash and cash equivalents - restricted	486,264	-	486,264	-
Investments	2,234,999	-	2,234,999	-
Taxes receivable, net	1,735,693	-	1,735,693	-
Other receivables	711,149	2,129	713,278	26,839
Due from component unit	175,000	-	175,000	-
Inventory	11,301	-	11,301	-
Total current assets	33,814,184	19,735	33,833,919	3,465,148
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
Not being depreciated	21,852,656	7,154,810	29,007,466	30,699
Net of accumulated depreciation	44,696,820	1,438,891	46,135,711	4,344,332
Total capital assets	66,549,476	8,593,701	75,143,177	4,375,031
Due from component unit	3,055,000	-	3,055,000	-
Total noncurrent assets	69,604,476	8,593,701	78,198,177	4,375,031
<b>Total Assets</b>	103,418,660	8,613,436	112,032,096	7,840,179
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources for pensions	3,756,189	142,799	3,898,988	-
Deferred charge on refunding	775,637	-	775,637	-
<b>Total Deferred Outflows of Resources</b>	4,531,826	142,799	4,674,625	-

(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	General Municipal Authority
<b>Liabilities</b>				
Current liabilities:				
Escrow deposits	\$ 486,264	\$ -	\$ 486,264	\$ -
Accounts payable	385,942	9,500	395,442	5,568
Current portion of long-term debt	735,000	-	735,000	-
Current portion of capital lease obligation	278,755	26,995	305,750	-
Accrued salaries and benefits	156,797	5,215	162,012	-
Compensated absences due within one year	69,235	3,194	72,429	-
Due to primary government	-	-	-	175,000
Other current liabilities	73,360	68,426	141,786	5,705
<b>Total current liabilities</b>	<b>2,185,353</b>	<b>113,330</b>	<b>2,298,683</b>	<b>186,273</b>
Noncurrent liabilities:				
Accrued postemployment benefits	3,754,332	-	3,754,332	-
Capital lease obligation	1,301,794	-	1,301,794	-
Unamortized bond premium	105,825	-	105,825	-
Due to primary government	-	-	-	3,055,000
Long-term debt	16,995,000	-	16,995,000	-
Net pension liability	7,718,660	255,509	7,974,169	-
<b>Total noncurrent liabilities</b>	<b>29,875,611</b>	<b>255,509</b>	<b>30,131,120</b>	<b>3,055,000</b>
<b>Total Liabilities</b>	<b>32,060,964</b>	<b>368,839</b>	<b>32,429,803</b>	<b>3,241,273</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources for pensions	1,236,943	-	1,236,943	-
<b>Net Position</b>				
Net investment in capital assets	51,138,739	8,566,706	59,705,445	1,145,031
Restricted for:				
Emergency services	426,484	-	426,484	-
Public works	7,560,893	-	7,560,893	-
Parks	397,980	-	397,980	-
Unrestricted	15,128,483	(179,310)	14,949,173	3,453,875
<b>Total Net Position</b>	<b>\$ 74,652,579</b>	<b>\$ 8,387,396</b>	<b>\$ 83,039,975</b>	<b>\$ 4,598,906</b>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activity	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,310,054	\$ 5,800	\$ 138,358	\$ -	\$ (2,165,896)	\$ -	\$ (2,165,896)	\$ -
Police	11,287,171	2,917,265	219,950	-	(8,149,956)	-	(8,149,956)	-
Other public safety	3,371,780	664,242	327,282	-	(2,380,256)	-	(2,380,256)	-
Public works	6,147,119	575,476	1,086,017	1,423,684	(3,061,942)	-	(3,061,942)	-
Library	990,882	205,284	122,936	1,950	(660,712)	-	(660,712)	-
Parks and recreation	4,383,898	1,541,297	140,000	6,974,674	4,272,073	-	4,272,073	-
Debt service interest	709,544	-	-	-	(709,544)	-	(709,544)	-
<b>Total governmental activities</b>	<b>29,200,448</b>	<b>5,909,364</b>	<b>2,034,543</b>	<b>8,400,308</b>	<b>(12,856,233)</b>	<b>-</b>	<b>(12,856,233)</b>	<b>-</b>
Business-type activity:								
Overlook golf course	1,049,897	987,633	-	-	-	(62,264)	(62,264)	-
<b>Total primary government</b>	<b>\$ 30,250,345</b>	<b>\$ 6,896,997</b>	<b>\$ 2,034,543</b>	<b>\$ 8,400,308</b>	<b>(12,856,233)</b>	<b>(62,264)</b>	<b>(12,918,497)</b>	<b>-</b>
<b>Component unit:</b>								
General Municipal Authority	\$ 412,258	\$ 600,238	\$ -	\$ -	-	-	-	187,980
<b>General Revenues:</b>								
Taxes:								
Property taxes, levied for general purposes, net					6,849,014	-	6,849,014	-
Property taxes, levied for fire protection, net					1,329,583	-	1,329,583	-
Public utility realty, earned income, local services, and realty transfer taxes, net					9,135,039	-	9,135,039	-
Cable television franchise					678,302	-	678,302	-
Grants not restricted to specific programs					811,613	-	811,613	-
Investment earnings					127,211	-	127,211	6,846
Miscellaneous income					266,443	-	266,443	-
Transfers					(27,913)	27,913	-	-
Total general revenues and transfers					<u>19,169,292</u>	<u>27,913</u>	<u>19,197,205</u>	<u>6,846</u>
<b>Change in Net Position</b>					<b>6,313,059</b>	<b>(34,351)</b>	<b>6,278,708</b>	<b>194,826</b>
<b>Net Position:</b>								
Beginning of year - restated					<u>68,339,520</u>	<u>8,421,747</u>	<u>76,761,267</u>	<u>4,404,080</u>
End of year					<u>\$ 74,652,579</u>	<u>\$ 8,387,396</u>	<u>\$ 83,039,975</u>	<u>\$ 4,598,906</u>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	General Capital Reserve Fund	Impact Fee Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 12,236,725	\$ 7,806,386	\$ 7,212,705	\$ 1,203,962	\$ 28,459,778
Cash and cash equivalents - restricted	486,264	-	-	-	486,264
Investments	403,026	1,831,973	-	-	2,234,999
Taxes receivable, net	1,719,023	-	-	16,670	1,735,693
Due from other funds	-	-	-	10,778	10,778
Other receivables	381,672	328,977	-	500	711,149
Due from component unit	-	3,230,000	-	-	3,230,000
Inventory	11,301	-	-	-	11,301
<b>Total Assets</b>	<b>\$ 15,238,011</b>	<b>\$ 13,197,336</b>	<b>\$ 7,212,705</b>	<b>\$ 1,231,910</b>	<b>\$ 36,879,962</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Escrow deposits	\$ 486,264	\$ -	\$ -	\$ -	\$ 486,264
Accounts payable	229,955	112,049	-	43,938	385,942
Accrued salaries and benefits	148,074	-	-	8,723	156,797
Due to other funds	-	10,778	-	-	10,778
Other liabilities	3,700	-	-	-	3,700
<b>Total Liabilities</b>	<b>867,993</b>	<b>122,827</b>	<b>-</b>	<b>52,661</b>	<b>1,043,481</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	1,340,570	-	-	6,597	1,347,167
Unavailable revenue - due from component unit	-	3,230,000	-	-	3,230,000
Unavailable revenue - sewer liens	-	148,083	-	-	148,083
Unavailable revenue - field development	-	29,000	-	-	29,000
<b>Total Deferred Inflows of Resources</b>	<b>1,340,570</b>	<b>3,407,083</b>	<b>-</b>	<b>6,597</b>	<b>4,754,250</b>
<b>Fund Balance:</b>					
Nonspendable	11,301	-	-	-	11,301
Restricted for:					
Emergency services	-	-	-	426,484	426,484
Public works	-	-	7,212,705	348,188	7,560,893
Parks	-	-	-	397,980	397,980
Assigned for future capital projects and debt service	-	9,667,426	-	-	9,667,426
Unassigned	13,018,147	-	-	-	13,018,147
<b>Total Fund Balance</b>	<b>13,029,448</b>	<b>9,667,426</b>	<b>7,212,705</b>	<b>1,172,652</b>	<b>31,082,231</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 15,238,011</b>	<b>\$ 13,197,336</b>	<b>\$ 7,212,705</b>	<b>\$ 1,231,910</b>	<b>\$ 36,879,962</b>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

**Total Fund Balance of Governmental Funds** \$ 31,082,231

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$124,560,868 and the accumulated depreciation is \$58,011,392. 66,549,476

Certain receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 4,754,250

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and note payable	\$ (17,730,000)	
Less: deferred charge on refunding	775,637	
Capital lease	(1,580,549)	
Unamortized bond premium	(105,825)	
Accrued interest	(69,660)	
Accrued postemployment benefits	(3,754,332)	
Compensated absences	(69,235)	
Net pension liability, net of related deferred inflows and outflows of resources	<u>(5,199,414)</u>	<u>(27,733,378)</u>

