

TOWNSHIP OF COLLEGE  
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF COLLEGE  
CENTRE COUNTY, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 12
<u>Government-Wide Financial Statements</u>	
Statement of Net Position	13
Statement of Activities	14
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	15
Reconciliation of Governmental Fund Balances to Government-Wide Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Revenues, Expenses and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
Required Supplementary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Cash Basis) and Actual - General Fund	19
Statement of Fiduciary Net Position - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	21
Notes to the Basic Financial Statements	22 - 44
<u>Supplementary Information</u>	
Combining Balance Sheet - Non-Major Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	46
Combining Statement of Changes in Assets and Liabilities - Agency Funds - Tax Collector Accounts	47
Schedule of Receipts and Disbursements; Agency Fund - Tax Collector Accounts	48
10 Year Schedule of Changes in Fiduciary Net Position	49
Borrowing Base Certificate	50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	51 - 52

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## Independent Auditor's Report

Members of Council  
Township of College  
Centre County, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of College, Pennsylvania, as of and for the year ended December 31, 2016, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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.

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of College, Centre County, Pennsylvania as of December 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Steve Kroll, CPA, Snyder Costello LLP*

State College, Pennsylvania  
May 4, 2017

TOWNSHIP OF COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(REQUIRED SUPPLEMENTAL INFORMATION)  
DECEMBER 31, 2016

To the Members of Council  
Township of College  
State College, Pennsylvania

As management of the Township of College (the "Township"), we offer readers of our basic financial statements this narrative introduction, overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2016.

This discussion and analysis is divided into the following sections: 1) Financial highlights for 2016, 2) Description of the required financial statements, 3) Financial Analysis of the Township, 4) An Overview of the Township's Capital Assets and Long-term Debt, and 5) Potentially Significant Matters.

The reader should use the information contained here in conjunction with the additional information contained in the Township's audited financial statements which begin immediately following this narrative.

FINANCIAL HIGHLIGHTS FOR 2016

1. Property tax millage increased  $\frac{1}{2}$  mill to 5.4 mills.
2. Taxable assessed value increased by .31% to \$439 million.
3. Invested \$2.1 million in Capital Assets.
4. Issued a \$2 million General Obligation Note to provide funding for projects with useful lives of 10-25 years.
5. \$1.8 million of the \$2 million General Obligation Note issued in 2016 remains available to fund capital projects as of 12/31/16.
6. Unassigned General Fund Balance equaled 17.9% of General Fund revenue.

## DESCRIPTION OF THE REQUIRED FINANCIAL STATEMENTS

This section is intended to serve as a narrative explanation of the Township's financial statements, not the numbers themselves, but the purpose of each statement and what each is designed to accomplish for the readers of our statements.

### **Primary Objectives of Governmental Financial Reporting**

We believe an understanding of the primary objectives of governmental financial reporting is essential to fully grasping the financial statements contained in the report.

The Governmental Accounting Standards Board (GASB) has identified both operational and fiscal accountability as the paramount objectives of financial reporting:

Operational accountability requires that a government demonstrates the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. This is accomplished by the use of **government-wide financial statements**. These statements are reported using the **accrual basis** of accounting whereby revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of when the revenue is received or the expense is paid.

Fiscal accountability requires that a government demonstrates compliance with 1) finance-related legal requirements and 2) public decisions concerning the raising and spending of public monies in the short term (the annual budget cycle). This is accomplished by the use of **fund-based financial statements**, similar to what readers have grown accustomed to prior to the adoption of GASB 34. Fund-based statements are reported using the **modified accrual basis** whereby revenues are recognized when earned provided they are collectible within the current period or soon enough afterwards to be used to pay current period liabilities. Expenditures are generally recorded when the liability is incurred.

### **Overview of the Township's Required Financial Reporting Format**

The Township's basic (required) financial statements consist of the following three components: 1) **government-wide financial statements** (operational accountability), 2) **fund-based financial statements** (fiscal accountability), and 3) **notes to the basic financial statements**. This report also includes both required and optional supplementary information schedules which are intended to enhance the reader's understanding of the financial condition of the Township.

The following narratives further describe each of these important components:

#### 1) Government-wide financial statements

As stated earlier, the objective of government-wide financial reporting is to demonstrate operational accountability. There are two basic government-wide financial statements: the statement of net position and the statement of activities. These statements provide the reader with a broad overview of the government by consolidating the Township's general, special revenue (other governmental), debt service, and capital projects funds. Because the resources of the fiduciary funds (pension trust funds and tax collection agency funds) are not available to support government programs, they are excluded from these statements.

The statement of net position represents the Township's basic government-wide statement of position. The reader should note the following essential characteristics of this statement:

- All the Township's assets and liabilities (except those of the fiduciary funds) are presented, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The assets and liabilities are presented in order of liquidity.
- Inter-fund payables and receivables are eliminated and do not appear in the total column.
- Net position is subdivided into three categories: net position invested in capital assets, net of accumulated depreciation and related debt; restricted net position; and unrestricted net position.

The statement of activities is used to report changes in net position. In this statement, expenses are presented before revenues to emphasize that the Township does not seek to maximize revenues but instead, identifies the needs of its citizens and then raises the resources needed to meet these needs. Other items to note are as follows:

- The first column presents the direct expenses associated with each of the Township's major functions which include general government, public safety, highways and streets, public works, and culture and recreation.
- Net expense for each function is arrived at by deducting revenues (referred to as program revenues) used to finance each individual function. All non-program revenues are reported as general revenues and are reported immediately following the total net expense of the Township's functions.

- 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. This is commonly referred to as the accrual basis of accounting. For example, an electric bill for usage during the month of December 2016 is recorded as an expense in 2016 although it may not have been paid until January 2017.

Both the statement of net position and the statement of activities focus the reader on governmental activities (functions) that are principally supported by taxes and intergovernmental revenues.

## 2) Fund-based Financial Statements

The Township, like other state and local governments, uses fund accounting to demonstrate fiscal accountability. A fund is a self-balancing set of accounts established for the purpose of maintaining control over resources that have been segregated for specific activities or objectives. The Township follows the principal of limiting the number of funds to those required by law and sound financial administration. All of the Township's funds can be divided into 2 classifications: governmental funds and fiduciary funds. There is a third classification, proprietary funds, but the Township has no funds that fall within that classification. The following paragraphs further describe the Township's governmental funds and fiduciary funds.

**Governmental funds** . These fund types are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The Township maintains the following eight governmental funds: the general fund, five special revenue (or "other governmental") funds, one debt service fund, and one capital projects fund.

Governmental fund statements are presented following the government-wide statement as a governmental fund balance sheet and a governmental fund statement of revenues, expenditures, and changes in fund balances. Data is presented separately for the general fund, debt service fund and the capital projects fund, all of which are deemed to be major funds. Data from the other five governmental non-major funds are combined into a single, aggregated presentation. However, individual fund data for these non-major governmental funds is provided as supplemental schedules following the footnotes in the form of a combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance.

It is important to note that the governmental fund statements are prepared using the modified accrual basis of accounting, where the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements. This differs from the government-wide financial statements which are prepared using the accrual basis of accounting. Both the governmental fund balance sheet

and the governmental statement of revenues, expenditures, and changes in fund balances are followed by a reconciliation or "bridge" to facilitate comparison of the governmental fund statements and the government-wide statements.

Finally, the Township adopts an annual budget for all its funds. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget and is presented immediately following the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

**Fiduciary funds.** Fiduciary funds are used to report assets held in a trust or agency capacity for others.

Fiduciary funds are not reported in the government-wide financial statements (as are the governmental funds) because the resources of these funds are not available to support the Township's own programs. The fiduciary fund statements are prepared using the accrual basis of accounting.

The Township's fiduciary funds consist of two pension trust funds for the benefit of its employees and two agency funds for taxes collected by the Township's tax office for other taxing jurisdictions.

