

TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

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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, 2017 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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.

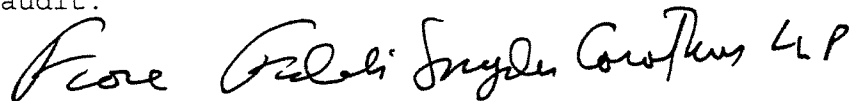
Other Matters

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

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 17, 2018, 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.



State College, Pennsylvania
May 17, 2018

TOWNSHIP OF COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTAL INFORMATION)
DECEMBER 31, 2017

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, 2017.

This discussion and analysis is divided into the following sections: 1) Financial highlights for 2017, 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 2017

1. Property tax millage remained at 5.4.
2. Taxable assessed value increased by 1.49% to \$446 million
3. Awarded a Green Light-Go grant in the amount of \$200,000 for East College Avenue/Elmwood improvements.
4. \$1.67 million remains on the 2016 General Obligation Note to fund project costs for all of 2018 and through July 6, 2019.
5. Completion of the Puddintown/Orchard Pike Bikepath (Final total cost = \$1.2 million)

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 2017 is recorded as an expense in 2017 although it may not have been paid until January 2018.

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, 2017 is demonstrated by the following condensed government-wide statement of net position which shows that total assets exceeded total liabilities by \$14.1 million; an increase of \$843,000 from 2016:

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 3,432,269	\$ 3,736,894
Capital assets - net	<u>16,401,679</u>	<u>15,464,352</u>
Total Assets	<u>19,833,948</u>	<u>19,201,246</u>
Current and other liabilities	1,272,953	1,112,884
Long-term liabilities	<u>4,472,505</u>	<u>4,843,247</u>
Total Liabilities	<u>5,745,458</u>	<u>5,956,131</u>
Net Position:		
Invested in capital assets, net of related debt	8,960,098	9,965,433
Restricted	1,036,957	1,250,423
Unrestricted	<u>409,435</u>	<u>2,029,259</u>
Total Net Position	<u>\$ 14,088,490</u>	<u>\$ 13,245,115</u>

\$9.0 million of net position totaling \$14.1 million (63.5%) 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 2017, net position of the Township totaling \$1.0 million (7.4%) are subject to restrictions on how they may be used. Accordingly, the remaining net position (\$4.1 million or 29.1%) 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, 2017:

	<u>Governmental</u> <u>2017</u>	<u>Activities</u> <u>2016</u>
Program revenues:		
Charges for services	\$ 1,158,403	\$ 1,513,276
Operating grants and contributions	1,595,605	618,347
General revenues:		
Taxes and other revenue	<u>5,232,025</u>	<u>5,016,114</u>
Total Revenues	7,986,033	7,147,737
Expenses:		
General government	2,050,755	2,195,158
Public safety	2,352,176	2,263,210
Highways and streets	934,200	801,820
Public works	234,771	90,494
Culture and recreation	809,093	728,924
Depreciation (unallocated by function)	<u>761,663</u>	<u>715,798</u>
Total Expenses	<u>7,142,658</u>	<u>6,795,404</u>
Change in Net Position	843,375	352,333
NET POSITION - beginning	<u>13,245,115</u>	<u>12,892,782</u>
NET POSITION - ending	<u><u>\$ 14,088,490</u></u>	<u><u>\$ 13,245,115</u></u>

Overall operating results from the Township's governmental activities resulted in an increase of \$843,000 in net position (6.0% of ending net position). Going from an excess of revenues over expenditures in 2016 of \$352,000 to a \$843,000 excess of revenues over expenses in 2017 is an increase of \$491,000. Compared with 2016, increased 2017 expense was offset by additional revenue from operating grants and contributions and also increased revenue from earned income tax, local service tax, and the property transfer tax.

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 \$2.52 million, a decrease of \$430,000 from the prior year. This decrease is actually less than the Township's planned draw down of fund balances.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance was \$792,700. 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 15.2% of 2017 general fund expenditures and 9.3% of total governmental fund expenditures. Fund balance decreased by \$109,476 during the current fiscal year.

The debt service fund has a total fund balance of \$100,824 all of which is restricted for future debt service. The \$108,444 decrease in the fund balance from the prior year was planned and due to the positive effects from refinancing in earlier years and structuring the 2016 debt issue as a draw down loan.