**Total Net Position of Governmental Activities** \$ 74,652,579

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	General Fund	General Capital Reserve Fund	Impact Fee Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Real estate taxes	\$ 6,849,014	\$ -	\$ -	\$ 1,329,583	\$ 8,178,597
Other taxes	9,146,932	-	-	-	9,146,932
Licenses and permits	678,302	59,535	-	-	737,837
Fines	229,029	-	-	-	229,029
Intergovernmental	1,668,893	285,315	-	959,987	2,914,195
Charges for services	5,495,707	17,497	183,252	69,380	5,765,836
Investment income	32,140	76,579	14,984	3,508	127,211
Contributions	78,241	39,581	-	16,153	133,975
Miscellaneous	174,422	42,892	-	12,745	230,059
Refund of prior year expense	144,464	-	-	-	144,464
Total revenues	24,497,144	521,399	198,236	2,391,356	27,608,135
<b>Expenditures:</b>					
Current:					
General government	1,950,901	18,807	-	-	1,969,708
Police	10,446,086	254,038	-	-	10,700,124
Other public safety	1,516,068	-	-	1,528,918	3,044,986
Public works	2,487,119	2,122,232	14,137	1,077,368	5,700,856
Library	758,752	19,535	-	-	778,287
Parks and recreation	3,065,561	429,633	-	27,044	3,522,238
Debt service:					
Principal	-	545,000	-	268,197	813,197
Interest	-	596,743	-	72,589	669,332
Total expenditures	20,224,487	3,985,988	14,137	2,974,116	27,198,728
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	4,272,657	(3,464,589)	184,099	(582,760)	409,407
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	2,569,553	-	500,000	3,069,553
Transfers out	(3,069,553)	-	-	-	(3,069,553)
Total other financing sources (uses)	(3,069,553)	2,569,553	-	500,000	-
<b>Net Change in Fund Balance</b>	1,203,104	(895,036)	184,099	(82,760)	409,407
<b>Fund Balance:</b>					
Beginning of year	11,826,344	10,562,462	7,028,606	1,255,412	30,672,824
End of year	\$ 13,029,448	\$ 9,667,426	\$ 7,212,705	\$ 1,172,652	\$ 31,082,231

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

**Net Change in Fund Balance of Governmental Funds** \$ 409,407

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (4,024,074)	
Capital outlays	<u>1,688,152</u>	(2,335,922)

When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported in the governmental activities. (11,018)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 8,349,432

Some property and earned income taxes will not be collected for several months after the Township's fiscal year ends. They are not considered as "available" revenue in the governmental funds. Unavailable tax revenue decreased by this amount this year. (31,191)

Other receivables not considered as "available" in the governmental funds are recorded as revenues in the government-wide financial statements. Unavailable revenue for these other receivables decreased by this amount this year. (153,219)

The governmental funds report debt proceeds as an other financing source, while repayment of principal is reported as an expenditure. Also, governmental funds report the effect of issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of debt and related items is as follows:

Repayment of bond principal	545,000	
Capital lease payment	268,197	
Amortization of bond premium	7,280	
Change in accrued interest	<u>(47,492)</u>	772,985

(Continued)



# TOWNSHIP OF MANHEIM

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

(Continued)

In the statement of activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

7,132

The net pension liability is recorded as a liability in the government-wide financial statements, but not in the fund financial statements. This amount represents the change in the net pension liability, net of related deferred inflows and outflows of resources.

(252,662)

The accrued postemployment benefits are a long-term liability recorded in the government-wide financial statements, but not in the fund financial statements. This amount represents the change in the postemployment benefits for the year.

(441,885)

### **Change in Net Position of Governmental Activities**

\$ 6,313,059

(Concluded)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2015

	<u>Enterprise Fund</u> <u>Overlook</u> <u>Golf Course</u>
<b>Assets</b>	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 17,606
Accounts receivable	2,129
Total current assets	<u>19,735</u>
Noncurrent assets:	
Capital assets, not being depreciated	7,154,810
Capital assets, net of accumulated depreciation	1,438,891
Total noncurrent assets	<u>8,593,701</u>
<b>Total Assets</b>	<u>8,613,436</u>
<hr/>	
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources for pensions	<u>142,799</u>
<hr/>	
<b>Liabilities</b>	
<hr/>	
Current liabilities:	
Accounts payable	9,500
Accrued payroll	5,215
Compensated absences	3,194
Current portion of capital lease obligation	26,995
Other liabilities	68,426
Total current liabilities	<u>113,330</u>
Noncurrent liabilities:	
Net pension liability	<u>255,509</u>
Total noncurrent liabilities	<u>255,509</u>
<b>Total Liabilities</b>	<u>368,839</u>
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	8,566,706
Unrestricted	<u>(179,310)</u>
<b>Total Net Position</b>	<u>\$ 8,387,396</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MANHEIM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Enterprise Fund</u> <u>Overlook</u> <u>Golf Course</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 987,633
<b>Operating Expenses:</b>	
Salaries	376,041
Employee benefits	244,333
Materials and supplies	88,521
Contracted services	22,174
General	20,288
Vehicle operations	18,832
Facilities maintenance	54,995
Equipment maintenance	44,148
Depreciation	178,463
Total operating expenses	1,047,795
<b>Operating Loss</b>	<b>(60,162)</b>
<b>Non-Operating Revenues (Expenses):</b>	
Interest expense	(2,102)
Total non-operating revenues (expenses)	(2,102)
Change in net position before capital contribution	(62,264)
Capital contribution	27,913
<b>Change in Net Position</b>	<b>(34,351)</b>
<b>Net Position:</b>	
Beginning of year - restated	8,421,747
End of year	\$ 8,387,396

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

	<u>Enterprise Fund</u> <u>Overlook</u> <u>Golf Course</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from users	\$ 985,802
Cash payments to employees for services	(597,111)
Cash payments to suppliers for goods and services	(229,290)
Net cash provided by operating activities	<u>159,401</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Due to other funds	<u>(112,826)</u>
Net cash used in noncapital financing activities	<u>(112,826)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments on capital lease	(26,867)
Interest payments on capital lease	(2,102)
Net cash used in capital and related financing activities	<u>(28,969)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	17,606
<b>Cash and Cash Equivalents:</b>	
Beginning of year	<u>-</u>
End of year	<u>\$ 17,606</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating loss	\$ (60,162)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	178,463
Amortization	35,679
Changes in:	
Accounts receivable	(1,831)
Deferred outflows of resources for pensions	(178,478)
Accounts payable	2,409
Payroll liabilities	603
Other liabilities	17,259
Net pension liability	165,459
Total adjustments	<u>219,563</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 159,401</u>
<b>Noncash Capital Financing and Related Financing Activities:</b>	
Capital contribution	<u>\$ 27,913</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MANHEIM**  
STATEMENT OF FIDUCIARY NET POSITION -  
PENSION TRUST FUNDS  
DECEMBER 31, 2015

<b>Assets</b>	
Investments	<u>\$ 42,298,568</u>
<b>Net Position</b>	
Restricted for pension benefits	<u>\$ 42,298,568</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MANHEIM**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -**  
**PENSION TRUST FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

**Additions:**

<hr/>	
Contributions:	
Employer	\$ 1,832,077
Employee	281,569
Net depreciation in fair value of investments	<u>(793,848)</u>
Total additions	<u>1,319,798</u>

**Deductions:**

<hr/>	
Retirement benefits	1,624,801
Administration fees	<u>70,043</u>
Total deductions	<u>1,694,844</u>

**Change in Net Position**

(375,046)

**Net Position:**

<hr/>	
Beginning of year	<u>42,673,614</u>
End of year	<u><u>\$ 42,298,568</u></u>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Manheim (Township) was established in 1729 and is a council/manager form of government. In 1952, the Township was elevated to a first class township. The Township Commissioners are composed of five members who serve four-year terms. The Township encompasses greater than 148 miles of roads and employs 64 full-time police officers. The Township has 14 municipal parks totaling 573 acres, which includes a municipal golf course, and has three fire companies. The Township provides zoning, code enforcement, police, streets, a library, and parks and recreation services to approximately 39,000 residents in approximately 13,000 households.

The accounting policies of the Township conform with accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of the Township's significant accounting principles:

#### Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The component unit discussed below is included in the Township's reporting entity because of its operational significance or financial relationship with the Township:

### General Municipal Authority of the Township of Manheim (Authority)

The members of the governing board of the Authority are appointed by the Township Commissioners. The purposes of the Authority include the making of monetary contributions, grants, loans, and expenditures in any amount approved by the Authority, and the provision of services, facilities, equipment, and resources of the Authority in such amounts and of such value as approved by the Authority, for the direct or indirect benefit of the Township and of any nonprofit, community, or beneficial organization or entity, determined by the Authority to provide direct or indirect benefits to the Township or the health, welfare, commerce, and quality of life of the residents of the Township. The Township incurred certain debts related to projects entered into on the Township's behalf, including water projects being undertaken by the Authority. The debt is expected to be repaid entirely with water tapping fees assessed by the Authority. The Authority's activities have been reported in these financial statements as a discretely presented component unit.