The pension trust funds statements are presented following the governmental fund statements as a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

The agency funds are included in this presentation solely as assets offset by a liability to the parties on whose behalf they are held. Consequently, net assets are not reported. Instead, agency fund information can be found in the schedules following the notes to the financial statements.

## 2) Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements such as the Township's accounting methods and policies.

### FINANCIAL ANALYSIS OF THE TOWNSHIP

#### Overall Financial Analysis

We believe that the overall financial position of the Township is sound and will continue to improve.

#### Operational Accountability: Analysis of Government-wide Financial Position

As noted earlier, net position may serve over time as a useful indicator of the Township's financial position.

The Township's overall financial position as of December 31, 2016 is demonstrated by the following condensed government-wide statement of net position which shows that total assets exceeded total liabilities by \$13.24 million; an increase of \$347,000 from 2015:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,736,894	\$ 4,577,299
Capital assets - net	<u>15,464,352</u>	<u>14,100,976</u>
Total Assets	<u>19,201,246</u>	<u>18,678,275</u>
Current and other liabilities	1,112,884	751,473
Long-term liabilities	<u>4,843,247</u>	<u>5,034,020</u>
Total Liabilities	<u>5,956,131</u>	<u>5,785,493</u>
Net Position:		
Invested in capital assets, net of related debt	9,965,433	8,565,003
Restricted	1,250,423	2,884,056
Unrestricted	<u>2,029,259</u>	<u>1,443,723</u>
Total Net Position	<u>\$ 13,245,115</u>	<u>\$ 12,892,782</u>

\$9.96 million of net position totaling \$13.2 million (75.2%) reflects the Township's investment in capital assets, net of related debt still outstanding that was used to acquire those assets. Capital assets are needed to provide services to citizens; consequently they are not available for future spending.

At the end of 2016, net position of the Township totaling \$1.25 million (9.5%) are subject to restrictions on how they may be used. Accordingly, the remaining net position (\$2.0 million or 15.3%) are unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.

Operational Accountability: Analysis of Government-wide Operating Results

The Township's results of operations are demonstrated by the following condensed government-wide statement of changes in net position for the year ended December 31, 2016:

	<u>Governmental</u> <u>2016</u>	<u>Activities</u> <u>2015</u>
Program revenues:		
Charges for services	\$ 1,513,276	\$ 1,149,492
Operating grants and contributions	618,347	2,520,954
General revenues:		
Taxes and other revenue	<u>5,016,114</u>	<u>4,655,148</u>
Total Revenues	7,147,737	8,325,594
Expenses:		
General government	2,195,158	2,009,305
Public safety	2,263,210	2,203,279
Highways and streets	801,820	946,550
Public works	90,494	84,106
Culture and recreation	728,924	721,704
Depreciation (unallocated by function)	<u>715,798</u>	<u>732,773</u>
Total Expenses	<u>6,795,404</u>	<u>6,697,717</u>
(Deficit)/Excess	352,333	1,627,877
NET POSITION - beginning	<u>12,892,782</u>	<u>11,264,905</u>
NET POSITION - ending	<u><u>\$ 13,245,115</u></u>	<u><u>\$ 12,892,782</u></u>

Overall operating results from the Township's governmental activities resulted in an increase of \$352,000 in net position (2.6% of ending net position). Going from an excess of revenues over expenditures in 2015 of \$1.6 million to a \$352,000 excess of revenues over expenses in 2016 is a decrease of \$1.28 million. A turnback payment from the state drove the increased revenues in 2015.

## Fiscal Accountability: Analysis of the Township's Funds

### Transactions and Balances of Individual Major Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and with public decisions on the use of the Township's resources.

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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2.95 million, a decrease of \$1.08 million from the prior year. This decrease is largely due to increased investment in capital assets.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance was \$931,856. As a measure of the general fund's liquidity, it may be useful to compare its unassigned fund balance to total governmental fund expenditures. Unassigned general fund balance represents 18.3% of 2016 general fund expenditures and 11.0% of total governmental fund expenditures. Fund balance increased by \$109,730 during the current fiscal year.

The debt service fund has a total fund balance of \$209,268 all of which is restricted for future debt service. The \$109,812 increase in the fund balance from the prior year was due to the surplus of fund revenues over the debt service expenditures for the fiscal year, an event made possible as a result of savings from a 2014 refinancing.

The capital projects fund has a total fund balance of \$31,894, all of which is restricted for future capital project expenditures. During 2016, the Township used funds to repave the parking lot of the Post Office, purchase playground equipment for Dalevue Park, and improvements at Spring Creek Park.

### General Fund Budgetary Highlights

Actual ending fund balance was lower than budgeted ending fund balance by \$712,853.

Driving this variance is first and foremost the method used to structure the 2016 General Obligation Note. The budget anticipated that the entire proceeds would be drawn at closing. Instead, the Note was structured as a draw down note. In addition, refunds came in at \$140,000 and transfers from the General Fund to the Capital Projects Fund were well under budget due to delays in progress on completing projects.

This variance is not expected to significantly impact future Township services or liquidity.

## CAPITAL ASSETS AND LONG-TERM DEBT OVERVIEW

### Capital Assets

At December 31, 2016, the Township had invested \$15.5 million in capital assets for its governmental activities net of \$7.6 million accumulated depreciation. These assets include land, buildings, vehicles, machinery and equipment, park facilities, infrastructure acquired after January 1, 1999, and construction in progress. This amount represents a net increase (including additions and dispositions, net of depreciation) of \$1.36 million from the prior year.

Road projects, including the \$1.4 million turnback project, together with \$219,000 in additions to projects under construction, account for 89.5% of the total book value added to capital assets. Other significant items include the purchase of multiple vehicles (\$135,000) and the purchase of playground equipment at Dalevue Park (\$61,000).

Additional information on the Township's investment in capital assets (including infrastructure) is contained in Footnote E in the Notes to the Basic Financial Statements.

### Long-term Debt

In August 2011, the Township issued its General Obligation Bonds; Series of 2011 in the aggregate amount of \$6,275,000 to pay off existing debt. The bonds were issued and are secured by the Township's tax and other general revenue.

In September 2014, the Township issued its General Obligation Note, Series of 2014 in the aggregate amount of \$5,362,000 used to pay off substantially all outstanding debt.

At December 31, 2015 \$290,000 of the Bonds remained outstanding following principal payments of \$5,335,000 (\$5,055,000 made with proceeds from the GO Note Series of 2014) made in 2014. Interest payments on the Bonds totaled \$104,446. The Bonds were fully retired in 2016. In June 2016, the Township issued its General Obligation Note, Series of 2016 in the aggregate amount of \$2,037,150.

The non-electoral debt limit of the Township, calculated as 250% of the borrowing base of \$6,407,064, as of December 31, 2016 amounted to \$16,017,660, an increase of \$704,975 from the prior year. Please refer to the Supplemental Information Section for additional details.

Additional information on the Township's long-term debt can be found in Footnote F in the Notes to the Basic Financial Statements.

## 2017 BUDGET HIGHLIGHTS

1. Property tax remains at 5.4 mills.
2. Capital assets purchases and construction total \$3.5 million.
3. Total fund balance across all funds totals 20.2% of budgeted revenue, excluding interfund transfers.
4. Assessed value used to budget property tax revenue increased by .23% (i.e. \$1 million) from the 2016 value of \$440 million.
5. \$725,000 of the \$1.8 million available for capital projects of the \$2 million General Obligation Note issued in 2016 is expected to be drawn in 2017.
6. The Puddintown to Orchard bike connector path is expected to be completed in 2017, funding coming from grants and \$50,000 of Township matching funds.
7. The Township's share of the 2017 budget for the Centre Region Council of Governments increased by 2.3% (i.e. \$27,000) to \$1.188 million.

### **Request for Information**

This financial report is designed to provide an overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township's Finance Director at 1481 East College Avenue, State College, PA 16801.