The capital projects fund has a total fund balance of \$60,184, all of which is restricted for future capital project expenditures. During 2017, the Township expended funds for the Pike Street project and improvements to Spring Creek Park. A large portion of the 2017 traffic signal project was delayed until 2018.

General Fund Budgetary Highlights

Actual ending fund balance was higher than budgeted ending fund balance by \$374,045.

Actual beginning fund balance was higher than budgeted fund balance by \$191,356. This accounts for 51.1% of the positive variance of \$374,505. In addition, increased expenditures were offset by an even larger increase in revenues, primarily due to better than expected revenues from the Act 511 taxes (i.e. real estate transfer, earned income and local services) and a significant refund from the health insurance cooperative.

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, 2017, the Township had invested \$16.4 million in capital assets for its governmental activities net of \$8.2 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 \$937,000 from the prior year.

Additions totaled \$1.7 million. Of this total, \$1.57 million was for investment in the Puddintown/Orchard Road Bike Path (\$1.04 million), traffic signals (\$123,000), traffic calming (\$58,000), road construction (\$312,000) and the Spring Creek Park Restroom Project (\$37,000).

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 \$6,920,602, as of December 31, 2017 amounted to \$17,301,505, an increase of \$1,283,845 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.

2018 BUDGET HIGHLIGHTS

1. Property tax remained at 5.4 for the 3rd consecutive budget year.
2. Total fund balance across all funds equates to 15.7% of budgeted revenues, excluding inter-fund transfers.
3. Assessed value used to budget property tax revenue increased by a mere 1.1% (\$5 million) from the 2017 value of \$441 million, continuing the need to rely more heavily on non-property tax revenues to fund Township operations and services.
4. Revenue from the Construction Fund budget reflects three (3) capital grants totaling \$229,000 and an additional \$909,000 in proceeds from the 2016 General Obligation Note which was structured as a draw down loan.
5. 76.8% of total budgeted expenditures are comprised of these five items: 1) Capital purchases and construction - \$2.5 million, 2) Payroll and benefits - \$2.0 million, 3) Police protection - \$1.6 million, 4) 2018 Centre Region Council of Governments Budget Shares - \$1.2 million, and 5) Debt service - \$589,000.

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, 2017
GOVERNMENT-WIDE
FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,591,246
Accounts receivable & other assets	314,416
Taxes receivable	260,635
Prepaid expenses	43,380
Inventory	38,775
Prepaid bond costs, net	183,817
Capital assets, net of accumulated depreciation	<u>16,401,679</u>
Total assets	<u>19,833,948</u>
LIABILITIES	
Accounts payable and other current liabilities	699,717
Deferred revenue	--
Compensated absences	101,166
Notes/bonds payable - current	472,070
- non current	<u>4,472,505</u>
Total liabilities	<u>5,745,458</u>
NET POSITION	
Invested in capital assets, net of related debt	8,960,098
Restricted for:	
Special governmental purposes	976,773
Capital projects	60,184
Unrestricted	<u>4,091,435</u>
Total net position	<u>\$ 14,088,490</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
General government	\$ 1,274,647	\$ 978,375	\$ 28,005	--	\$ (268,267)
Public Safety	2,352,176	137,915	80,625	--	(2,133,636)
Highway and streets	934,200	42,113	337,004	--	(555,083)
Public works	234,771	--	33,565	--	(201,206)
Culture and recreation	809,093	--	1,008,815	--	199,722
Insurance and benefits	678,036	--	107,591	--	(570,445)
Interest expense	98,072	--	--	--	(98,072)
Depreciation (unallocated)	761,663	--	--	--	(761,663)
Total governmental activities	\$ 7,142,658	\$ 1,158,403	\$ 1,595,605	--	(4,388,650)
			General Revenues:		
			Taxes		5,154,525
			Interest		23,423
			Other		54,077
			Total General Revenues		5,232,025
			Change in net position		843,375
			Net position, beginning		13,245,115
			Net position, ending		\$ 14,088,490