The discretely presented component unit is reported as a separate column in the government-wide financial statements to emphasize that the Authority is legally separate from the Township. Complete financial statements of the Authority can be obtained from the administrative office of the Township.

Related organizations are not component units, yet there is some form of accountability, other than financial accountability, that exists between the primary government and the related organization because of the appointment authority. The following is a related organization to the Township:

### The Manheim Township Public Library Foundation (Public Library Foundation)

All voting board members of the Public Library Foundation are appointed by the Township. The Public Library Foundation's mission is to provide oversight regarding private fundraising for the library and determine appropriate use of private funds in support of the library's operational and/or capital needs.

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses. The funds are grouped into the categories of governmental, proprietary, and fiduciary.

### Governmental Fund Types

These are funds through which most governmental functions typically are financed. Governmental funds are used to account for the Township's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is upon determination of "current financial flow" (sources, uses, and balances of financial resources). The following are the Township's governmental fund types:

General Fund - The General Fund is the principal operating fund of the Township. It is used to account for all financial resources except those accounted for in another fund.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - These funds are used to account for financial resources related to general capital asset acquisitions, construction, and improvements and related debt service.

### Proprietary Fund Types

Proprietary funds are accounted for on an economic resources measurement focus. This measurement focus provides that all assets, deferred outflows of resources, and all liabilities associated with the operation of the proprietary funds be included on the statement of net position. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The following is the Township's proprietary fund type:

Enterprise Fund - Enterprise funds are used to account for the Township's operations that are financed and operated in a manner similar to private business

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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enterprises - where the intent of the governing body is that the cost of providing goods or services to the residents on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The following fund is used to account for those financial activities:

Overlook Golf Course Fund - This fund accounts for the revenues and expenses of the municipal golf course and the related driving range.

### Fiduciary Fund Types

These are the funds that account for the assets held by the Township as a trustee or agent for individuals, private organizations, and/or governmental units. The funds included in this category are:

Pension Trust Funds - These funds are used to account for the accumulation of resources to be used for retirement benefits. These funds include the police pension plan, non-uniformed employee pension plan, and non-uniformed employee money purchase pension plan.

### Major and Nonmajor Funds

The funds are further classified as major and nonmajor as follows:

Major:

- General Fund
- Capital Projects Fund:
  - General Capital Reserve Fund
- Special Revenue Fund:
  - Impact Fee Fund
- Proprietary Fund:
  - Overlook Golf Course Fund

Nonmajor:

- Special Revenue Funds:
  - Fire Protection Tax Fund
  - State Highway Aid Fund
  - Park Reserve Fund

### Basis of Presentation – Financial Statements

#### Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

### Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures, and changes in fund balance, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

All fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e., additions) and decreases (i.e., deductions) in net position.

### Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Township is considered to be 60 days after fiscal year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, compensated absence payments, pension, and other postemployment benefits, which are recognized when payment is due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year-end: taxes, sewer line tapping fees, grants and entitlements, and interest on investments.

Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, earned income taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

The Township's proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Township's principal ongoing operations. The principal operating revenues of the Township are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Budgets and Budgetary Accounting

An operating budget is adopted each year as a management control for the General Fund, Capital Reserve Fund, and Impact Fee Fund on the modified accrual basis of accounting. The annual operating budget is adopted each fiscal year through a passage of an annual budget ordinance. All unencumbered budget appropriations lapse at the end of each fiscal year. The budget for 2015 was adopted on December 15, 2014.

### Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits and money market accounts.

### Restricted Cash and Cash Equivalents

The Township maintains various escrow cash accounts for funds advanced to the Township by developers for road improvement and for completion of certain infrastructure items required by their development plan.

### Investments

Investments are recorded at fair value as determined by quoted market prices.

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Governmental Fund Taxes Receivable and Unavailable Tax Revenue

The portion of delinquent real estate taxes receivable and other taxes receivable that is expected to be received within 60 days of December 31 is recorded as revenue in the current year. The remaining outstanding amount of tax receivable is recorded as unavailable tax revenues. All tax receivables are considered to be fully collectible.

### Due from Other Funds/Due to Other Funds

During the course of its operations, the Township has numerous transactions between funds to finance operations, provide services, and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2015, balances of interfund amounts receivable or payable have been recorded.

### Inventory

Parts and supplies purchased by most governmental funds are recorded as an expenditure at the time they are purchased (purchase method). Certain concessions inventory is recorded in both the government-wide and the governmental fund financial statements based on the estimated cost using the first-in, first-out method of valuing the inventory on hand at December 31, 2015.

### Capital Assets and Depreciation - Township

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities and business-type activity columns in the government-wide financial statements, as well as the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,500 with an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition.

Transfer of development rights (TDRs) is a voluntary implementation tool to promote the conservation of high-value agricultural land and strategic open space by shifting development to areas deemed appropriate for development. The Township purchases TDRs

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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for just compensation to the landowner which permanently deed restricts the land. The Township may then offer for sale the TDRs to developers of appropriate designated areas that can accommodate growth through existing and/or planned provision of infrastructure. TDRs are recorded at historical cost.

Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings and building improvements	20 - 40 years
Land improvements and swimming pools	10 - 20 years
Furniture and equipment	5 - 12 years
Vehicles	5 - 12 years
Infrastructure	20 years

### Capital Assets and Depreciation - Authority

Capital assets, which include land and infrastructure assets (water lines, pumping stations, etc.), are defined by the Authority as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The estimated useful life for infrastructure items is 20 years.

### Deferred Inflows and Outflows of Resources for Pensions

In conjunction with pension accounting requirements, the effects of the differences in the Township's expected and actual experience, changes in assumptions, and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows or outflows of resources related to pensions on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension plans. Note 10 presents additional information about the pension plans.

### Compensated Absences

The Township offers paid sick leave to employees. Employees earn six sick days per year and may accumulate up to eighteen sick days. Employees are not paid for accumulated sick leave upon termination; therefore, this liability is not recorded in these financial statements.

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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A liability has been recorded for accrued vacation pay at December 31, 2015 within the government-wide financial statements.

### Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums are amortized over the life of the related bonds using the effective-interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as an other financing source. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

### Non-Recourse Debt Issues

The Authority participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured as such that there is no recourse against the Authority in the case of default. As a result, the corresponding debt is not reported in the Authority's statement of net position, but is disclosed in Note 8.

### Pension Plans

Most employees of the Township participate in either the defined benefit police pension plan or the defined benefit non-uniformed employee pension plan. As of May 1, 2011, the Township closed the defined benefit non-uniformed employee pension plan to new employees.

On April 25, 2011, the Township adopted the Manheim Township Non-Uniformed Employee Money Purchase Plan administered by Principal Life Insurance. Non-uniformed employees that were hired after May 1, 2011 that are not participating in the Township's police pension plan or any other qualified pension plan to which the Township contributes directly or indirectly, are eligible to participate in the Non-Uniformed Employee Money Purchase Pension Plan, a defined contribution plan. The employer contribution is 7% of the participant's annual compensation.



# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Postemployment Benefits

The Township permits police officers who have attained 25 years of service and 50 or 55 years of age (depending on hire date), or who are disabled in the line of duty, to continue group medical and prescription drug coverage upon retirement, until attaining Medicare eligibility.

### Fund Balance and Net Position

Net position of the government-wide and proprietary fund financial statements are categorized as follows:

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

Restricted Net Position – 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 Net Position – This category represents the net position of the Township not otherwise defined.

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

In the governmental fund financial statements, fund balance is reported according to a hierarchy based primarily upon the extent to which the Township is bound to observe constraints imposed upon the use of the resources reported in those funds. The components of fund balance in governmental funds are as follows:

Nonspendable – This category represents funds that are not in spendable form and includes such items as inventory.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for emergency services, public works, and park activities.

Committed – This category represents funds constrained to specific purposes by the Township itself using its highest level of decision-making authority, the Township Commissioners. To be reported as committed, amounts cannot be used for any other purpose unless the Township Commissioners take the same highest-level action to remove or change the constraint.

Assigned – This category represents amounts the Township intends to use for specific purposes. Intent can be expressed by the Township Commissioners or by an official or body to which the Township Commissioners have delegated such authority. The Township Commissioners have delegated this authority to the Township Manager. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – This category represents the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

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

### Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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nonoperating revenues/expenses in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures/expenses. Actual results may differ from estimated amounts.

### Grants

The Township is party to various grants with federal, state, and county agencies. Grant revenue is subject to review by the funding agency, and may result in disallowance in future periods.

### Adoption of Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," were adopted for the year ended December 31, 2015 by the Township. As a result of this implementation, the governmental activities, business-type activity, and enterprise fund net position were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activity/ Enterprise Fund</u>
Net position at January 1, 2015 - as originally stated	\$ 73,618,950	\$ 8,511,797
Net pension liability at January 1, 2015	<u>(5,279,430)</u>	<u>(90,050)</u>
Net position at January 1, 2015 - restated	<u>\$ 68,339,520</u>	<u>\$ 8,421,747</u>

The net pension liability and related components are described more fully in Note 10.