TOWNSHIP OF COLLEGE  
YEAR ENDED DECEMBER 31, 2016  
GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,920,913
Accounts receivable & other assets	280,711
Taxes receivable	298,133
Prepaid expenses	3,260
Inventory	38,545
Prepaid bond costs, net	195,332
Capital assets, net of accumulated depreciation	<u>15,464,352</u>
Total assets	<u>19,201,246</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	560,322
Deferred revenue	3,177
Compensated absences	89,045
Notes/bonds payable - current	460,340
- non current	<u>4,843,247</u>
Total liabilities	<u>5,956,131</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	9,965,433
Restricted for:	
Special governmental purposes	1,218,529
Capital projects	31,894
Unrestricted	<u>2,029,259</u>
Total net position	<u>\$ 13,245,115</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Functions/Programs					
General government	\$ 1,412,723	\$ 1,338,763	\$ 16,543	--	\$ ( 57,417)
Public Safety	2,263,210	137,474	90,701	--	( 2,035,035)
Highway and streets	801,820	37,039	332,583	--	( 432,198)
Public works	90,494	--	73,475	--	( 17,019)
Culture and recreation	728,924	--	--	--	( 728,924)
Insurance and benefits	677,078	--	105,045	--	( 572,033)
Interest expense	105,357	--	--	--	( 105,357)
Depreciation (unallocated)	715,798	--	--	--	( 715,798)
Total governmental activities	\$ 6,795,404	\$ 1,513,276	\$ 618,347	--	( 4,663,781)

General Revenues:					
Taxes					4,965,846
Interest					17,284
Other					32,984
					<u>5,016,114</u>
					352,333
					<u>12,892,782</u>
					<u>\$ 13,245,115</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
YEAR ENDED DECEMBER 31, 2016  
FUND FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 968,027	\$203,855	\$ 60,166	\$1,687,966	\$2,920,914
Accounts receivable	230,990	--	12,500	37,221	280,711
Taxes receivable	282,698	5,413	--	10,022	298,133
	<u>\$1,481,715</u>	<u>\$209,268</u>	<u>\$ 73,566</u>	<u>\$1,735,209</u>	<u>\$3,499,758</u>
<b>Total assets</b>					
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 322,609		\$ 41,672	\$ 177,653	\$ 541,934
Deferred revenue	3,177		--	--	3,177
	<u>325,786</u>		<u>41,672</u>	<u>177,653</u>	<u>545,111</u>
<b>Total liabilities</b>					
<b>FUND BALANCES</b>					
Restricted	--	209,268	31,894	1,218,529	1,459,691
Assigned	224,073	--	--	--	224,073
Unassigned	931,856	--	--	339,027	1,270,883
	<u>1,155,929</u>	<u>209,268</u>	<u>31,894</u>	<u>1,557,556</u>	<u>2,954,647</u>
<b>Total fund balances</b>					
Total liabilities and fund balances	<u>\$1,481,715</u>	<u>\$209,268</u>	<u>\$ 73,566</u>	<u>\$1,735,209</u>	<u>\$3,499,758</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO GOVERNMENT-WIDE NET ASSETS  
YEAR ENDED DECEMBER 31, 2016

Total fund balances	\$ 2,954,647
Capital assets used in governmental activities excluded from funds because they do not represent financial resources	15,464,352
Other non-financial assets such as inventory and prepaid expenses	41,805
Bond/note issue costs, expenses upon issuance are deferred charges subject to amortization over the term of the bond/note issue	195,332
Accrued interest expense	( 18,389)
Liability for compensated absences (vacation pay)	( 89,045)
Long-term note payable due:	
In 2017	( 460,340)
Thereafter	<u>( 4,843,247)</u>
Net position, government-wide	<u>\$ 13,245,115</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 DECEMBER 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 3,455,476	\$ 530,372		\$ 979,997	\$ 4,965,845
Impact fees	395,272	--		--	395,272
Licenses, permits & user fees	414,938	--		--	414,938
Intergovernmental	226,049	--	\$ 12,500	383,117	621,666
Proceeds from debt	269,567	--	--	--	269,567
Fines and forfeits	105,829	--	--	--	105,829
Other	281,205	--	--	23,330	304,535
Transfers	--	4,698	231,417	--	236,115
Interest and Rents	58,856	1,151	40	12,172	72,219
Total revenues	<u>5,207,192</u>	<u>536,221</u>	<u>243,957</u>	<u>1,398,616</u>	<u>7,385,986</u>
EXPENDITURES					
Current:					
General government	1,250,871	132	--	--	1,251,003
Public safety	1,994,083	--	--	220,956	2,215,039
Highways and streets	720,281	--	--	--	720,281
Public works	89,469	--	--	718,176	89,469
Culture and recreation	78,805	--	--	--	796,981
Insurance and benefits	677,229	--	--	--	677,229
Debt Service:					
Principal payments	--	326,980	--	--	326,980
Interest charges	--	99,297	--	--	99,297
Transfers	236,115	--	--	--	236,115
Capital outlays	50,609	--	224,214	1,773,837	2,048,660
Total expenditures	<u>5,097,462</u>	<u>426,409</u>	<u>224,214</u>	<u>2,712,969</u>	<u>8,461,054</u>
Excess (Deficiency) of revenues over expenditures	109,730	109,812	19,743	( 1,314,353 )	( 1,075,068 )
FUND BALANCES, beginning	<u>1,046,199</u>	<u>99,456</u>	<u>12,151</u>	<u>2,871,909</u>	<u>4,029,715</u>
FUND BALANCES, ending	<u>\$ 1,155,929</u>	<u>\$ 209,268</u>	<u>\$ 31,894</u>	<u>\$ 1,557,556</u>	<u>\$ 2,954,647</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
RECONCILIATION OF REVENUES, EXPENSES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

Net changes in fund balances - total governmental	\$( 1,075,068)
Expenses, reported on the statement of activities, that (required)/did not require the use of current financial resources:	
Vacation expense accrued to employees	( 10,674)
Insurance expense	( 10)
Interest expense	( 6,060)
Changes in inventory	2,995
Capital outlays, net of depreciation expense of \$702,705	1,363,376
Effect of note proceeds/repayments that utilize current financial resources net of the effect of the amortization of the deferred costs included in the statement of activities of \$13,093	<u>77,774</u>
Change in net position of governmental activities	<u><u>\$ 352,333</u></u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
REQUIRED SUPPLEMENTARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016

	Budget- Both Original and Final	Actual	Variance
REVENUES			
Taxes	\$ 3,362,640	\$ 3,455,476	\$ 92,836
Impact fees	366,800	395,272	28,472
Licenses, permits and user fees	397,175	414,938	17,763
Intergovernmental	227,992	226,049	( 1,943)
Fines and forfeits	128,500	105,829	( 22,671)
Interest and rents	75,750	58,856	( 16,894)
Proceeds from debt	2,040,000	269,567	1,770,433
Other	139,953	281,205	141,252
Total revenues	<u>6,738,810</u>	<u>5,207,192</u>	<u>(1,531,618)</u>
EXPENDITURES			
General Government	1,232,589	1,250,871	( 18,282)
Public Safety	2,042,876	1,994,083	48,793
Highways and streets	780,819	720,281	60,538
Public works	83,700	89,469	( 5,769)
Culture and recreation	91,351	78,805	12,546
Insurance and benefits	660,447	677,229	( 16,782)
Transfers	963,965	236,115	727,850
Capital outlays	67,800	50,609	17,191
Total expenditures	<u>5,923,277</u>	<u>5,097,462</u>	<u>825,815</u>
Excess of revenues over expenditures	815,533	109,730	( 705,803)
FUND BALANCE, beginning	<u>1,053,249</u>	<u>1,046,199</u>	<u>( 7,050)</u>
FUND BALANCE, ending	<u>\$ 1,868,782</u>	<u>\$ 1,155,929</u>	<u>\$ ( 712,853)</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	<u>Trust Funds</u>		
	<u>Deferred</u>	<u>Pension</u>	<u>Agency</u>
	<u>Compensation</u>	<u>Plan</u>	<u>Funds</u>
	<u>Plan</u>	<u>Plan</u>	
ASSETS			
Cash			\$ 319,834
Investments at market value	\$ 885,619	\$ 2,012,191	<u>    --</u>
Total assets	<u>\$ 885,619</u>	<u>\$ 2,012,191</u>	<u>\$ 319,834</u>
LIABILITIES			
Due to other governments and taxpayers			<u>\$ 319,834</u>
NET ASSETS			
Held in trust for employees' retirement benefits	\$ 885,619	\$ 2,012,191	
Total net position	<u>\$ 885,619</u>	<u>\$ 2,012,191</u>	

