

***PATTON TOWNSHIP***

***YEAR ENDED DECEMBER 31, 2015***

**PATTON TOWNSHIP**  
YEAR ENDED DECEMBER 31, 2015

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## Independent Auditors' Report

Board of Supervisors  
Patton Township  
State College, 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 Patton Township, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Patton Township as of December 31, 2015 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 11 to the financial statements, effective January 1, 2015, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The Township recorded a net pension liability and deferred outflow of resources related to pensions and expanded its note disclosures and required supplementary information related to its police pension plan. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of historical pension information 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 inquires 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.

*Other information*

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

*Brown Schultz Steidman & Fritz*

Camp Hill, Pennsylvania  
April 21, 2016

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

As management of Patton Township, we offer readers of these financial statements this narrative overview and analysis of the financial performance of the Township for the fiscal year ended December 31, 2015. Please read this management's discussion and analysis in conjunction with the financial statements which follow in order to obtain a thorough understanding of the Township's financial condition at December 31, 2015. The intent of this MD&A is to summarize Patton Township's financial performance overall, by using comparative information from the current and prior years.

**USING THESE FINANCIAL STATEMENTS**

The financial statements are organized to provide an understanding of Patton Township as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements, the Statement of Net position and the Statement of Activities, are government-wide financial statements. They provide short-term and long-term information about the Township's overall financial status. The remaining statements provide information at the fund level and focus on individual aspects of the Township's operation. The governmental funds statements describe how general Township services are financed in the short term as well as what resources are available for future spending. The other kind of fund shown in the financial statements is a fiduciary fund. This statement provides financial information regarding funds where the Township acts solely as a trustee for the benefits of others.

**Financial highlights**

- Effective January 1, 2015, the Township adopted and implemented new accounting standards related to pensions, specifically Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The Township must now report the unfunded pension liability on the statement of net position as a noncurrent liability. The Township's net pension liability at December 31, 2015 is \$317,345. The Township must also report a \$302,291 deferred outflow of resources related to the pension plan which represents the difference between the projected and actual earnings on pension plan investments as of December 31, 2015. Lastly, the implementation of the aforementioned standards resulted in a retroactive restatement of net position at January 1, 2015. The effect was an increase in net position of \$33,436 as of January 1, 2015.
- In 2015, real estate tax millage remained at 8.9 mills. Millage increased to 9.5 mills for 2016.
- The 2015 real estate tax collections, which represent the single largest source of revenue for the Township, came in at 96.9% of budget.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

- Actual real estate transfer tax collections for 2015 were 7.7% greater than budgeted because this is a difficult revenue stream to predict.
- To assist with financial planning and to guide longer-term capital projects, the Township utilized two multi-year analysis and planning tools. The Financial Trends Monitoring report illustrates financial trends for the prior ten years. This tool helps identify shifts in financial conditions and provides alerts to management if trends are becoming unfavorable. The Board received the initial Capital Improvements Plan (CIP) in October and adopted the five-year CIP for the period 2015 through 2019 in December. The plan is a companion piece to the Budget documents, forecasting trends in revenues and expenditures, and providing a forum to consider and prioritize capital projects and staffing changes.
- In 2015, the Township issued zoning permits for \$19.07 million of development, up from \$10.68 million in 2014.
- A four-year Police contract is in effect for the period 2013-2016. The main terms consist of a 2.5% annual wage increase and no change to pension or health care contributions.
- The Township has \$6,015,998 in outstanding general obligation debt as of December 31, 2015. This amount was comprised of two borrowings: \$4,845,000 of outstanding debt on the General Obligation Bonds, Series 2010 and \$1,170,998 outstanding on the General Obligation Note, Series 2011 which was secured for engineering services for the Waddle Road Bridge project.
- In addition to the Township's direct borrowing obligations, the Township is also guarantor on two intermunicipal loans for the Centre Region Recreation Authority. The total maximum obligation for these two loans at December 31, 2015 is \$1,940,618.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
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December 31, 2015

- In 2014, the Township was awarded a number of State grants for future construction projects.
  - PennDot will take over the Waddle Road Bridge Intersection project with construction to begin in 2016. The Township will fulfill its obligation under the project parameters of funding the preconstruction engineering services, right-of-way acquisition and utility relocation expenses.
  - The Pennsylvania Community Transportation Alternatives Grant provided funding for the construction of the Circleville Road Bike and Pedestrian Path project. Construction was completed in 2015.
  - The Township was notified that it would be the recipient of a PennDot Multimodal Grant of \$800,000 over two years to improve four intersections with left turn lanes along Valley Vista Drive.
- The fund balance for the Township's General Fund at December 31, 2015 decreased to \$2,536,348 from \$2,757,138 in 2014. Of this amount \$200,106 is unassigned and represents 2.3% of general fund expenditures. The remainder of the Fund Balance in the General Fund, \$2,336,242, is assigned or committed to future projects, purchases and debt service. In all other funds, the fund balance is fully assigned, committed or reserved for future projects and obligations. The Township has a policy of maintaining a fund balance for the General Fund of between 8% and 12%. The budget was generated to purposely reduce the fund balance over time, in line with the policy. Having a healthy fund balance has been accepted by the Board of Supervisors as prudent.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This section is intended to serve as an introduction to the Township's basic financial statements which are comprised of the following components: management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the financial statements. The report also contains other required supplementary information.