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Pending GASB Statements

In February of 2015, the GASB issued Statement No. 72, *“Fair Value Measurement and Application.”* This Statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of GASB Statement No. 72 are effective for the Township’s December 31, 2016 financial statements.

In June of 2015, the GASB issued Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”* This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68). The provisions of GASB Statement No. 73 are effective for the Township’s December 31, 2016 financial statements – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the Township’s December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* This Statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments. The provisions of GASB Statement No. 74 are effective for the Township’s December 31, 2017 financial statements.

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

In June of 2015, the GASB issued Statement No. 76, *“The Hierarchy of Generally Accepted Principles for State and Local Governments.”* This Statement identifies the hierarchy of generally accepted accounting principles in the context of the current governmental financial reporting environment. The provisions of GASB Statement No. 76 are effective for the Township’s December 31, 2016 financial statements.

In March of 2016, the GASB issued Statement No. 82, *“Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.”* This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the Township’s December 31, 2017 and 2018 financial statements.

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

### **2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Pennsylvania statutes provide for investment of a government's funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of a government's funds for investment purposes. In addition to the investments authorized for a government's funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the Township and Authority adhere to state statutes and prudent business practice. The governments' funds are either maintained in demand deposits, U.S. government agency obligations, and/or in money market funds, which are invested predominately in U.S. obligations. The Township's Pension Trust Funds are invested in various mutual funds. The Authority's amounts are maintained in demand or time deposits. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the Township or Authority.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township and Authority do not have a policy for custodial credit risk.

As of December 31, 2015, the Township's bank balance was \$33,070,184 and the book balance was \$28,963,648. Of the bank balance, \$758,041 was covered by federal depository insurance and \$32,312,143 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Cash and cash equivalents:	
Governmental activities:	
Unrestricted	\$ 28,459,778
Restricted	486,264
Business-type activities:	
Unrestricted	17,606
Total cash and cash equivalents	<u>\$ 28,963,648</u>

As of December 31, 2015, the Authority's bank balance and book balances were \$3,438,309. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,188,309 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

### Investments

The fair value of the investments of the Township at December 31, 2015 was as follows:

<u>Investments</u>	<u>Fair Value</u>
U.S. government agency obligation	\$ 1,831,973
Certificates of deposit	403,026
Mutual funds - equities	27,631,335
Mutual funds - fixed income	14,667,233
Total investments	<u>\$ 44,533,567</u>

  

<u>Investments</u>	
Governmental activities	\$ 2,234,999
Fiduciary funds	42,298,568
Total investments	<u>\$ 44,533,567</u>

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township does not have a formal investment policy regarding custodial credit risk. As of December 31, 2015,

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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\$2,234,999 of the Township's investments were held by the counterparty, in the Township's name. The fiduciary fund investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

### Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. At December 31, 2015, the following were investments, in any one organization, which represent more than 5% of the Township's investments:

	<u>Percentage of Total Investments</u>
Principal Financial Group - Police and Non-Uniformed Pension Plans	7.78%

### Credit Risk

The Township has no formal investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2015, the Township's investments were rated as:

<u>Investments</u>	<u>Rating</u>	<u>Fair Value</u>
U.S. government agency obligation	AA+	\$ 1,831,973
Certificates of deposit	Not Rated	403,026
Mutual funds - equities	Not Rated	27,631,335
Mutual funds - fixed income	Not Rated	14,667,233

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 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. The following is a schedule of the Township's investments and their related average maturities:

Investment Type	Fair Value	Investment Maturities			
		2016	2017-2021	2022-2026	2027 and thereafter
U.S. government agency obligation	\$ 1,831,973	\$ -	\$ -	\$ -	\$ 1,831,973
Certificates of deposit	403,026	403,026	-	-	-
Mutual funds - fixed income	14,667,233	450,150	3,003,675	11,213,408	-
	<u>\$ 16,902,232</u>	<u>\$ 853,176</u>	<u>\$ 3,003,675</u>	<u>\$ 11,213,408</u>	<u>\$ 1,831,973</u>

### 3. REAL ESTATE TAXES

Based upon assessments by the county, real estate taxes are billed and collected by the Township's tax collector. The Township's tax rate for the year ended December 31, 2015 was 2.66 mills (\$2.66 per \$1,000 of assessed valuation) as levied by the Township commissioners. The tax was divided between the General Fund and Fire Protection Tax Fund as follows:

General Fund	2.23 Mills
Fire Protection Tax Fund	.43 Mills

The schedule for real estate taxes levied for each fiscal year is as follows:

January 1	- Levy Date
February 1 - April 30	- 2% Discount Period
May 1 - June 30	- Face Payment Period
July 1 - December 31	- 10% Penalty Period
January 1	- Lien Date



# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 4. GOVERNMENTAL FUND TAXES RECEIVABLE AND UNAVAILABLE TAX REVENUE

The Township recognizes delinquent and unpaid taxes receivable. A portion of the receivable amount which was measurable and available was recognized as revenue and the balance was recorded as unavailable tax revenue in the governmental funds. The balances at December 31, 2015 were as follows:

	Taxes Receivable	Tax Revenue Recognized	Unavailable Tax Revenue
Real estate taxes	\$ 103,120	\$ 67,394	\$ 35,726
Earned income tax	1,266,139	211,237	1,054,902
Local services tax	277,703	21,164	256,539
Realty transfer tax	88,731	88,731	-
	\$ 1,735,693	\$ 388,526	\$ 1,347,167

### 5. INTERFUND ACCOUNTS

Individual fund receivable and payable balances at December 31, 2015 were as follows:

	Due from Other Funds	Due to Other Funds
Other Governmental Funds - Highway Aid Fund	\$ 10,778	\$ -
General Capital Reserve Fund		10,778
	\$ 10,778	\$ 10,778

**TOWNSHIP OF MANHEIM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

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Interfund transfers for the year ended December 31, 2015 were as follows:

	Transfers In	Transfers Out
Other Governmental Funds - Fire Protection		
Tax Fund	\$ 500,000	\$ -
General Capital Reserve Fund	2,569,553	-
General Fund	-	3,069,553
	\$ 3,069,553	\$ 3,069,553

Interfund transfers to the General Capital Reserve Fund from the General Fund are to fund the purchase of capital assets. Interfund transfers to the Fire Protection Tax Fund from the General Fund are to cover the expenditures in the Fire Protection Tax Fund that are not covered by the fund's revenues and fund balance.

**TOWNSHIP OF MANHEIM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**6. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2015 was as follows:

	Beginning Balance	Contributions	Additions	Deletions	Ending Balance
Capital assets not being depreciated:					
Construction in process	\$ 308,282	\$ -	\$ 641,382	\$ -	\$ 949,664
Transfer development rights	2,099,322	-	-	-	2,099,322
Land	11,846,395	1,945,857	-	-	13,792,252
Land improvements	5,011,418	-	-	-	5,011,418
Total capital assets, not being depreciated	<u>19,265,417</u>	<u>1,945,857</u>	<u>641,382</u>	<u>-</u>	<u>21,852,656</u>
Capital assets being depreciated:					
Land improvements	11,592,364	350,971	186,350	-	12,129,685
Infrastructure	38,863,757	5,942,823	-	-	44,806,580
Buildings and building improvements	20,976,759	3,336,008	61,757	-	24,374,524
Swimming pools	4,281,360	-	-	-	4,281,360
Furniture and equipment	8,414,482	-	576,105	(132,358)	8,858,229
Vehicles	8,218,875	-	222,558	(183,599)	8,257,834
Total capital assets being depreciated	<u>92,347,597</u>	<u>9,629,802</u>	<u>1,046,770</u>	<u>(315,957)</u>	<u>102,708,212</u>
Less accumulated depreciation:					
Land improvements	(3,356,822)	(171,759)	(603,867)	-	(4,132,448)
Infrastructure	(26,562,565)	(2,357,227)	(1,633,205)	-	(30,552,997)
Buildings and building improvements	(6,591,450)	(697,241)	(641,161)	-	(7,929,852)
Swimming pools	(1,760,249)	-	(184,476)	-	(1,944,725)
Furniture and equipment	(7,615,009)	-	(305,113)	128,420	(7,791,702)
Vehicles	(5,179,935)	-	(656,252)	176,519	(5,659,668)
Total accumulated depreciation	<u>(51,066,030)</u>	<u>(3,226,227)</u>	<u>(4,024,074)</u>	<u>304,939</u>	<u>(58,011,392)</u>
Total capital assets being depreciated, net	<u>41,281,567</u>	<u>6,403,575</u>	<u>(2,977,304)</u>	<u>(11,018)</u>	<u>44,696,820</u>
Total capital assets, net	<u>\$ 60,546,984</u>	<u>\$ 8,349,432</u>	<u>\$(2,335,922)</u>	<u>\$ (11,018)</u>	<u>\$ 66,549,476</u>

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The Board of Directors of the Manheim Township Overlook Community Foundation (Foundation) adopted a plan of complete liquidation and dissolution on October 21, 2014. As provided in the plan, the Foundation, upon designation and direction of the Authority, distributed all net assets of the Foundation to the Township. The capital assets were transferred at their carrying value from the Foundation to the Township on May 27, 2015, with a net book value of \$6,877,263.