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
YEAR ENDED DECEMBER 31, 2017
FUND FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$1,123,621	\$ 93,854	\$ 73,584	\$1,300,187	\$2,591,246
Accounts receivable	124,475	--	--	189,941	314,416
Prepaid expense	40,123				40,123
Taxes receivable	238,313	6,970	--	15,352	260,635
	<u>1,526,532</u>	<u>100,824</u>	<u>73,584</u>	<u>1,505,480</u>	<u>3,206,420</u>
Total assets					
LIABILITIES					
Accounts payable and other liabilities	\$ 480,079		\$ 13,400	\$ 189,001	\$ 682,480
Deferred revenue	--		--	--	--
	<u>480,079</u>		<u>13,400</u>	<u>189,001</u>	<u>682,480</u>
Total liabilities					
FUND BALANCES					
Restricted	--	100,824	60,184	976,773	1,137,781
Assigned	253,753	--	--	--	253,753
Unassigned	792,700	--	--	339,706	1,132,406
	<u>1,046,453</u>	<u>100,824</u>	<u>60,184</u>	<u>1,316,479</u>	<u>2,523,940</u>
Total fund balances					
Total liabilities and fund balances	<u>\$1,526,532</u>	<u>\$100,824</u>	<u>\$ 73,584</u>	<u>\$1,505,480</u>	<u>\$3,206,420</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, 2017

Total fund balances	\$ 2,523,940
Capital assets used in governmental activities excluded from funds because they do not represent financial resources	16,401,679
Other non-financial assets such as inventory and prepaid expenses	42,031
Bond/note issue costs, expenses upon issuance are deferred charges subject to amortization over the term of the bond/note issue	183,818
Accrued interest expense	(17,237)
Liability for compensated absences (vacation pay)	(101,166)
Long-term note payable due:	
In 2017	(472,070)
Thereafter	(<u>4,472,505</u>)
Net position, government-wide	\$ <u><u>14,088,490</u></u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 3,692,990	\$ 456,585		\$ 1,004,950	\$ 5,154,525
Impact fees	316,033	--		--	316,033
Licenses, permits & user fees	433,967	--		--	433,967
Intergovernmental	220,592	--	\$ 101,328	1,378,333	1,598,925
Proceeds from debt	--	--	--	--	101,328
Fines and forfeits	102,731	--	--	--	102,731
Other	276,506	--	--	19,000	295,506
Transfers	--	--	--	--	--
Interest and Rents	69,820	3,233	17	11,276	84,346
	<u>5,112,639</u>	<u>459,818</u>	<u>101,345</u>	<u>2,413,559</u>	<u>8,087,361</u>
Total revenues					
EXPENDITURES					
Current:					
General government	1,364,490	8,697	--	--	1,373,187
Public safety	2,128,273	--	--	227,937	2,356,210
Highways and streets	778,537	--	--	292,392	1,070,929
Public works	104,491	--	--	1,770,124	1,874,615
Culture and recreation	95,328	--	--	--	95,328
Insurance and benefits	678,036	--	--	--	678,036
Debt Service:					
Principal payments	--	460,340	--	--	460,340
Interest charges	--	99,225	--	--	99,225
Transfers	--	--	--	--	--
Capital outlays	72,960	--	73,055	364,183	510,198
	<u>5,222,115</u>	<u>568,262</u>	<u>73,055</u>	<u>2,654,636</u>	<u>8,518,068</u>
Total expenditures					
Excess (Deficiency) of revenues over expenditures	(109,476)	(108,444)	28,290	(241,077)	(430,707)
FUND BALANCES, beginning	<u>1,155,929</u>	<u>209,268</u>	<u>31,894</u>	<u>1,557,556</u>	<u>2,954,647</u>
FUND BALANCES, ending	<u>\$ 1,046,453</u>	<u>\$ 100,824</u>	<u>\$ 60,184</u>	<u>\$ 1,316,479</u>	<u>\$ 2,523,940</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, 2017

Net changes in fund balances - total governmental	\$(430,707)
Expenses, reported on the statement of activities, that (required)/did not require the use of current financial resources:	
Vacation expense accrued to employees	(12,121)
Insurance expense	(3)
Interest expense	1,153
Changes in inventory	230
Capital outlays, net of depreciation expense of \$750,149	937,326
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 \$11,514	<u>347,497</u>
Change in net position of governmental activities	<u>\$ 843,375</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, 2017