**Government-wide financial statements**

The two government-wide financial statements are designed to provide the reader with a broad overview of the Township's financial position, in a manner that uses accounting methods similar to a private-sector company. These statements report the effects on the Township's net position over the fiscal period.

The statement of net position presents information pertaining to the Township's assets and deferred outflows and liabilities. Changes in net position over time may be a useful indicator of the Township's financial position.

The statement of activities presents information regarding how the Township's net position changed during the fiscal year by reporting all of the current year's revenues and expenses. 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 (full accrual accounting). For example, revenues and expenses are recorded for some items yet the cash flow will occur in a future period (e.g., uncollected taxes and earned but unused vacation leave).

The Township's financial statements report on functions that are principally supported by taxes and intergovernmental revenue. There are no business-type (proprietary) activities operated by the Township.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements include:

- *Governmental funds* financial statements, which explain how services such as public safety and public works are financed and focus on near-term inflows and outflows of spendable resources. Such information may be useful in evaluating a government's near-term financing requirements.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds include the General Fund, the Parks and Recreation Fund, the Open Space Bond Fund and nonmajor funds, the largest of which is the State Highway Aid (Liquid Fuels).

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

- *Fiduciary funds* are used to account for resources held for the benefit of others outside of this government. Fiduciary funds are not reflected in the government-wide financial statements because these funds are not available to support Township programs. The Township's fiduciary funds are the pension trust funds for Township employees and the agency funds used to account for taxes collected by the Township's tax office for other taxing jurisdictions.

**Notes to the financial statements**

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

**Other supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the notes to the financial statements.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows exceeded liabilities by \$15,211,862 at the end of 2015 (\$15,048,227 for 2014, prior to restatement).

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

A condensed summary of the Township's assets and deferred outflows and liabilities and net position at December 31, 2015 and 2014 is shown below. The 2014 statements do not reflect the adoption of new pension accounting standards.

	2015 Governmental activities	2014 Governmental activities
	<u>                    </u>	<u>                    </u>
Current assets	\$ 3,822,810	\$ 3,908,620
Capital assets, net of depreciation	18,091,854	17,698,090
Other assets	11,325	11,319
Deferred outflows	<u>541,125</u>	<u>258,737</u>
Total assets and deferred outflows	<u>\$ 22,467,114</u>	<u>\$ 21,876,766</u>
Current liabilities	\$ 947,859	\$ 864,243
Noncurrent liabilities	5,990,048	5,964,296
Net pension liability	<u>317,345</u>	<u>                    </u>
Total liabilities	<u>7,255,252</u>	<u>6,828,539</u>
Net position:		
Net investment in capital assets	12,310,101	12,605,905
Unrestricted	<u>2,901,761</u>	<u>2,442,322</u>
Total net position	<u>15,211,862</u>	<u>15,048,227</u>
Total liabilities and net position	<u>\$ 22,467,114</u>	<u>\$ 21,876,766</u>

By far, the largest portion of the Township's net position (80.9%) pertains to its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related outstanding debt used to acquire said assets. The Township uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally would not be used to liquidate these liabilities.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

There are no externally imposed restrictions on any portion of the balance of net position. At the end of the fiscal year, the Township reports a positive balance in net position for the government as a whole as well as for its separate governmental activities.

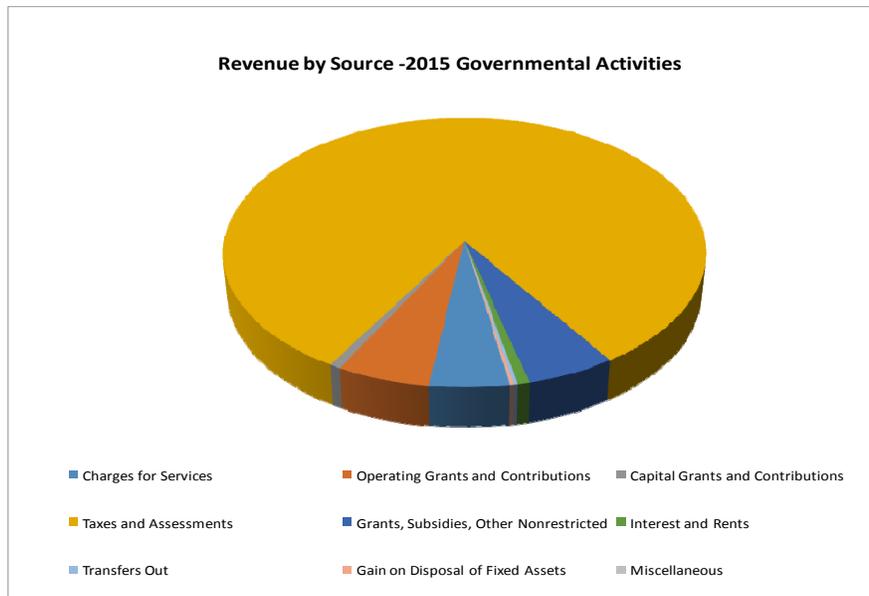
The Township's total assets and deferred outflows were \$22,467,114 of which 80.5% or \$18,091,854 is accounted for by its capital assets which includes infrastructure deeded to the Township.