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2016

	<u>Deferred Compensation Plan</u>	<u>Pension Plan</u>
ADDITIONS		
Contributions	\$ 83,678	\$ 108,616
Investment (losses) including realized and unrealized gains and net losses	<u>40,432</u>	<u>85,058</u>
Total additions	124,110	193,674
DEDUCTIONS		
Distributions to beneficiaries	25,516	58,845
Fees and charges	<u>18</u>	<u>--</u>
Total deductions	<u>25,534</u>	<u>58,845</u>
Changes in net position	98,576	134,829
NET POSITION, beginning	<u>787,043</u>	<u>1,877,362</u>
NET POSITION, ending	\$ <u><u>885,619</u></u>	\$ <u><u>2,012,191</u></u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE

YEAR ENDED DECEMBER 31, 2016

NOTES TO BASIC FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>PAGE</u>
A. Summary of Significant Accounting Policies	22-29
B. Budgetary Procedures	29
C. Deposits and Investments	30-31
D. Taxes	31-33
E. Capital Assets	33-34
F. Long-Term Debt	35-37
G. Governmental Fund Balances	37
H. Deferred Compensation Plan	38
I. Defined Compensation Plan	38-39
J. Police Services and Other Operations	39
K. Risk Management	39
L. Potential Component Units/Related Party Transactions	39-43
M. Contingent Liabilities	43-44
N. Subsequent Events	44

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of College is located in Central Pennsylvania. It is a Township of the second class and is operated under a Home Rule Option with an elected five member Township Council. Under the administration of an appointed Township Manager, the Township provides a variety of services to its residents. These services include, but are not limited to: public safety, recreation, street repair and maintenance, planning and zoning and general administrative services.

The accompanying financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The perspective of accountability provides the basis for defining the financial reporting entity. The definition of the financial reporting entity is primarily based on the concept of financial accountability. In defining the Township for financial reporting purposes, the Township evaluated the possible inclusion of related organizations consistent with the provisions of the Government Accounting Standards Board.

Financial accountability for legally separate organizations exists if the Township, as a primary government, appoints a voting majority of an organization's governing body, and is either able to impose its will on that organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the township, or if an organization is fiscally dependent on the township.

Based upon these criteria, the financial reporting entity has been defined to include all of the funds, accounts, departments and offices that comprise the legal entity of the Township of College.

A description of the potential component units considered and excluded from the Township's financial statements is presented below and includes a consideration of the following:

- College Township Water Authority
- College Township Industrial Development Authority
- Centre Area Transportation Authority
- Centre Region Parks and Recreation Authority
- Centre Region Council of Governments
- Schlow Centre Region Library
- Centre County Tax Collection Committee

Separate financial statements of each of the entities are available for review at the Township's offices or at the office of the respective entity.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities report information on all the nonfiduciary activities of the Township. Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide financial statements: These are reported using the economic resources measurement focus and the accrual basis of accounting as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements: These are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if collected within sixty (60) days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as compensated absences and claims and judgements are recorded when payment is due.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Taxes, grants, fees, interest income and various intergovernmental revenues associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenue related to expenditure driven grants is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following funds are used by the Township:

Governmental Fund Types

The Township reports the following major governmental funds:

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

Capital Projects Fund - Used to account for major capital expenditures. It holds the unexpended proceeds of debt issued to finance capital projects.

Debt Service Fund - To account for the accumulation of financial resources through real estate tax levies or transfers from the general fund and the payment of long-term debt, principal and interest.

The Township reports the following non-major governmental funds:

Special Revenue Funds Reported as Other Government Funds- To account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted for specified purposes.

The Township recognizes the following special revenue funds:

-- State Highway Aid - liquid fuels tax monies provided by the State for building and improving roads and bridges.

Real estate taxes are levied for particular purposes, each of which is accounted for in its own non-major governmental fund, as the name indicates.

-- Fire Protection

-- Parks and Recreation

-- Road Machinery

-- Library

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Fiduciary Fund Types

Trust Funds - To account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and funds. The Pension Trust Fund is used to account for the activity of the defined contribution retirement plan and the deferred compensation plan established under Section 457 of the Internal Revenue Code.

Agency Funds - custodial in nature; that is, assets equal liabilities and they do not involve measurement of operations. These funds include those administered by the Township as:

Tax Collector. Funds paid by individuals, property owners and/or employers on account of the various tax assessments levied by the Township, the School District and other local municipalities are held by the township as an agent of itself and others until accountings and disbursements are made.

Assets, Liabilities, Fund Balance and Net Position

Private-Sector Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not contradict the guidance of the GASB.

Investments

Investments are reflected at market which approximates cost. Investment income is recorded as earned.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and governmental fund financial statements.

Capital Assets

Capital assets are reported in the governmental-wide statement of net position and include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other assets that are used in operations and have an initial useful life extending beyond a single reporting period.

Under GAAP, management establishes the dollar value ("capitalization threshold") at which the township will capitalize assets that are used in operations.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Management has established the following capitalization thresholds: Land - \$1, infrastructure - \$25,000, and all other capital assets - \$5,000.

Such assets are recorded at historical cost if purchased or constructed or at estimated historical cost if the original cost is not determinable. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of maintenance and repairs that do not add to the value of the asset or extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Infrastructure	20 - 40 years
Machinery and equipment and vehicles	5 - 20 years
Land improvement, buildings and building improvements	15 - 40 years

Inventories

Parts and supplies purchased by the various funds are recorded by the Township as an expenditure when purchased in the governmental fund financial statements and as assets in the government-wide statement of Net Assets.

Accumulated Unpaid Vacation

Under GAAP, unpaid vacation is accrued. This liability, not expected to be paid from available resources, is recorded only in the government-wide statement of net assets.

Deferred Revenue

The Township reports deferred revenue on both the government-wide and governmental fund financial statements. Deferred revenue arises when a potential revenue does not meet both the "measurable and available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method.

In the governmental fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as proceeds from debt. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as general government expenditures.

Governmental Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category included amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion included items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Township can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Township Council. Those committed amounts cannot be used for any other purpose unless Township Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In government funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Township Council or a Township official delegated that authority.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the restricted fund balance classifications could be used.

Government-Wide Financial Statement Net Position

The government-wide fund financial statements are required to report three components of net position:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions.

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

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of various estimates of amounts and disclosures by management. There will likely be differences between estimated and actual results.

B. BUDGETARY PROCEDURES

Formal budgetary accounting is employed as a management control in all funds of the Township. The Township adheres to the following procedures in establishing the budget reflected in the financial statements:

- A. Annual operating budgets are adopted each year on a basis consistent with the Commonwealth of Pennsylvania's Second Class Township Code.
- B. Throughout the year the finance director and manager use current financial status reports and established Township objectives to develop financial projections for the ensuing year.
- C. This information is then assembled and presented to the Council for approval or revision.
- D. The Council adopts a proposed budget in November of each year which is available for public scrutiny and comment for a period of at least 20 days.
- E. The final budget is approved in December. Budget revisions are approved at Council meetings.

The budget amounts presented in the financial statements reflect the original budget amounts. There were no significant Council resolutions to modify the original budget.

The Township does not use encumbrance accounting.

The Township's budget is prepared on a modified accrual basis, which approximates accrual basis results.

A difference between the general fund balance budgeted at the beginning of the year and the actual balance is due to December activity of the prior year, which is estimated due to the timing of the budget process, and year-end adjustments to accounts receivable and payable, net of those balances at the beginning of the year.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

C. DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental 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 governmental funds for investment purposes.