	Budget- Both Original and Final	Actual	Variance
REVENUES			
Taxes	\$ 3,519,878	\$ 3,692,990	\$ 173,112
Impact fees	443,500	316,033	(127,467)
Licenses, permits and user fees	407,460	433,967	26,507
Intergovernmental	229,082	220,592	(8,490)
Fines and forfeits	100,000	102,731	2,731
Interest and rents	65,550	69,820	4,270
Debt proceeds	725,350	--	(725,350)
Other	122,739	276,506	153,767
	<u>5,613,559</u>	<u>5,112,639</u>	<u>(500,920)</u>
Total revenues			
EXPENDITURES			
General government	1,269,443	1,364,490	(95,047)
Public safety	2,125,688	2,128,273	(2,585)
Highways and streets	790,242	778,537	11,705
Public works	100,901	104,491	(3,590)
Culture and recreation	106,015	95,328	10,687
Insurance and benefits	721,185	678,036	43,149
Transfers	725,350	--	725,350
Capital outlays	66,900	72,960	(6,060)
	<u>5,905,724</u>	<u>5,222,115</u>	<u>683,609</u>
Total expenditures			
Excess of revenues over expenditures	(292,165)	(109,476)	182,689
FUND BALANCE, beginning	<u>964,573</u>	<u>1,155,929</u>	<u>191,356</u>
FUND BALANCE, ending	\$ <u>672,408</u>	\$ <u>1,046,453</u>	\$ <u>374,045</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Trust Funds		
	Deferred Compensation Plan	Pension Plan	Agency Funds
ASSETS			
Cash			\$ 398,617
Investments at market value	\$ <u>1,077,843</u>	\$ <u>2,314,934</u>	<u>--</u>
Total assets	<u>\$ 1,077,843</u>	<u>\$ 2,314,934</u>	<u>\$ 398,617</u>
LIABILITIES			
Due to other governments and taxpayers			\$ <u>398,617</u>
NET ASSETS			
Held in trust for employees' retirement benefits	\$ <u>1,077,843</u>	\$ <u>2,314,934</u>	
Total net position	<u>\$ 1,077,843</u>	<u>\$ 2,314,934</u>	

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Deferred Compensation <u>Plan</u>	Pension <u>Plan</u>
ADDITIONS		
Contributions	\$ 84,980	\$ 106,232
Investment (losses) including realized and unrealized gains and net losses	<u>146,919</u>	<u>245,633</u>
Total additions	231,899	351,865
DEDUCTIONS		
Distributions to beneficiaries	39,675	47,339
Fees and charges	<u>--</u>	<u>1,783</u>
Total deductions	<u>39,675</u>	<u>49,122</u>
Changes in net position	192,224	302,743
NET POSITION, beginning	<u>885,619</u>	<u>2,012,191</u>
NET POSITION, ending	<u>\$ 1,077,843</u>	<u>\$ 2,314,934</u>

See accompanying notes to basic financial statements

TOWNSHIP OF COLLEGE
YEAR ENDED DECEMBER 31, 2017
NOTES TO BASIC FINANCIAL STATEMENTS

TOWNSHIP OF COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS

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TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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
- University Area Joint Authority
- Centre Area Transportation Authority
- Centre Region Council of Governments
- Centre Region Parks and Recreation Authority
- Schlow Centre Region Library

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, 2017
(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, 2017
(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, 2017
(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, 2017
(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 recored 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, 2017
(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, 2017
(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, 2017
(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, 2017

(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.

The following is a description of the Township's 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 \$250,000 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.

The Pennsylvania Local Government Investment Trust (PLGIT):

The Township invests funds with PLGIT. PLGIT was created in 1981 to meet the short-term investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth of Pennsylvania and currently serves more than 2,900 public entity investors across the Commonwealth and cooperatively invest more than \$3.9 billion across multiple programs. PLGIT is subject to annual audit. Additional information on PLGIT and its investment strategies can be found at www.plgit.com.

The PLGIT portfolios carry an AAAM rating by Standard & Poors (S&P). S&P's fund ratings are based on analysis of credit quality, market price exposure and management. According to S&P's rating criteria, the AAAM rating signifies excellent safety of invested principal and superior capacity to maintain a \$1.00 per share net asset value.

The Township utilizes these PLGIT programs:

PLGIT-Class is a portfolio of the Trust that operates like a money market fund and stresses safety of principal as its primary objective. It is a flexible option which requires no minimum balance, no minimum initial investment, and a one day minimum investment period. Dividends are paid monthly.