Capital asset activity for the business-type activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,154,810	\$ -	\$ -	\$ 7,154,810
Capital assets being depreciated:				
Land improvements	2,031,822	-	-	2,031,822
Buildings and building improvements	1,538,251	-	-	1,538,251
Furniture and equipment	1,169,368	27,913	(222,622)	974,659
Vehicles	17,855	-	(17,855)	-
Total capital assets being depreciated	4,757,296	27,913	(240,477)	4,544,732
Less accumulated depreciation:				
Land improvements	(1,693,514)	(69,237)	-	(1,762,751)
Buildings and building improvements	(467,243)	(46,784)	-	(514,027)
Furniture and equipment	(989,243)	(62,442)	222,622	(829,063)
Vehicles	(17,855)	-	17,855	-
Total accumulated depreciation	(3,167,855)	(178,463)	240,477	(3,105,841)
Total capital assets being depreciated, net	1,589,441	(150,550)	-	1,438,891
Total capital assets, net	\$ 8,744,251	\$ (150,550)	\$ -	\$ 8,593,701

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Capital asset activity for the Authority for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 30,699	\$ -	\$ -	\$ 30,699
Capital assets being depreciated:				
Infrastructure	5,465,448	-	-	5,465,448
Total capital assets being depreciated	5,465,448	-	-	5,465,448
Less accumulated depreciation	(840,837)	(280,279)	-	(1,121,116)
Total capital assets being depreciated, net	4,624,611	(280,279)	-	4,344,332
Total capital assets, net	\$ 4,655,310	\$ (280,279)	\$ -	\$ 4,375,031

Depreciation expense was charged to governmental activity functions as follows:

General government	\$ 308,008
Police	265,879
Other public safety	379,850
Public works	1,594,067
Library	270,752
Parks and recreation	1,205,518
	\$ 4,024,074

### 7. LONG-TERM DEBT

On July 15, 2009, the Township incurred general obligation debt in the aggregate principal amount of \$19,155,000 in connection with the General Obligation Bonds, Series of 2009, issued by the Township for the purpose of providing funds for and toward the cost of, in part, capital projects of the Township, capitalized interest on the bonds, if applicable, and the costs of issuance of the bonds. Included in this debt was \$4,010,000 issued for water projects being undertaken for the Authority. In July of 2009, the Authority's Board

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

approved a resolution acknowledging the financing of the Township’s debt and obligated the Authority, to the extent possible, to pay the Township the amounts necessary to pay the debt service when due. A portion of the General Obligation Bonds, Series of 2009, was refunded through the issuance of General Obligation Bonds, Series of 2014. As part of the advance refunding of a portion of the outstanding General Obligation Bonds, Series of 2009, the Township reduced the debt related to the Authority’s water projects by \$90,000. The unrefunded portion of the General Obligation Bonds, Series of 2009, which matures through December 1, 2026, bears interest at rates ranging from 2.00% to 5.00%.

On June 25, 2014, the Township incurred general obligation debt in the aggregate principal amount of \$9,995,000 in connection with the General Obligation Bonds, Series of 2014, issued by the Township for the purpose of advance refunding a portion of the outstanding General Obligation Bonds, Series of 2009 of the Township and paying related costs and expenses, including the costs of issuing the bonds. Included in this debt was \$1,145,000 issued for water projects being undertaken for the Authority. The Authority will, to the extent possible, pay to the Township the amounts necessary to pay the debt service when due. The debt, which matures in December 1, 2034, bears interest at rates ranging from 0.25% to 3.50%.

The aggregate maturities for the Township required on the long-term debt obligations at December 31, 2015 were as follows:

	General Obligation Bonds Series of 2009		General Obligation Bonds Series of 2014		Total	
	Interest Payment	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Principal Payment
2016	\$ 293,180	\$ 650,000	\$ 290,050	\$ 85,000	\$ 583,230	\$ 735,000
2017	260,680	675,000	289,200	95,000	549,880	770,000
2018	240,430	700,000	288,250	95,000	528,680	795,000
2019	218,030	725,000	286,825	100,000	504,855	825,000
2020	193,380	745,000	285,575	100,000	478,955	845,000
2021-2025	527,825	4,180,000	1,396,381	530,000	1,924,206	4,710,000
2026-2030	2,730	65,000	1,063,975	5,190,000	1,066,705	5,255,000
2031-2034	-	-	316,150	3,795,000	316,150	3,795,000
	<u>\$ 1,736,255</u>	<u>\$ 7,740,000</u>	<u>\$ 4,216,406</u>	<u>\$ 9,990,000</u>	<u>\$ 5,952,661</u>	<u>\$ 17,730,000</u>

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

During the year ended December 31, 2015, the following changes occurred in long-term debt for the Township:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
General Obligation Bonds, Series of 2009	\$ 8,280,000	\$ -	\$ (540,000)	\$ 7,740,000	\$ 650,000
General Obligation Bonds, Series of 2014	9,995,000	-	(5,000)	9,990,000	85,000
	\$ 18,275,000	\$ -	\$ (545,000)	\$ 17,730,000	\$ 735,000

Total principal payments of \$545,000 were due and paid during the year ended December 31, 2015. The outstanding portion due from the Authority for the general obligation bonds related to the Authority's water projects was \$3,230,000 at December 31, 2015.

The aggregate maturities required on the amount receivable from the Authority at December 31, 2015 were as follows:

	Principal Payment	Interest Payment	Total
2016	\$ 175,000	\$ 112,088	\$ 287,088
2017	180,000	103,338	283,338
2018	190,000	97,938	287,938
2019	195,000	91,858	286,858
2020	200,000	85,227	285,227
2021-2025	1,125,000	307,825	1,432,825
2026-2029	1,165,000	88,088	1,253,088
	\$ 3,230,000	\$ 886,362	\$ 4,116,362

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 8. NON-RECOURSE DEBT ISSUES

As discussed in Note 1, the following non-recourse debt issues were outstanding for the Authority at December 31, 2015:

Lancaster Bible College, 2010	\$	13,033,676
Lancaster Bible College, 2014		10,000,000
Lancaster Bible College, 2015		4,619,860
Presbyterian Home, Inc., 2011		8,512,486
Presbyterian Home, Inc., 2012		8,720,091
	\$	<u>44,886,113</u>

### 9. CAPITAL LEASE OBLIGATIONS

The Township entered into leases to finance the acquisition of equipment in the Fire Protection Tax Fund and in the Overlook Golf Course Fund. These leases qualify as capital leases for accounting purposes and have, therefore, been recorded at the present value of future minimum lease payments at the date of inception of the lease. Equipment acquired through capital leases is as follows at December 31, 2015:

	Governmental Activities	Business-Type Activity
Cost	\$ 2,810,342	\$ 152,600
Accumulated depreciation	<u>(1,380,833)</u>	<u>(114,450)</u>
Net book value	<u>\$ 1,429,509</u>	<u>\$ 38,150</u>

Depreciation expense in the current year includes amortization on assets under capital leases of \$321,588 and \$25,433 in the governmental and business-type activity, respectively.



# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

During the year ended December 31, 2015, the following changes occurred in capital lease obligations for the Township:

	Balance January 1, 2015	Additions	Retirements	Balance December 31, 2015	Due Within One Year
Governmental activities	\$ 1,848,746	\$ -	\$ (268,197)	\$ 1,580,549	\$ 278,755
Business-type activity	\$ 53,862	\$ -	\$ (26,867)	\$ 26,995	\$ 26,995

Future minimum lease payments to maturity are as follows:

	Governmental Activities	Business-Type Activity
2016	\$ 340,786	\$ 28,969
2017	340,786	-
2018	340,786	-
2019	340,786	-
2020	340,786	-
2021-2023	78,022	-
Total minimum lease payments	1,781,952	28,969
Amounts representing interest	(201,403)	(1,974)
	\$ 1,580,549	\$ 26,995

## 10. PENSION PLANS

### Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented using the accrual basis of accounting. Contributions to the Plans are recognized when due as required by Act 205 of the Commonwealth (Act 205). Benefits and refunds are recognized when due in accordance with the terms of the Plans. Plan investments in separate accounts are held at the Principal Financial Group and U.S. Bank. These investments are valued at fair value as of the measurement date.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Plan Descriptions and Benefit Provisions

The Township administers two single-employer defined benefit pension plans: the Non-Uniformed Employee Pension Plan and the Police Pension Plan. The assets of the plans are not co-mingled. Both plans are governed by the Township Commissioners, which has delegated authority to manage the Plans to the Pension Fund Committee of each plan. The Pension Fund Committee for the Non-Uniformed Employee Pension Plan is comprised of the Township Manager, one Township Commissioner, the Chief of Police of the Township, and the Township Finance Officer. The composition of the Pension Fund Committee for the Police Pension Plan is outlined in the Collective Bargaining Agreement between the Township of Manheim Police Benevolent Association and the Township Commissioners. The Pension Fund Committee for the Police Pension Plan is comprised of four elected Board Members of the Township of Manheim Police Benevolent Association, the Township Manager, one Township Commissioner, the Chief of Police of the Township, and the Township Finance Officer. The Township has contracted with Principal Financial Group and U.S. Bank to manage plan assets. The plans do not issue separate reports.