In addition to the investments authorized for governmental 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 is to adhere to state statutes and prudent business practice.

The following is a description of the Township deposit and investment risks:

Custodial Credit Risk - Deposits. 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 Commonwealth of Pennsylvania recognizes this risk. Under its Act 72, deposits of public funds (in excess of FDIC insurance) held by banks must be collateralized. Banks must place on deposit with a third-party (usually a Federal Reserve Bank) securities with an aggregate market value in excess of all of its uninsured balances. The Township requires this protection for its funds. PLGIT follows similar practices.

*Interest Rate Risk-Investments:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Township's investments.

*Credit Risk-Investments:* The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk.

As of December 31, 2016, the Township's deposit accounts totaled \$2,567,276 and was insured and collateralized as follows:

<u>Depository Accounts</u>	<u>Bank Balance</u>
Insured	\$ 504,044
Collateralized -	
Collateral held by pledging bank's trust department not in the Township's name	. <u>2,063,232</u>
Total deposits	\$ <u><u>2,567,276</u></u>

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

The Township's total carrying amount for bank balances was \$2,500,227 at December 31, 2016.

In addition to the deposits noted above, included in cash and cash equivalents in the financial statements are 1) \$100 in petty cash, and 2) Pennsylvania Local Government Investment Trust (PLGIT) investments of \$420,587 at December 31, 2016. The fair value of these investments is the same as their carrying amount. The fair value of the Borough's investments in PLGIT (an external investment pool) is the same as the value of the pool shares. All investments in an external investment pool that is not DEC registered are subject to oversight by the Commonwealth of Pennsylvania.

Fiduciary Funds: Pension and Deferred Compensation Trust Funds

Restricted investments in the pension and deferred compensation funds amounted to \$2,897,810 at December 31, 2016. This includes various mutual funds, all of which is uninsured. Collateral is held by the respective plan custodian.

Pension Trust Fund investments in mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The following is a description of the Pension Trust Funds' cash and investment risks:

*Credit risk:* The pension Trust Funds have no formal investment policy that would limit its investment choices based on credit ratings by Nationally Recognized Statistical Rating Organization (NRSROs). None of the Pension Trust Funds' investments in mutual funds were rated by NRSROs at December 31, 2016.

*Interest Rate Risk:* The Pension Trust Funds do 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.

D. TAXES

The Township's revenues are derived primarily from taxes on real estate, earned income and local services.

Real Estate Taxes (i.e. Property Tax)

For 2016, total Township real estate taxes were levied at the rate of 5.40 mills on every dollar of taxable assessed valuation as determined by the Centre County, Pennsylvania Assessment Office.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Current period revenues derived from 2016 levies were as follows:

	<u>Rate</u>	<u>Revenue</u>
General fund	1.90	\$ 811,331
Debt service for the purpose of acquiring or constructing Township facilities	1.23	524,999
Parks and recreation	1.00	426,825
Library	0.45	192,071
Road machinery	0.30	128,047
Fire protection	<u>0.52</u>	<u>221,945</u>
	<u>5.40</u>	<u>\$2,305,218</u>

Real estate taxes are levied January 1, and attach as an enforceable lien on property as of January 1<sup>st</sup> of the following year. During 2016, taxes were billed on March 1. The Township tax office bills and collects these taxes. Taxpayers making payments within two months of the bill date are given a 2% discount. Amounts paid after four months are assessed at a 10% penalty. Centre County collects delinquent real estate taxes on behalf of the Township.

The Township's property tax is levied by resolution of the Township's Council on real property located within the Township. Assessed values are generally 50% of market value as of the date of the last reassessment by the Centre County Board of Property Assessment, Appeals and Review. The total assessed valuation of property in the Township as of March 1, 2016 was \$600,033,295 of which an estimated \$160,606,625 was exempt from taxation.

Earned Income Taxes

Each resident and nonresident of the Township with earned income is required to file an annual earned income tax return. The Township's levy on such income is .5% and 1.0% on residents and nonresidents, respectively.

The Centre Tax Agency, also known as the Borough of State College, collects the earned income tax and remits the appropriate amounts to the Township throughout the year.

During 2016, individual taxpayers reported gross earned income of approximately \$296 million.

The Township recognized \$1,483,000 in earned income tax revenue during 2016.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Taxes Receivable; Deferred Revenue

At December 31, 2016, taxes receivable and deferred revenue for taxes were as follows:

<u>Type of Tax</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Real estate	\$ 20,883	\$ 21,156	\$ 11,439	\$ 53,478
Earned income	143,777	--	--	143,777
Occupational privilege	53,000	--	--	53,000
Realty transfer	74,356	--	--	74,356
Allowance for uncollectible taxes	( 9,318)	(11,134)	( 6,026)	( 26,478)
	<u>\$ 282,698</u>	<u>\$ 10,022</u>	<u>\$ 5,413</u>	<u>\$ 298,133</u>
Deferred Revenue	<u>\$ 3,177</u>			<u>\$ 3,177</u>

Included in taxes receivable is \$3,177 of delinquent taxes. During 2016, \$22,007 was collected for delinquent taxes, penalties and interest.

E. CAPITAL ASSETS

The Township records its capital assets in the government-wide financial statements, net of accumulated depreciation. The Township includes equipment, vehicles, road machinery, land and buildings as well as infrastructure assets such as roads, traffic signals, parkland, etc.

Current year capital outlays include \$218,000 of construction in progress, a \$1.4 million road turnback project, playground improvements at Dalevue Park, and the purchase of multiple vehicles.

TOWNSHIP OF COLLEGE  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2016  
 (Continued)

E. CAPITAL ASSETS

Changes in capital assets during 2016 are presented below:

	Balance January 1, 2016	Additions	Disposals	Balance December 31, 2016
Buildings and improvements	\$ 6,838,118			\$ 6,838,118
Equipment	2,812,872	\$ 215,066	\$ ( 96,569)	2,931,369
Infrastructure	9,082,306	1,635,941	--	10,718,247
Total	<u>18,733,296</u>	<u>1,851,007</u>	<u>( 96,569)</u>	<u>20,487,734</u>
Less: Accumulated depreciation:				
Buildings and improvements	( 2,322,420)	( 182,188)		( 2,504,608)
Equipment	( 1,920,368)	( 184,895)	93,083	( 2,012,180)
Infrastructure	( 2,689,904)	( 335,622)	--	( 3,025,526)
Total	<u>( 6,932,692)</u>	<u>( 702,705)</u>	<u>93,083</u>	<u>( 7,542,314)</u>
Land	<u>2,076,928</u>			<u>2,076,928</u>
Construction in progress	<u>223,444</u>	<u>218,560</u>	<u>--</u>	<u>442,004</u>
Net Assets	<u>\$ 14,100,976</u>	<u>\$ 1,366,862</u>	<u>\$ ( 3,486)</u>	<u>\$ 15,464,352</u>

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

F. LONG-TERM DEBT

Long-term liabilities for the year ended December 31, 2016 were as follows:

2014 General Obligation Note	\$ 5,361,000		\$( 326,980)	\$ 5,034,020
2016 General Obligation Note	--	269,567	--	269,567
Compensated absences	78,371	\$ 10,674	--	89,045
	<u>\$ 5,439,371</u>	<u>\$ 280,241</u>	<u>\$( 326,980)</u>	<u>\$ 5,392,632</u>

General Obligation Note, Series of 2016

On June 7, 2016, pursuant to its Ordinance No. O-16-16, the Township settled on its General Obligation Note, Series of 2016. The note was issued in the form of a draw down note with an aggregate principal amount of \$2,037,150 in order to fund issuance costs and costs related to a number of capital projects.

The note is payable in annual payments of principal on November 15<sup>th</sup> as well as semi-annual interest payments on May 15<sup>th</sup> and November 15<sup>th</sup>. Interest is charged at 2.675% until May 15, 2026 at which time the interest rate will be adjusted monthly for the remainder of the term at 66% of the 30-day LIBOR plus 189 basis points, subject to a maximum rate of 5.00%. Costs associated with the issue were approximately \$33,452.