PLGIT-Prime is a variable rate investment portfolio rated AAAM by Standard & Poor's. This web-based option requires no minimum balance and no minimum initial investment. This option limits redemptions or exchanges to two per calendar month.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

PLGIT-CD Purchase Program is an option that enables Investors to purchase directly Certificates of Deposit ("CDs") which are intended to be fully insured by the Federal Deposit Insurance Corporation ("FDIC"). Investments in the PLGIT-CD Purchase Program are direct investments of the Investor, not assets of the Trust or under control of its Board of Trustees.

As of December 31, 2017, the Township's deposit accounts were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured and Collateralized:		
Bank deposits - Insured	\$ 500,000	\$ 500,000
Bank deposits - Collateralized	<u>418,816</u>	<u>369,353</u>
Total deposits held by banks	928,861	869,353
Certificates of Deposit - Insured	<u>400,000</u>	<u>400,000</u>
Total Bank Deposits and Certificates of Deposit	1,328,861	1,269,353
Uninsured and Uncollateralized:		
PLGIT - Class portfolio	6,366	6,366
PLGIT - Prime portfolio	<u>1,315,377</u>	<u>1,315,377</u>
Total investments held by PLGIT	1,321,743	1,321,743
Petty Cash	<u>150</u>	<u>150</u>
Total Cash	\$ <u>2,650,754</u>	\$ <u>2,591,246</u>
Agency Funds Bank Deposits - Collateralized	\$ <u>398,617</u>	\$ <u>398,617</u>

Fiduciary Funds: Pension and Deferred Compensation Trust Funds

Restricted investments in the pension and deferred compensation funds amounted to \$3,392,777 at December 31, 2017. 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:

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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, 2017.

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 2017, 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.

Current period revenues derived from 2017 levies were as follows:

	<u>Rate</u>	<u>Revenue</u>
General fund	2.10	\$ 915,866
Debt service for the purpose of acquiring or constructing Township facilities	1.03	449,214
Parks and recreation	1.00	436,136
Library	0.45	196,257
Road machinery	0.30	130,839
Fire protection	<u>0.52</u>	<u>226,785</u>
	<u>5.40</u>	<u>\$2,355,097</u>

Real estate taxes are levied January 1, and attach as an enforceable lien on property as of January 1st of the following year. During 2017, 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

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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, 2017 was \$610,008,665 of which an estimated \$164,026,540 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 2017, individual taxpayers reported gross earned income of approximately \$318 million.

The Township recognized \$1,589,000 in earned income tax revenue during 2017.

Taxes Receivable

At December 31, 2017, 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	\$ 14,199	\$ 15,352	\$ 6,970	\$ 36,521
Earned income	143,777	--	--	143,777
Occupational privilege	53,000	--	--	53,000
Realty transfer	<u>27,337</u>	<u>--</u>	<u>--</u>	<u>27,337</u>
	<u>\$ 238,313</u>	<u>\$ 15,352</u>	<u>\$ 6,970</u>	<u>\$ 260,635</u>

During 2017, \$33,439 was collected for delinquent taxes, penalties and interest.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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 \$1,203,500 of construction in progress, \$315,600 in road construction projects, \$30,000 in traffic signal improvements, and the purchase of a vehicle and various pieces of equipment.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

E. CAPITAL ASSETS

Changes in capital assets during 2017 are presented below:

	<u>Balance</u> <u>January 1,</u> <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Buildings and improvements	\$ 6,838,118	\$ 13,621		\$ 6,851,739
Equipment	2,931,369	121,577	\$ (131,737)	2,921,209
Infrastructure	<u>10,718,247</u>	<u>368,180</u>	<u>--</u>	<u>11,086,427</u>
Total	<u>20,487,734</u>	<u>503,378</u>	<u>(131,737)</u>	<u>20,859,375</u>
Less: Accumulated depreciation:				
Buildings and improvements	(2,504,608)	(174,686)		(2,679,294)
Equipment	(2,012,180)	(195,700)	112,334	(2,095,546)
Infrastructure	<u>(3,025,526)</u>	<u>(379,762)</u>	<u>--</u>	<u>(3,405,288)</u>
Total	<u>(7,542,314)</u>	<u>(750,148)</u>	<u>112,334</u>	<u>(8,180,128)</u>
Land	<u>2,076,928</u>			<u>2,076,928</u>
Construction in progress	<u>442,004</u>	<u>1,203,500</u>	<u>--</u>	<u>1,645,504</u>
Net Assets	<u>\$ 15,464,352</u>	<u>\$ 956,730</u>	<u>\$ (19,403)</u>	<u>\$ 16,401,679</u>