The Non-Uniformed Employee Pension Plan is a single-employer defined benefit pension plan that covers full-time, non-uniformed employees of the Township that started employment prior to May 1, 2011. The plan provides retirement and disability benefits to plan members and their beneficiaries. Benefits vest at 100% at 10 years of service. Employees are eligible for normal retirement benefits at age 65. Monthly pension benefits are calculated at 50% of average compensation, multiplied by the accrued benefit adjustment. Benefit terms provide for annual cost-of-living adjustments related to the Consumer Price Index, limited to a maximum annual increase of 3%. Employees are eligible for early retirement at the age of 60, with monthly pension benefits reduced by 6 2/3% for each year up to five that the early retirement date precedes normal retirement date. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 50% of the amount that would have been paid had the participant terminated employment on the date of death. This amount will be reduced 1/2% for each year that the spouse is younger than the participant as of the date of death.

The Police Pension Plan is a single-employer defined benefit pension plan that covers all full-time, uniformed employees of the Township. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. For employees hired before January 1, 2012, benefits vest at 100% at the attainment of 25 years of service and at age 50. For employees hired after January 1, 2012, benefits vest at 100% at the attainment of 25 years of service and at age 55. Monthly pension benefits are calculated at 50% of average compensation, multiplied by the accrued benefit adjustment. Employees are eligible for early retirement after 12 years of service. Benefit terms provide for annual cost-of-living adjustments related to the Consumer Price Index, limited to a maximum annual increase of 3%. If a participant becomes disabled as a result of accident or sickness occurring in the line

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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of duty, the participant is entitled to receive a monthly disability benefit of 50% of the participant's salary at the date the disability occurred, offset by any Social Security disability benefits received. If death occurs before retirement age in the line of duty, the surviving spouse or dependent child will receive 100% of the participant's final one month salary prior to date of death. If death occurs before retirement age and does not arise out of or in the course of employment, the surviving spouse or dependent child will receive 50% of the participant's final one month salary prior to the date of death. Post-retirement death benefits are paid to the spouse or dependent child at 50% of the monthly benefit.

### Plan Membership

At December 31, 2015, Plan memberships consisted of the following:

	Non-Uniformed Employee Pension Plan	Police Pension Plan
Active plan members	65	61
Inactive plan members entitled to but not yet receiving benefits	30	2
Inactive plan members or beneficiaries currently receiving benefits	30	31
	<u>125</u>	<u>94</u>

### Contributions

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

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Plans and funded through investment earnings.

Active members of the Non-Uniformed Employee Pension Plan are not required to contribute to the plan. Active members of the Police Pension Plan are required to contribute up to 5% of federal Form W-2 gross wages to the plan. During the year ended December 31, 2015, the Township contributed \$800,111 to the Non-Uniformed Employee Pension

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Plan, of which \$278,534 were Act 205 funds, and contributed \$982,578 to the Police Pension Plan, of which \$486,184 were Act 205 funds. During the year ended December 31, 2015, active members contributed \$281,569 to the Police Pension Plan.

### Changes in the Net Pension Liability

The changes in the net pension liability of the Non-Uniformed Employee Pension Plan were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 16,419,225	\$ 15,293,600	\$ 1,125,625
Changes for the year:			
Service cost	489,566	-	489,566
Interest	1,269,278	-	1,269,278
Differences between expected and actual experience	763,619	-	763,619
Changes of assumptions	58,578	-	58,578
Contributions - employer	-	800,111	(800,111)
Net investment loss	-	(260,984)	260,984
Benefit payments, including refunds	(447,416)	(447,416)	-
Administrative expense	-	(26,487)	26,487
Net changes	2,133,625	65,224	2,068,401
Balances at December 31, 2015	\$ 18,552,850	\$ 15,358,824	\$ 3,194,026
Plan fiduciary net position as a percentage of the total pension liability			82.78%

The net pension liability of the Non-Uniformed Employee Pension Plan is allocated between the governmental activities and the business-type activity in the amounts of \$2,938,517 and \$255,509, respectively, at December 31, 2015.

**TOWNSHIP OF MANHEIM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

The changes in the net pension liability of the Police Pension Plan were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 31,229,991	\$ 27,318,814	\$ 3,911,177
Changes for the year:			
Service cost	718,551	-	718,551
Interest	2,176,646	-	2,176,646
Differences between expected and actual experience	(1,413,649)	-	(1,413,649)
Changes of assumptions	76,502	-	76,502
Contributions - employer	-	982,578	(982,578)
Contributions - employee	-	281,569	(281,569)
Net investment loss	-	(531,507)	531,507
Benefit payments, including refunds	(1,177,385)	(1,177,385)	-
Administrative expense	-	(43,556)	43,556
Net changes	380,665	(488,301)	868,966
Balances at December 31, 2015	<u>\$ 31,610,656</u>	<u>\$ 26,830,513</u>	<u>\$ 4,780,143</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>84.88%</u>

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

*Actuarial Assumptions* - The total pension liability was determined as part of an actuarial valuation as of January 1, 2015, with liabilities measured at December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

	Employee Pension Plan	Police Pension Plan
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Inflation rate	3.00%	3.00%
Salary increases	4.25%	4.50%
Mortality	2015 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female	2015 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female
Cost-of-living adjustments	3.00%	3.00%

*Investment Policy* – The Plan’s investment policy objective is to obtain a reasonable long-term return on assets consistent with the level of risk assumed. Specific return objectives include assuring that investments remain sufficiently liquid to enable the Township to meet its cash flow requirements, including paying operating expenses for the succeeding 60-day period. Investments shall be managed aligned to the Township’s long term planning needs. The Township’s investments shall be made within the objective of attaining a market rate of return on its investments consistent with constraints imposed. The asset allocation policy shall identify target allocations to eligible asset classes and, suitable ranges within each asset class. Each asset class is to remain invested at all times in either cash (or cash equivalents) or separate accounts established by the Principal Financial Group and U.S. Bank. The majority of the Plans’ assets are invested in equity and fixed income mutual funds. Any amendments to the investment policy are recommended by the investment advisors or Pension Fund Committee members and approval requires a majority vote of the Pension Fund Committee. The Township amended its investment policy during the year ended December 31, 2015.

*Long-term Expected Rate of Return* – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the Plans as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation		Long-term Expected Rate of Return
	Non-Uniformed Employee Pension Plan	Police Pension Plan	
	Domestic equity	65.00%	63.00%
Fixed income	33.00%	24.00%	1.00% - 3.00%
Cash	2.00%	13.00%	0.00% - 1.00%
	100.0%	100.0%	

*Rate of Return* – The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of investment expense, was -1.72% and -1.97% for the Non-Uniformed Employee Pension Plan and Police Pension Plan, respectively.

*Discount Rate* - The discount rate used to measure the total pension liabilities for the Non-Uniformed Employee Pension Plan and Police Pension Plan was 7.25%. Based on the employer’s historical and legally required practice of contributing to the Plans, the assumption is that the Plans’ projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Plans, calculated using the discount rates described above, as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

Non-Uniformed Employee Pension Plan			Police Pension Plan		
	Current Discount Rate			Current Discount Rate	
1% Decrease (6.25%)	(7.25%)	1% Increase (8.25%)	1% Decrease (6.25%)	(7.25%)	1% Increase (8.25%)
\$ 5,140,778	\$ 3,194,026	\$ 1,073,129	\$ 7,809,526	\$ 4,780,143	\$ 1,692,502

### Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Township recognized pension expense of \$1,971,384 in the governmental activities and \$86,627 in the business-type activity. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activity
<u>Deferred Outflow of Resources:</u>		
Differences between expected and actual experience	\$ 562,023	\$ 48,872
Changes of assumption	110,052	3,749
Net difference between projected and actual earnings on pension plan investments	3,084,114	90,178
Total deferred outflows of resources	\$ 3,756,189	\$ 142,799
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 1,236,943	\$ -
Total deferred inflows of resources	\$ 1,236,943	\$ -



# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

<u>Year ended December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
2016	\$ 755,191	\$ 35,679
2017	755,191	35,679
2018	755,191	35,679
2019	755,103	35,762
2020	(167,143)	-
Thereafter	(334,287)	-
	<u>\$ 2,519,246</u>	<u>\$ 142,799</u>

### Non-Uniformed Employee Money Purchase Pension Plan

#### Plan Description

The Non-Uniformed Employee Money Purchase Pension Plan is a single-employer defined contribution pension plan that covers all full-time, non-uniformed employees of the Township that started on or after May 1, 2011 that do not participate in the Non-Uniformed Employee Pension Plan. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan is governed by the Township, which may amend provisions, and which is responsible for the management of plan assets. The Township has contracted with Principal Financial Group to manage plan assets.