Total future debt service requirements with regards to the General Obligation Note, Series 2016 are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Total Debt Service</u>
2017	\$ 90,370	2.65%	\$ 54,494	\$ 144,864
2018	92,790	2.65%	52,076	144,866
2019	95,270	2.65%	49,594	144,864
2020	97,820	2.65%	47,046	144,866
2021	100,440	2.65%	44,429	144,869
2022	103,120	2.65%	41,742	144,862
2023	105,880	2.65%	38,984	144,864
2024	108,710	2.65%	36,152	144,862
2025	111,620	2.65%	33,244	144,864
2026	101,460	2.65%	43,407	144,867
2027	93,380	*5.000%	51,484	144,864
2028	98,050	*5.000%	46,815	144,865
2029	102,950	*5.000%	41,912	144,862
2030	108,100	*5.000%	36,765	144,865
2031	113,500	*5.000%	31,360	144,860
2032	119,180	*5.000%	25,684	144,864
2033	125,140	*5.000%	19,725	144,865
2034	131,400	*5.000%	13,468	144,868
2035	137,970	*5.000%	6,898	144,868
	<u>\$ 2,037,150</u>		<u>\$ 715,279</u>	<u>\$ 2,752,429</u>

\*Maximum interest rate

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

General Obligation Note, Series of 2014

On September 18, 2014, pursuant to its Ordinance O-14-14, the Township settled on its General Obligation Note, Series of 2014 in the aggregate amount of \$5,362,000. Proceeds served to advance refund substantially all the General Obligation Bonds, Series of 2010.

The note is payable in annual payments of principal on November 15<sup>th</sup> as well as semi-annual interest payments on May 15<sup>th</sup> and November 15<sup>th</sup>. Interest is charged at 1.84% until November 15, 2021 at which time the interest rate will be adjusted monthly for the remainder of the term at 67% of the 30-day LIBOR plus 200 basis points, subject to a maximum rate of 4.15%. Costs associated with the issue were approximately \$81,922.

Total future debt service requirements with regards to the General Obligation Note, Series 2014 are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Total Debt Service</u>
2017	\$ 369,970	1.84%	\$ 92,626	\$ 462,596
2018	379,280	1.84%	85,819	465,099
2019	382,730	1.84%	78,840	461,570
2020	395,330	1.84%	71,798	467,128
2021	402,290	1.84%	64,523	466,813
2022	336,930	*4.15%	128,833	465,763
2023	349,100	*4.15%	114,851	463,951
2024	360,990	*4.15%	100,363	461,353
2025	377,550	*4.15%	85,382	462,932
2026	393,780	*4.15%	69,714	463,494
2027	409,930	*4.15%	53,372	463,302
2028	430,340	*4.15%	36,360	466,700
2029	445,800	*4.15%	18,501	464,301
	<u>\$ 5,034,020</u>		<u>\$ 1,000,982</u>	<u>\$ 6,035,002</u>

\*Maximum interest rate

In connection with the issuance of the General Obligation Note, Series 2014 used to advance refund substantially all the General Obligation Bonds, Series of 2010, a portion of the proceeds were deposited into an irrevocable trust with an escrow agent to provide for certain debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the Government-wide Financial Statements.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Borrowing Base

As of December 31, 2016, the borrowing base, computed under the provisions of Pennsylvania Act 185, was \$6,407,064. Net non-electoral debt may be 250% of such base amount, which amounts to \$16,017,660. The computation of this is shown in the supplemental information.

Other Long-Term Liabilities

The vacation liability is calculated using employees' current rate of pay.

G. GOVERNMENTAL FUND BALANCES

Fund Balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the following page.

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
<u>Restricted for:</u>					
Debt Service Payments		\$ 209,268			\$ 209,268
Capital Projects		--	\$ 31,894		31,894
Highway Aid		--	--	\$ 826,338	826,338
Fire Protection		--	--	37,220	37,220
Road Machinery		--	--	232,988	232,988
Parks & Recreation		--	--	106,481	106,481
Library		--	--	15,502	15,502
Total Restricted		209,268	31,894	1,218,529	1,459,691
<u>Assigned to:</u>					
Workforce housing	\$ 45,000	--	--	--	45,000
Economic Development	30,000	--	--	--	30,000
Sidewalk improvements	149,073	--	--	--	149,073
Total Assigned	224,073	--	--	--	224,073
<u>Unassigned:</u>	\$ 931,856	--	--	339,027	1,270,883
<u>Total Fund Balance</u>	<u>\$1,155,929</u>	<u>\$ 209,268</u>	<u>\$ 31,894</u>	<u>\$ 1,557,556</u>	<u>\$ 2,954,647</u>

Restricted fund balances in special revenue funds are generally required to be expended for the purpose indicated by the original tax levy.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

H. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan adopted under Section 457 of the Internal Revenue Code. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and beneficiaries.

The Township has no liability for losses under the plan but does have the duty of due care that would be required for an ordinary prudent investor.

I. DEFINED CONTRIBUTION PLAN

The Township has adopted a single employer Nonuniform Defined Contribution Pension Plan. These funds are administered by the ICMA Retirement Corporation. All funds are currently invested by ICMA in mutual funds. The Nonuniform Pension Plan was originally adopted by the Township Council on July 7, 1970.

Contributions: College Township contributes 7.5% of all full-time participating employees' wages to the Nonuniform Pension Plan. Employee contributions are voluntary.

Benefits: Employees who have attained the age of 20 are eligible to participate in the plan after completing one year of service with the Township. Vesting occurs at a rate of 20 percent after three years and an additional 20 percent each year thereafter. Participants are fully vested after seven years. At age 65 they may elect to withdraw their pension monies in one lump sum or in regular monthly installments.

If a participant who has been employed with the Township for at least three years, but less than seven, terminates employment, he is eligible to receive his vested percentage of his pension benefits equal to the percentage of vesting he has attained. At the time of termination, the employee must elect to receive the monies in one lump sum or in regular monthly installments.

Total payroll expense for 2016	\$1,501,037
Covered payroll of participating employees	\$1,448,213
Township contribution to plan during 2016	\$ 108,616

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

The Township received a state pension grant from the Commonwealth of Pennsylvania, provided under The Municipal Pension Plan Funding Standard Recovery Act (Act No. 205) in the amount of \$105,045.

Contributions to the plan are fully funded as payroll expenditures are made on a bi-weekly basis.

The Township acts as common paymaster for the Township and the College Township Water Authority. During 2016 the Authority reimbursed the Township \$240,180 for payroll expense and paid \$16,213 for pension contributions. The Authority also reimburses its share of payroll taxes, insurance and other benefits.

J. POLICE SERVICES AND OTHER OPERATIONS

The Township does not maintain its own police force but provides police services under a contract with the Borough of State College.

The annual contract provides for hours of service and types of coverage. The total cost for the year ended December 31, 2016 was \$1,411,450.

The Township also pays the Borough for the efforts of the health and dog enforcement officers and for the Borough's collection of the Township's Local Services Tax (LST) and Earned Income Tax (EIT).

The Township is entitled to receive funds under The Foreign Fire Insurance Premium Tax under (Act No. 205) to provide, among other things, retirement and death benefits for firefighters. The Township received \$90,701 of such funds and paid \$81,994 to the Alpha Fire Company, State College, Pennsylvania and \$8,707 to the Boalsburg Fire Company. This is recorded as revenue and expense in the general fund.

K. RISK MANAGEMENT

The Township is exposed to various risks of loss related to liability; theft of, damage to, and destruction of property and other assets; work related accidents; and errors and omissions for which the township carries commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Unemployment compensation insurance is maintained through the Commonwealth and PSATS.