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

F. LONG-TERM OBLIGATIONS

Long-term liabilities for the year ended December 31, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2016 General Obligation Note	\$ 269,567	\$ 100,328	\$(90,370)	\$ 279,525
2014 General Obligation Note	5,034,020	--	(369,970)	4,664,050
Compensated absences	89,045	13,121	--	102,166
	<u>\$5,392,632</u>	<u>\$ 113,449</u>	<u>\$(460,340)</u>	<u>\$ 5,045,741</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 drawdown 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 15th as well as semi-annual interest payments on May 15th and November 15th. 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, assuming full drawdown, 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>
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>\$ 1,946,780</u>		<u>\$ 660,785</u>	<u>\$ 2,607,565</u>

*Maximum interest rate

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

General Obligation Note, Series of 2014

On September 18, 2014, pursuant to it 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 15th as well as semi-annual interest payments on May 15th and November 15th. 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>
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>\$ 4,664,050</u>		<u>\$ 908,356</u>	<u>\$ 5,572,406</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, 2017
(Continued)

Borrowing Base

As of December 31, 2017, the borrowing base, computed under the provisions of Pennsylvania Act 185, was \$6,920,602. Net non-electoral debt may be 250% of such base amount, which amounts to \$17,301,505. 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		\$ 100,824			\$ 100,824
Capital Projects		--	\$ 60,184		60,184
Highway Aid		--	--	\$ 529,890	529,890
Fire Protection		--	--	40,103	40,103
Road Machinery		--	--	369,187	369,187
Parks & Recreation		--	--	34,549	34,549
Library		--	--	3,044	3,044
Total Restricted		100,824	60,184	976,773	1,137,781
<u>Assigned to:</u>					
Workforce housing	\$ 50,000	--	--	--	50,000
Economic Development	26,000	--	--	--	26,000
Infrastructure improvements	177,753	--	--	--	177,753
Total Assigned	253,753	--	--	--	253,753
<u>Unassigned:</u>	\$ 792,700	--	--	339,706	1,132,406
<u>Total Fund Balance</u>	<u>\$ 1,046,453</u>	<u>\$ 100,824</u>	<u>\$ 60,184</u>	<u>\$ 1,316,479</u>	<u>\$ 2,523,940</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, 2017
(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 2017	\$1,577,706
Covered payroll of participating employees	\$1,416,427
Township contribution to plan during 2017	\$ 106,232

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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 \$107,591.

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 2017 the Authority reimbursed the Township \$264,349 for payroll expense and paid \$14,068 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, 2017 was \$1,525,170.

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 \$80,625 of such funds and paid \$72,885 to the Alpha Fire Company, State College, Pennsylvania and \$7,740 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, 2017
(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 2017, the Township received \$91,392 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 2017, the Township received \$3,257 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, 2017
(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 2017, the Township contributed \$65,798 to assist CATA's operations and \$18,901 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 2017, College Township contributed an aggregate of \$768,011 to fund the following activities and programs:

Centre Region Parks and Recreation	\$270,810
Alpha Fire Company	223,903
Planning Commission	186,058
Administration	63,315
Other	<u>23,925</u>
	<u>\$768,011</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, 2017
(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 Millbrook Marsh Nature Center, the Active Adult Center, 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 2017, the Township contributed \$210,417 to the operations and capital budget of the Authority. CRPRA is not deemed to be fiscally dependent on the Township. Existing debt of CRPRA is as follows:

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.

As of December 31, 2017 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. Effective January 1, 2018, the loan rate reset and College Township's share of the payments and principal will be 16.75% through 2028.

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,

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

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 loan was further amended on June 1, 2017 to extend the draw period through June 1, 2020 and reduce the initial fixed interest rate through December 1, 2020 from 2.8% to 2.59%.