#### Contributions

All full-time, non-uniformed employees join the plan on their hire date. At December 31, 2015, there were eighteen plan members. The Township contributes 7% of the plan members' compensation to the plan. Members do not contribute to the plan.

During the year ended December 31, 2015, the Township contributed \$49,388 to the plan, of which \$49,388 were Act 205 funds.

**TOWNSHIP OF MANHEIM**  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2015

*Pension Financial Statements*

Financial statements for the individual pension plans are presented below:

**Statement of Fiduciary Net Position**  
**December 31, 2015**

	Police Pension Fund	Non-Uniformed Employee Pension Fund	Non-Uniformed Employee Money Purchase Pension Plan	Total
Assets:				
Investments	\$ 26,830,513	\$ 15,358,824	\$ 109,231	\$ 42,298,568
Net position restricted for pension benefits	\$ 26,830,513	\$ 15,358,824	\$ 109,231	\$ 42,298,568

**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2015**

	Police Pension Fund	Non-Uniformed Employee Pension Fund	Non-Uniformed Employee Money Purchase Pension Plan	Total
<b>Additions:</b>				
Contributions:				
Employer	\$ 982,578	\$ 800,111	\$ 49,388	\$ 1,832,077
Employee	281,569	-	-	281,569
Net depreciation in fair value of investments	(531,507)	(260,984)	(1,357)	(793,848)
Total additions	732,640	539,127	48,031	1,319,798
<b>Deductions:</b>				
Retirement benefits	1,177,385	447,416	-	1,624,801
Administration fees	43,556	26,487	-	70,043
Total deductions	1,220,941	473,903	-	1,694,844
<b>Change in Net Position</b>	(488,301)	65,224	48,031	(375,046)
<b>Net Position:</b>				
Beginning of year	27,318,814	15,293,600	61,200	42,673,614
End of year	\$ 26,830,513	\$ 15,358,824	\$ 109,231	\$ 42,298,568

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 11. RISK MANAGEMENT

The Township and Authority maintain both insurance contracts and self-funded arrangements to deal with the risk of loss arising from the following events: torts, thefts of, damage to, or destruction of assets; business interruptions; errors and omissions; job-related illnesses or injuries to employees; acts of God; and losses resulting from providing medical benefits to employees and their dependents.

Insurance contracts cover public officials, law enforcement, automobile, and umbrella liabilities. The contracts also provide employee, tax collector, treasurer, and employee blanket bonds. During the year ended December 31, 2015, and the two previous years, no settlements exceeded insurance coverage.

The Township has self-funded arrangements, as described in Note 13, for health and worker's compensation claims.

### 12. POSTEMPLOYMENT HEALTH CARE BENEFITS AND LIABILITIES

#### Description

The Township, through its substantive commitment to provide other postemployment benefits (OPEB), maintains a single-employer defined benefit plan to provide postemployment healthcare benefits to Township police officers who have retired with the Township. Such benefits are available to retiree spouses, provided the benefit was elected and premiums paid by the police officer over the life of their employment with the Township per the contract. The OPEB plan does not issue a separate report.

Upon retirement at age 50 (age 55 for new hires after January 1, 2012) and the completion of 25 years of services, a police officer would be entitled single health coverage from his/her date of retirement to age 65. Effective 2006, active officers have the option (on a one-time basis) to cover their spouses at the time of their retirement. In order to exercise this election, they must pay \$50 per month in 2006 and 2007 and \$75 per month thereafter. Once the officer retires, these rates will continue to cover their spouses. Effective with the January 1, 2010 police contract, spousal coverage was discontinued for new hires. In addition, under the 2006 provision, if a retired officer dies prior to age 65, the spouse could continue the full coverage for \$75 per month until age 65 or Medicare eligibility.

All retirees would be responsible for the payment of any health care cost increases subsequent to the date of retirement.

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Funding Policy

The Township has elected to finance postemployment benefits on a pay-as-you-go basis. The Township recognizes expenditures for postemployment group insurance when claims are filed with the plan administrator. These financial statements assume that pay-as-you-go funding will continue. For the year ended December 31, 2015, the Township contributed \$164,570 to the OPEB plan.

### Annual OPEB and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Township, an amount actuarially determined in accordance with the parameters of government accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

The following illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation:

Annual required contribution	\$	658,149
Interest on OPEB contribution		132,498
Adjustment to annual required contribution		(184,192)
Annual OPEB cost		<u>606,455</u>
Contributions made		<u>(164,570)</u>
Change in net OPEB obligation		441,885
Net OPEB obligation, beginning of year		3,312,447
Net OPEB obligation, end of year	\$	<u><u>3,754,332</u></u>

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Three-Year Trend Information:

Fiscal Year-End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 527,092	18%	\$ 2,835,553
2014	613,898	22%	3,312,447
2015	606,455	27%	3,754,332

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Township and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the Township and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of calculations.

The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

In the actuarial valuation dated January 1, 2014, the entry age normal cost method was used. Because the Township funds its OPEB plan on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postemployment medical benefits. Actuarial assumptions included an interest rate of 4% per annum and medical inflation of 8% in the second year gradually decreasing by 1% per year to an ultimate rate of 5%. The unfunded actuarial accrued liability is being amortized over 30 years using the level dollar amortization method.

Funding Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 6,508,822	\$ 6,508,822	0.00%	\$ 5,464,633	119.11%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about

# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### 13. INSURANCE COOPERATIVES

The Township entered into an intergovernmental cooperation agreement with other local municipalities for the purpose of selecting and contracting with a common insurance carrier to realize certain economies of scale in providing for the various types of insurance required to be maintained by the Township.

#### Health and Welfare Benefits

The Township participates in the Intergovernmental Insurance Cooperative (IIC). The IIC is a public entity risk pool established by certain units of local government in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families, and dependents.

The agreement has a perpetual duration and shall continue until terminated pursuant to terms and conditions as defined therein. The contract with the insurance carrier includes a \$50,000 maximum loss per occurrence and \$2,292,364 in the aggregate, per policy year. The Township pays premiums for reinsurance, as there is an overall plan loss limitation, which is recalculated annually. The Township is responsible for its share of cross recovery of all municipalities. During the year ended December 31, 2015, the Township paid approximately \$3,677 towards the cost of cross recovery.

The IIC receives, processes, and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. The Township does not exercise any control over the activities of the IIC beyond its representation on the Board of Directors.

The following is a reconciliation of changes in estimated claims for health and welfare plan costs for the year ended December 31, 2015 and the previous year:

	<u>2015</u>	<u>2014</u>
Township funding	\$ 2,292,364	\$ 2,033,994
Claims paid	(2,125,287)	(2,233,493)
Specific/projected reimbursements	386,558	298,396
Anticipated cross recovery	<u>(3,677)</u>	<u>(933)</u>
Available for benefits	<u>\$ 549,958</u>	<u>\$ 97,964</u>

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# TOWNSHIP OF MANHEIM

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Workers' Compensation

The Township is a member of the Susquehanna Municipal Trust (Trust), a public entity risk pool. Members of the Trust share joint and several liability regarding workers' compensation claims. The Township pays annual premiums to the Trust based upon estimated annual payroll in various employment classifications. The workers' compensation limit is at the level required by the Pennsylvania workers' compensation statutes and supporting regulations. The Trust retains responsibility for the payment of claims within the self-insured aggregate loss retention limit of \$1,000,000 (at December 31, 2015) prior to the application of coverage provided by its reinsurance contract. The Township paid premiums of \$371,035 during the year ended December 31, 2015.

### **14. PENDING LITIGATION**

The Township and Authority are parties to suits and potential suits arising from the normal course of their operation. The outcome of these matters cannot be determined at this time. It is anticipated that any potential losses from these claims not covered by insurance will not have a material adverse effect on the Township's or Authority's financial position.

### **15. DEFICIT NET POSITION**

At December 31, 2015, the proprietary fund had a deficit of unrestricted net position of \$179,310. This deficit is expected to gradually decline as operating revenues exceed operating expenses.

### **16. SUBSEQUENT EVENT**

In May 2016, the Eden Fire Company No. 1 (Fire Company) transferred the fire station owned by the Fire Company to the Township.