L. POTENTIAL COMPONENT UNITS/RELATED PARTY TRANSACTIONS

A summary of potential component units considered and excluded from the Township's financial statements follows.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

College Township Water Authority

The College Township Water Authority (the Authority) was established in May, 1996 under the Pennsylvania Municipality Authorities Act of 1945 to supply water to residential and business customers in and around the Township.

College Township Council appoints all five members of the Authority's board. Council has no further involvement in the affairs of the Authority, no responsibility for its debt and provides no substantial financial operating assistance. The Authority sets its own rates, adopts its budget and issues debt without the approval of the Township.

During 2016, the Township received \$88,560 from the Authority for the oversight of its administrative, financial and operational activities. College Township also serves as the paymaster for all Authority employees. Costs of the employees hired for, or assigned to Authority operations are billed at actual costs and reimbursed by the Authority.

College Township Industrial Development Authority

The College Township Industrial Development Authority (the "IDA") was established in October, 1972 under the Economic Development Financing Law (Act No. 102) to provide financing for industrial and commercial developments and other economic activities.

College Township Council appoints six members of the IDA's board, two alternates are appointed by the IDA board. Council has no further involvement in the affairs of the IDA, no responsibility for its debt and provides no operating assistance, although the IDA's issuance of tax-exempt debt for projects within the Township requires Council approval under provisions of the Internal Revenue Code. Such approval, by the municipality in which a project to be funded with tax-exempt debt is located, is generally required under the Code.

During 2016, the Township received \$3,640 from the IDA for the oversight of its financial activities.

University Area Joint Authority

The University Area Joint Authority (UAJA) was formed in August, 1964 under the Municipality Authorities Act of 1945 (Act No. 164) for the purposes of financing, constructing and operating a sanitary sewage collection system and waste water treatment and disposal facility.

College Township Council appoints certain members of the UAJA board. However, Council has no further involvement in the affairs of the authority which sets its own rates, adopts its budget and issues debt without the approval of the Township.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Centre Area Transportation Authority

Centre Area Transportation Authority (CATA) was created in May, 1974 under the Pennsylvania Municipality Authorities Act of 1945. In February, 1984 the Authority was reorganized as a joint authority with College Township participating and appointing one of five members of CATA's board.

During 2016, the Township contributed \$63,987 to assist CATA's operations and \$16,244 to assist with CATA's capital acquisitions. With substantial equity, operating revenues and expenses, CATA is not deemed to be fiscally dependent on the Township.

Centre Region Council of Governments

The Centre Region Council of Governments (COG) was formed between and among the governments of the Townships of College, Ferguson, Halfmoon, Harris, Patton and the Borough of State College on December 2, 1969 under the provisions of the Intergovernmental Cooperation Act of 1972 (Act No. 180) as amended. It operates under Articles of Agreement adopted in October, 1989 and as needed. COG is a voluntary organization of local governments which fosters a cooperative effort to resolve problems, determine policies and formulate plans and programs to meet regional needs.

Each municipality's elected officials are members of COG. Each municipality has one "unit vote" if such procedure is invoked by any member on any issue or resolution. Otherwise, a majority of members present is sufficient to conduct ordinary business once a quorum is established.

During 2016, College Township contributed an aggregate of \$781,733 to fund the following activities and programs:

Centre Region Parks and Recreation	\$248,550
Alpha Fire Company	220,885
Planning Commission	177,565
Administration	61,504
Senior Citizens	39,851
Centre Region Nature Center	11,294
Other	22,084
	<u>\$781,733</u>

Pursuant to Inter-Municipal Agreement 2001-1, the member municipalities of COG own COG's building in proportion to their contribution to the construction costs. Rents from COG and operating expenses will be similarly apportioned. See Note L.

COG is not deemed to be fiscally dependent on the Township.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Centre Region Parks and Recreation Authority

The Centre Region Parks and Recreation Authority (CRPRA) was created under the provisions of the Pennsylvania Municipality Authorities Act of 1945 as a financing medium for the construction of and operation of recreation facilities. It currently operates the Park Forest and Welch swimming pools in State College, Pennsylvania and Oak Hall Regional Park and John Hess Softball Complex.

College Township Council appoints one of five members to the Authority's board, which sets its own rates and adopts its own budget.

During 2016, the Township contributed \$190,335 to the operations and capital budget of the Authority. CRPRA is not deemed to be fiscally dependent on the Township.

Pool Loans:

In 2008, the Township, along with four other local municipalities as part of the COG, agreed to share the cost and debt service associated with the CRRA's "Pool Project". That project was to expand and improve the Park Forest and Welch pools.

The original financing arrangement took place in 2008 with the issuance of a Guaranteed Revenue Note in the principal amount of \$7,900,000.

Following three loan modifications in 2010 and 2011 and a refinancing in 2012, the balance of the refinanced note totaled \$6,128,000. This modified note bears a fixed interest rate of 2.43% through December 1, 2022. From December 1, 2022 through the end of the loan, the interest rate will be set at 64% of the 10 year average LIBOR plus 2.1%, not to exceed 3.95%. The note has a final maturity of December 1, 2028. Savings from the refinancing total \$651,000 over the life of the loan.

The 2013 Note is guaranteed by the participating municipalities. Municipal contributions are currently based on the funding formula in effect in 2008. After ten years, the municipal contributions will be reset based upon the 2018 funding formula. Each municipality adopted an ordinance to accept their portion of the Note.

The Township's share of the payments due on the note is 17.44% and is the guarantor of the 17.44% of any remaining principal.

Regional Park Loan:

In April 2011, the Township, along with four other local municipalities as part of the COG, agreed to share the cost and debt service associated with CRRA's "Regional Parks Project". The project, to develop Oak Hall and Whitehall Road regional parks, is being financed by a Guaranteed Revenue Note. The original financing arrangement took place in 2011 with the issuance of a Guarantee Revenue Note in the principal amount of \$7.6 million.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

Following a second modification in February 2012 the amount available to borrow was reduced to \$6,611,300. The initial fixed rate has been reduced from 3.15% through December 1, 2016 to 2.8% through December 1, 2022. In addition the maximum variable rate has been reduced from 6% to 5.35% and the minimum variable rate has been reduced from 2.36% to 0% for the period December 1, 2022 through December 1, 2031. As an ancillary factor to the refinancing, an additional \$125,528 has been added to the available funds for the Oak Hall Regional Park project.

The Note is guaranteed by the participating municipalities. Municipal contributions for the first ten years of the note will be based upon the funding formula in effect in 2011. After ten years, the municipal contributions will reset based upon the 2021 formula. Each municipality adopted an ordinance to accept their portion of the Note. The Township's share of the payments due on the bond is 18.11% and is the guarantor of 18.11% of any remaining principal.

Schlow Centre Region Library

The Schlow Centre Region Library Board was originally formed in 1957 by the Borough of State College. In April, 1991 it was regionalized by the Townships of College, Harris, Ferguson and Patton, together with the Borough of State College under the Intergovernmental Cooperation Act of 1972.

The purpose of the Board is to promote the health, safety and general welfare of the Centre region by providing public library service to serve the educational, recreational, cultural and informational needs of the region.

College Township appoints two of nine members of the Board.

During 2016, the Township contributed \$189,463 to the operations of the library. The Library is not deemed to be fiscally dependent on the Township.

M. CONTINGENT LIABILITIES

The Township is contingently liable to make contributions to the entities funded by its participation, as described above, whether for the operations or the debt of the organization, so long as it participates in those organizations.

The Township receives grants of federal, state and local aid in connection with certain projects and programs. Such grants are subject to periodic audits whereby costs claimed may be questioned by local auditors, the Auditor General of the Commonwealth of Pennsylvania and/or Federal Inspectors General. To the extent such costs are disallowed by the provider, repayment from non-grant sources would be required of the Township.

TOWNSHIP OF COLLEGE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

The Township is involved in other disputes in the ordinary course of operation; the outcome of these is not expected to have a material effect on the financial statements.

N. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 4, 2017, which is the date the financial statements were available to be issued.