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 2017, the Township contributed \$209,101 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.

TOWNSHIP OF COLLEGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

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 17, 2018, which is the date the financial statements were available to be issued.

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TOWNSHIP OF COLLEGE
CENTRE COUNTY, PENNSYLVANIA

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SUPPLEMENTARY INFORMATION

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YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF COLLEGE
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	<u>Highway Aid Fund</u>	<u>Fire Protection Fund</u>	<u>Road Machinery Fund</u>	<u>Parks & Recreation Fund</u>	<u>Library Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 534,770	\$ 36,586	\$ 367,157	\$ 361,673	\$ 1	\$ 1,300,187
Accounts receivable	--	--	--	189,941	--	189,941
Taxes receivable	--	3,517	2,030	6,762	3,043	15,352
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 534,770</u>	<u>\$ 40,103</u>	<u>\$ 369,187</u>	<u>\$ 558,376</u>	<u>\$ 3,044</u>	<u>\$ 1,505,480</u>
LIABILITIES						
Accounts payable	\$ 4,880			\$ 184,121		\$ 189,001
FUND BALANCES	<u>\$ 529,890</u>	<u>\$ 40,103</u>	<u>\$ 369,187</u>	<u>374,255</u>	<u>\$ 3,044</u>	<u>1,316,479</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 534,770</u>	<u>\$ 40,103</u>	<u>\$ 369,187</u>	<u>\$ 558,376</u>	<u>\$ 3,044</u>	<u>\$ 1,505,480</u>

TOWNSHIP OF COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	Highway Aid Fund	Fire Protection Fund	Road Machinery Fund	Parks & Recreation Fund	Library Fund	Total
REVENUES						
Taxes		\$ 230,178	\$ 132,814	\$ 442,772	\$ 199,186	\$ 1,004,950
Intergovernmental	\$ 335,953	--	--	1,042,380	--	1,378,333
Interest	5,574	642	2,985	1,737	338	11,276
Sale of capital assets	--	--	19,000	--	--	19,000
Transfers	--	--	--	--	--	--
Total revenues	<u>341,527</u>	<u>230,820</u>	<u>154,799</u>	<u>1,486,889</u>	<u>199,524</u>	<u>2,413,559</u>
EXPENDITURES						
Public safety	--	227,937	--	--	--	227,937
Highways and streets	292,392	--	--	--	--	292,392
Culture and recreation	--	--	--	1,558,142	211,982	1,770,124
Capital outlays:					--	--
Equipment & fixtures	--	--	18,600	--	--	18,600
Infra-structure	345,583	--	--	--	--	345,583
Total expenditures	<u>637,975</u>	<u>227,937</u>	<u>18,600</u>	<u>1,558,142</u>	<u>211,982</u>	<u>2,654,636</u>
Excess/(deficiency) of revenues over expenses	(296,448)	2,883	136,199	(71,253)	(12,458)	(241,077)
FUND BALANCES, beginning	<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>
FUND BALANCES, ending	<u>\$ 529,890</u>	<u>\$ 40,103</u>	<u>\$ 369,187</u>	<u>\$ 374,255</u>	<u>\$ 3,044</u>	<u>\$ 1,316,479</u>

TOWNSHIP OF COLLEGE
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - AGENCY FUND - TAX COLLECTOR ACCOUNTS
YEAR ENDED DECEMBER 31, 2017

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance, December 31, <u>2017</u>
TAX COLLECTOR				
ASSETS				
Cash - real estate taxes	\$ 319,834	\$ 21,488,421	\$ 21,409,638	\$ 398,617
Total assets	<u>\$ 319,834</u>	<u>\$ 21,488,421</u>	<u>\$ 21,409,638</u>	<u>\$ 398,617</u>
LIABILITIES				
Due to other governments and taxpayers	<u>\$ 319,834</u>	<u>\$ 21,488,421</u>	<u>\$ 21,409,638</u>	<u>\$ 398,617</u>

TOWNSHIP OF COLLEGE
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
AGENCY FUND - TAX COLLECTOR ACCOUNTS
YEAR ENDED DECEMBER 31, 2017