**Required Supplementary  
Information**



**TOWNSHIP OF MANHEIM**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$15,335,000	\$15,335,000	\$15,995,946	\$ 660,946
Licenses and permits	630,000	630,000	678,302	48,302
Fines	239,000	239,000	229,029	(9,971)
Intergovernmental	1,737,963	1,737,963	1,668,893	(69,070)
Charges for services	5,266,380	5,997,980	5,495,707	(502,273)
Investment income	32,000	32,000	32,140	140
Miscellaneous	377,800	377,800	397,127	19,327
Total revenues	<u>23,618,143</u>	<u>24,349,743</u>	<u>24,497,144</u>	<u>147,401</u>
<b>Expenditures:</b>				
General government	1,328,540	1,233,040	1,167,054	65,986
Library	815,502	815,502	758,752	56,750
Barn at Overlook	79,550	694,898	421,461	273,437
Finance	452,615	454,615	437,271	17,344
Custodial	401,382	401,382	346,576	54,806
Emergency services	322,700	326,700	303,777	22,923
Code compliance	737,723	745,723	709,675	36,048
Planning	617,237	567,237	502,616	64,621
Police	10,571,113	10,291,113	10,446,086	(154,973)
Public works	2,560,477	2,460,477	2,364,319	96,158
Compost	248,950	174,950	122,800	52,150
Leisure	765,014	765,514	750,563	14,951
Parks	1,170,323	1,137,323	1,002,637	134,686
Stauffer Park	331,415	337,415	311,319	26,096
Weaver Road Park	72,355	72,355	41,035	31,320
Skyline Pool	181,320	194,320	162,620	31,700
Overlook Pool	218,494	246,494	229,741	16,753
Overlook activities center	139,159	148,159	128,243	19,916
Miniature golf	24,921	24,921	17,942	6,979
Sandtrap at Overlook	9,800	9,800	-	9,800
Total expenditures	<u>21,048,590</u>	<u>21,101,938</u>	<u>20,224,487</u>	<u>877,451</u>
<b>Excess of Revenues Over Expenditures</b>	2,569,553	3,247,805	4,272,657	1,024,852
<b>Other Financing Uses:</b>				
Transfers out	<u>(2,569,553)</u>	<u>(3,069,553)</u>	<u>(3,069,553)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 178,252</u>	<u>\$ 1,203,104</u>	<u>\$ 1,024,852</u>

See accompanying notes to required supplementary information - budgetary comparison schedules.

**TOWNSHIP OF MANHEIM**  
**BUDGETARY COMPARISON SCHEDULE - IMPACT FEE FUND**  
YEAR ENDED DECEMBER 31, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Charges for services	\$ 280,000	\$ 280,000	\$ 183,252	\$ (96,748)
Investment income	15,000	15,000	14,984	(16)
Total revenues	<u>295,000</u>	<u>295,000</u>	<u>198,236</u>	<u>(96,764)</u>
<b>Expenditures:</b>				
Public works	629,400	629,400	14,137	615,263
Total expenditures	<u>629,400</u>	<u>629,400</u>	<u>14,137</u>	<u>615,263</u>
<b>Net Change in Fund Balance</b>	<u>\$ (334,400)</u>	<u>\$ (334,400)</u>	<u>\$ 184,099</u>	<u>\$ 518,499</u>

See accompanying notes to required supplementary information - budgetary comparison schedules.

# TOWNSHIP OF MANHEIM

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2015

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### 1. BUDGETARY BASIS OF ACCOUNTING

An operating budget is adopted each year as a management control for the General Fund and Impact Fee Fund on the modified accrual basis of accounting. The annual operating budget is adopted each fiscal year through the passage of an annual budget ordinance. All unencumbered budget appropriations lapse at the end of each fiscal year. The budget for 2015 was adopted on December 15, 2014.

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### *Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>
General Fund:		
Police	\$ 10,291,113	\$ 10,446,086

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and accumulated fund balance.

# TOWNSHIP OF MANHEIM

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - NON-UNIFORMED EMPLOYEE PENSION PLAN

	2015*	2014*
<b>Total Pension Liability:</b>		
Service cost	\$ 489,566	\$ 509,949
Interest	1,269,278	1,131,259
Differences between expected and actual experience	763,619	(141,603)
Changes of assumptions	58,578	-
Benefit payments, including refunds	(447,416)	(386,578)
<b>Net Changes in Total Pension Liability</b>	2,133,625	1,113,027
<b>Total Pension Liability - Beginning</b>	16,419,225	15,306,198
<b>Total Pension Liability - Ending (a)</b>	\$ 18,552,850	\$ 16,419,225
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 800,111	\$ 781,178
Net investment income (loss)	(260,984)	790,384
Benefit payments, including refunds	(447,416)	(386,578)
Administrative expense	(26,487)	(23,664)
<b>Net Change in Plan Fiduciary Net Position</b>	65,224	1,161,320
<b>Plan Fiduciary Net Position - Beginning</b>	15,293,600	14,132,280
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 15,358,824	\$ 15,293,600
<b>Net Pension Liability - Ending (a-b)</b>	\$ 3,194,026	\$ 1,125,625
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	82.78%	93.14%
<b>Covered Employee Payroll</b>	\$ 3,475,000	\$ 4,261,604
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	91.91%	26.41%

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

See accompanying notes to required supplementary information - pension information.

# TOWNSHIP OF MANHEIM

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	2015*	2014*
<b>Total Pension Liability:</b>		
Service cost	\$ 718,551	\$ 792,915
Interest	2,176,646	1,974,791
Differences between expected and actual experience	(1,413,649)	660,283
Changes of assumptions	76,502	1,058,464
Benefit payments, including refunds	(1,177,385)	(1,040,456)
<b>Net Changes in Total Pension Liability</b>	380,665	3,445,997
<b>Total Pension Liability - Beginning</b>	31,229,991	27,783,994
<b>Total Pension Liability - Ending (a)</b>	\$ 31,610,656	\$ 31,229,991
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 982,578	\$ 954,748
Contributions - member	281,569	247,758
Net investment income (loss)	(531,507)	1,409,353
Benefit payments, including refunds	(1,177,385)	(1,040,456)
Administrative expense	(43,556)	(46,372)
<b>Net Change in Plan Fiduciary Net Position</b>	(488,301)	1,525,031
<b>Plan Fiduciary Net Position - Beginning</b>	27,318,814	25,793,783
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 26,830,513	\$ 27,318,814
<b>Net Pension Liability - Ending (a-b)</b>	\$ 4,780,143	\$ 3,911,177
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	84.88%	87.48%
<b>Covered Employee Payroll</b>	\$ 5,670,000	\$ 5,464,633
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	84.31%	71.57%

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

See accompanying notes to required supplementary information - pension information.

# TOWNSHIP OF MANHEIM

## SCHEDULES OF CONTRIBUTIONS AND INVESTMENT RETURNS

NON-UNIFORMED EMPLOYEE PENSION PLAN:

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Schedule of Township Contributions</b>										
Actuarially determined contribution under Act 205	\$ 800,111	\$ 781,178	\$ 709,896	\$ 734,854	\$ 613,611	\$ 600,703	\$ 464,304	\$ 455,953	\$ 466,502	\$ 449,416
Contributions in relation to the actuarially determined contribution	800,111	781,178	709,896	734,854	613,611	600,703	464,304	455,953	466,502	449,416
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$3,475,000	\$4,261,604								
Contributions as a percentage of covered employee payroll	23.02%	18.33%								
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	-1.72%	5.55%								

POLICE PENSION PLAN:

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Schedule of Township Contributions</b>										
Actuarially determined contribution under Act 205	\$ 982,578	\$ 954,748	\$ 856,591	\$ 833,425	\$ 440,362	\$ 424,277	\$ 412,470	\$ 389,374	\$ 550,000	\$ 518,803
Contributions in relation to the actuarially determined contribution	982,578	954,748	856,591	833,425	440,362	424,277	412,470	389,374	550,000	518,803
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$5,670,000	\$5,464,633								
Contributions as a percentage of covered employee payroll	17.33%	17.47%								
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	-1.97%	5.47%								

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

See accompanying notes to required supplementary information - pension information.

# TOWNSHIP OF MANHEIM

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

The information presented on the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates under Act 205 for the year ended December 31, 2015 are as follows:

	Non-Uniformed Employee Pension Plan	Police Pension Plan
Valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Amortization period	14 years	15 years
Asset valuation method	Fair value and contract basis as determined by the Trustee	Fair value and contract basis as determined by the Trustee
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	4.25%	4.50%

### Changes in Actuarial Assumptions

In 2013, the investment rate of return was decreased from 7.50% to 7.25% to reflect current expectations of the Plans' long-term investment performance. The salary scale was decreased from 4.50% to 4.25% for the Non-Uniformed Employee Pension Plan to reflect past experience and the expected level of future salary increases. The mortality table for the Plans was updated from the 2011 IRS Prescribed Mortality Table to the 2013 IRS Prescribed Mortality Table. As a result of the previous changes, the unfunded actuarial accrued liability increased by \$708,968 and \$601,933 for the Non-Uniformed Employee Pension Plan and the Police Pension Plan, respectively.

# TOWNSHIP OF MANHEIM

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### SCHEDULE OF FUNDING PROGRESS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	-	\$ 5,956,393	\$ 5,956,393	0%	\$ 4,594,354	130%
1/1/2012	-	5,830,825	5,830,825	0%	4,887,300	119%
1/1/2014	-	6,508,822	6,508,822	0%	5,464,633	119%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 593,207	20%
2013	593,207	16%
2014	658,149	21%
2015	658,149	25%

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Investment Rate of Return	4%
Medical inflation	8% in the second year, gradually decreasing by 1% per year, to an ultimate rate of 5%
Amortization Method	Level dollar
Amortization Period	30 years