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TOWNSHIP OF COLLEGE  
CENTRE COUNTY, PENNSYLVANIA

\* \* \* \* \*

SUPPLEMENTARY INFORMATION

\* \* \* \* \*

YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF COLLEGE  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2016

	Highway Aid Fund	Fire Protection Fund	Road Machinery Fund	Parks & Recreation Fund	Library Fund	Total
ASSETS						
Cash and cash equivalents	\$ 920,059	\$ 34,924	\$ 315,596	\$ 403,868	\$ 13,519	\$ 1,687,966
Accounts receivable	--	--	--	37,221	--	37,221
Taxes receivable	--	2,296	1,324	4,419	1,983	10,022
Total assets	<u>\$ 920,059</u>	<u>\$ 37,220</u>	<u>\$ 316,920</u>	<u>\$ 445,508</u>	<u>\$ 15,502</u>	<u>\$ 1,735,209</u>
LIABILITIES						
Accounts payable	\$ 93,721		83,932			\$ 177,653
FUND BALANCES	<u>\$ 826,338</u>	<u>\$ 37,220</u>	<u>\$ 232,988</u>	<u>445,508</u>	<u>\$ 15,502</u>	<u>1,557,556</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 920,059</u>	<u>\$ 37,220</u>	<u>\$ 316,920</u>	<u>\$ 445,508</u>	<u>\$ 15,502</u>	<u>\$ 1,735,209</u>

TOWNSHIP OF COLLEGE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Highway Aid Fund	Fire Protection Fund	Road Machinery Fund	Parks & Recreation Fund	Library Fund	Total
REVENUES						
Taxes		\$ 224,381	\$ 129,513	\$ 431,987	\$ 194,116	\$ 979,997
Intergovernmental	\$ 309,642	--	--	73,475	--	383,117
Interest	9,884	208	903	1,028	149	12,172
Sale of capital assets	--	--	23,330	--	--	23,330
Transfers	--	--	--	--	--	--
Total revenues	319,526	224,589	153,746	506,490	194,265	1,398,616
EXPENDITURES						
Public safety	--	220,956	--	--	--	220,956
Highways and streets	--	--	--	--	--	--
Culture and recreation	--	--	--	528,660	189,516	718,176
Capital outlays:	--	--	--	--	--	--
Equipment & fixtures	--	--	120,825	--	--	120,825
Infra-structure	1,653,012	--	--	--	--	1,653,012
Total expenditures	1,653,012	220,956	120,825	528,660	189,516	2,712,969
Excess/(deficiency) of revenues over expenses	(1,333,486)	3,633	32,921	( 22,170)	4,749	( 1,314,353)
FUND BALANCES, beginning	2,159,824	33,587	200,067	467,678	10,753	2,871,909
FUND BALANCES, ending	\$ 826,338	\$ 37,220	\$ 232,988	\$ 445,508	\$ 15,502	\$ 1,557,556

TOWNSHIP OF COLLEGE  
 COMBINING STATEMENT OF CHANGES IN  
 ASSETS AND LIABILITIES - AGENCY FUND - TAX COLLECTOR ACCOUNTS  
 YEAR ENDED DECEMBER 31, 2016

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
<b>TAX COLLECTOR</b>				
<b>ASSETS</b>				
Cash - earned income taxes	\$ 47		\$ 47	
Cash - real estate taxes	322,019	20,856,435	20,858,620	319,834
	<u>322,066</u>	<u>20,856,435</u>	<u>20,858,667</u>	<u>319,834</u>
Total assets	<u>\$ 322,066</u>	<u>\$ 20,856,435</u>	<u>\$ 20,858,667</u>	<u>\$ 319,834</u>
<b>LIABILITIES</b>				
Due to other governments and taxpayers	<u>\$ 322,066</u>	<u>\$ 20,856,435</u>	<u>\$ 20,858,667</u>	<u>\$ 319,834</u>

TOWNSHIP OF COLLEGE  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
AGENCY FUND - TAX COLLECTOR ACCOUNTS  
YEAR ENDED DECEMBER 31, 2016

	<u>Earned Income Taxes</u>	<u>Real Estate Taxes</u>
CASH RECEIPTS:		
Tax collections	\$ --	\$ 20,855,667
Interest income	--	768
	<hr/>	<hr/>
Total Receipts	--	20,856,435
CASH DISBURSEMENTS:		
Distributions as tax collector		
State College Area School District	--	18,431,960
Township of College:		
General Fund	47	792,739
Special Revenue Funds	--	1,633,921
	<hr/>	<hr/>
Total Disbursements	47	20,858,620
Net Change in cash balance	( 47 )	( 2,185 )
CASH BALANCES, beginning	<hr/> 47	<hr/> 322,019
CASH BALANCES, ending	\$ --	\$ 319,834
	<hr/> <hr/>	<hr/> <hr/>
Supplemental information -		
Cash balance held as agent for:		
Township of College	\$ --	\$ 108,663
State College Area School District	--	185,009
Other governments and taxpayers	--	26,162
	<hr/>	<hr/>
Balance, December 31, 2015	\$ --	\$ 319,834
	<hr/> <hr/>	<hr/> <hr/>

TOWNSHIP OF COLLEGE  
10 YEAR SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contributions	\$ 192,294	\$ 179,770	\$ 159,375	\$ 164,485	\$ 145,822	\$ 132,401	\$ 130,907	\$ 131,449	\$ 110,978	\$ 99,944
Investment gains/(losses)	125,490	19,693	85,810	247,304	118,147	( 6,790)	113,619	164,901	( 250,914)	67,591
Total additions/ (reductions)	317,784	160,077	245,185	411,789	263,969	125,611	244,526	296,350	( 139,936)	167,535
Distributions to beneficiaries	84,361	9,939	35,492	7,852	5,861	38,423	135,189	14,400	22,139	38,972
Fees and charges	18	8,498	4,676	--	--	20,653	--	--	87	--
Total deductions	84,379	18,437	40,168	7,852	5,861	59,076	135,189	140,400	22,226	38,972
Changes in net position	233,405	141,640	205,017	403,937	258,108	66,535	109,337	155,950	( 162,162)	128,563
Assets held in trust for employees' Retirement benefits, beginning	2,664,405	2,522,765	2,317,748	1,913,811	1,655,703	1,589,168	1,479,831	1,197,881	1,360,043	1,231,480
Assets held in trust for employees' retirement benefits, ending	\$ 2,897,810	\$ 2,664,405	\$ 2,522,765	\$ 2,317,748	\$ 1,913,811	\$ 1,655,703	\$ 1,589,168	\$ 1,353,831	\$ 1,197,881	\$ 1,360,043

TOWNSHIP OF COLLEGE  
BORROWING BASE CERTIFICATE  
PREPARED AS OF DECEMBER 31, 2016

	Fiscal Year Ended December 31,		
	2014	2015	2016
Total Revenues Received (money from all sources)	\$ <u>11,512,682</u>	\$ <u>8,325,592</u>	\$ <u>7,385,988</u>
Less:			
(1) Grants and gifts-in-aid measured by construction or acquisition of specific projects	( 4,080 )	( 2,023,436 )	( 84,445 )
(2) Proceeds from note issuance	( 5,362,000 )	( -- )	( 269,567 )
(3) Nonrecurring receipts	( <u>31,383</u> )	( <u>40,956</u> )	( <u>40,956</u> )
SUBTOTAL	<u>6,115,219</u>	<u>6,261,200</u>	<u>6,261,200</u>
TOTAL NET REVENUES			\$ <u><u>19,221,191</u></u>
BORROWING BASE (Total Net Revenues Divided by 3)			\$ <u><u>6,407,064</u></u>

# FIORE FEDELI SNYDER CAROTHERS, LLP

*Certified Public Accountants and Consultants*

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David C. Carothers, CPA  
Stanley N. Roseberry IV, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS

Independent Auditor's Report

Members of Council  
Township of College  
Centre County, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of College, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township of College's basic financial statements, and have issued our report thereon dated May 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fiore G. S. Snyder Carothers LLP*

State College, Pennsylvania  
May 4, 2017