	<u>Real Estate Taxes</u>
CASH RECEIPTS:	
Tax collections	\$ 21,486,886
Interest income	<u>1,535</u>
Total Receipts	21,488,421
CASH DISBURSEMENTS:	
Distributions as tax collector	
State College Area School District	19,051,951
Township of College:	
General Fund	922,176
Special Revenue Funds	<u>1,435,511</u>
Total Disbursements	<u>21,409,638</u>
Net Change in cash balance	78,783
CASH BALANCES, beginning	<u>319,834</u>
CASH BALANCES, ending	<u>\$ 398,617</u>
Supplemental information -	
Cash balance held as agent for:	
Township of College	\$ 135,429
State College Area School District	230,581
Other governments and taxpayers	<u>32,607</u>
Balance, December 31, 2017	<u>\$ 398,617</u>

TOWNSHIP OF COLLEGE
10 YEAR SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<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>
Contributions	\$ 191,212	\$ 192,294	\$ 179,770	\$ 159,375	\$ 164,485	\$ 145,822	\$ 132,401	\$ 130,907	\$ 131,449	\$ 110,978
Investment gains/(losses)	<u>392,552</u>	<u>125,490</u>	<u>(19,693)</u>	<u>85,810</u>	<u>247,304</u>	<u>118,147</u>	<u>(6,790)</u>	<u>113,619</u>	<u>164,901</u>	<u>(250,914)</u>
Total additions/ (reductions)	583,764	317,784	160,077	245,185	411,789	263,969	125,611	244,526	296,350	(139,936)
Distributions to beneficiaries	87,014	84,361	9,939	35,492	7,852	5,861	38,423	135,189	140,400	22,139
Fees and charges	<u>1,783</u>	<u>18</u>	<u>8,498</u>	<u>4,676</u>	<u>--</u>	<u>--</u>	<u>20,653</u>	<u>--</u>	<u>--</u>	<u>87</u>
Total deductions	<u>88,797</u>	<u>84,379</u>	<u>18,437</u>	<u>40,168</u>	<u>7,852</u>	<u>5,861</u>	<u>59,076</u>	<u>135,189</u>	<u>140,400</u>	<u>22,226</u>
Changes in net position	494,967	233,405	141,640	205,017	403,937	258,108	66,535	109,337	155,950	(162,162)
Assets held in trust for employees' Retirement benefits, beginning	<u>2,897,810</u>	<u>2,664,405</u>	<u>2,522,765</u>	<u>2,317,748</u>	<u>1,913,811</u>	<u>1,655,703</u>	<u>1,589,168</u>	<u>1,479,831</u>	<u>1,197,881</u>	<u>1,360,043</u>
Assets held in trust for employees' retirement benefits, ending	<u>\$3,392,777</u>	<u>\$2,897,810</u>	<u>\$2,664,405</u>	<u>\$2,522,765</u>	<u>\$2,317,748</u>	<u>\$1,913,811</u>	<u>\$1,655,703</u>	<u>\$1,589,168</u>	<u>\$1,353,831</u>	<u>\$1,197,881</u>

TOWNSHIP OF COLLEGE
BORROWING BASE CERTIFICATE
PREPARED AS OF DECEMBER 31, 2017

	Fiscal Year Ended December 31,		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Revenues Received (money from all sources)	\$ <u>8,325,592</u>	\$ <u>7,385,988</u>	\$ <u>8,797,796</u>
Less:			
 (1) Grants and gifts-in-aid measured by construction or acquisition of specific projects	(<u>2,023,436</u>)	(<u>84,445</u>)	(<u>1,008,815</u>)
(2) Proceeds from note issuance	(<u>--</u>)	(<u>269,567</u>)	(<u>101,328</u>)
(3) Nonrecurring receipts	(<u>40,956</u>)	(<u>187,204</u>)	(<u>31,820</u>)
SUBTOTAL	<u>6,261,200</u>	<u>6,844,772</u>	<u>7,655,833</u>
TOTAL NET REVENUES			\$ <u>20,761,805</u>
 BORROWING BASE (Total Net Revenues Divided by 3)			 \$ <u>6,920,602</u>

FIORE FEDELI SNYDER CAROTHERS, LLP

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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, 2017, 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 17, 2018.

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

2013 SANDY DRIVE, SUITE 200 + STATE COLLEGE, PENNSYLVANIA 16803 + (814) 237-8999 + FAX (814) 237-0990

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.



State College, Pennsylvania
May 17, 2018