A condensed summary of the Township's change in net position for the years ended December 31, 2015 and 2014 follows:

	2015 Governmental activities	2014 Governmental activities
Revenues:		
Program revenues:		
Charges for services	\$ 264,391	\$ 416,401
Operating grants and contributions	511,579	482,119
Capital grants and contributions	446,970	58,439
General revenues:		
Taxes and assessments	6,959,233	6,881,187
Grants, subsidies, other nonrestricted	389,489	462,926
Interest and rents	62,195	61,211
Transfers out	(22,241)	(20,195)
Gain (loss) on disposal of fixed assets	(20,420)	15,880
Miscellaneous	3,588	(3,151)
	<u>8,594,784</u>	<u>8,354,817</u>
Total revenues		
Expenses:		
General government	361,723	1,111,804
Police department	3,181,841	3,099,476
Public works	3,039,809	2,279,016
Community services	1,652,072	1,692,519
Human services	41,622	38,479
Debt service	168,941	168,117
Amortization	18,577	18,577
	<u>8,464,585</u>	<u>8,407,988</u>
Total expenses		
Increase (decrease) in net position	<u>\$ 130,199</u>	<u>\$ (53,171)</u>

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015



**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned 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 2015, the Township's governmental funds reported combined ending fund balances of \$3,493,099 (\$3,643,789 in 2014). Approximately 5.7% of this total amount, or \$200,106, constitutes *unassigned fund balance*, which is available for spending at the Township's discretion. The remainder of the fund balance is assigned, committed or restricted for specific uses such as vehicle replacements, road resurfacing projects, park projects and debt service; therefore, it is not available for new spending.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

The General Fund is the principal operating fund of the Township. As a measure of the General Fund's liquidity, it may be useful to compare both the *unassigned fund balance* and the total fund balance to the total fund expenditures. The General Fund's *unassigned fund balance* represents 2.3% of total General Fund expenditures while the total General Fund's fund balance represents 29.2% of the same amount. This represents planning for identified future expenditures and projects. In all of the other funds, the fund balance is assigned or restricted for specific purposes such as park construction or open space preservation and maintenance. The philosophy of the Township, given the healthy ending fund balance, is to prudently spend fund balance to balance expenditures rather than increase real estate tax rates beyond what is minimally necessary. Our longer term planning tools, such as the financial trend analysis and the capital improvement plan, allow us to look at tax rates into the future for better planning the use of fund balance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues, as reported in these financial statements, were less than budgetary estimates mainly because loan funds were not drawn in the time frame that seemed likely during the budget process. The project approval process as mandated by PennDot has taken significantly longer than originally anticipated.

There are a number of other items that are reflected in the General Fund budget such as taxes that ultimately, for financial reporting purposes, get recorded as receipts in other funds. Examples are real estate taxes allocated to the Park Fund. In total, tax collections from all sources for the General Fund came in at 98.9% of budget. Total taxes collected for all funds were \$6,568,054.

Also budgeted this way, affecting Intergovernmental revenues, is State Pension aid which is shown in the Pension Trust Fund, and Liquid Fuels Tax revenue shown as a special revenue fund. These combined amounts account for \$613,610. These items are budgeted in the General Fund, yet for financial reporting purposes, they are shown in other funds.

As for expenditures, in total they were below budget. Again based on budgeting versus financial reporting differences, certain actual expenditures are grouped somewhere other than where they were budgeted. For example, engineering expenditures are grouped with General Government expenditures but budgeted in Public Works. In addition to the differences noted above, Public Works expenditures are below budget because the Waddle Road Bridge project is proceeding at a pace slower than expected because of PennDOT's review process. Certain other projects that were dependent on grant financing did not occur because the grants were not awarded or have been deferred. Pension expenditures are not included in the General Fund for financial reporting purposes but they are included in the General Fund budget. Pension expenditures and related items are reported in the Fiduciary Funds.

Overall, staff is satisfied with the Township's financial position at the end of 2015.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

The Township's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$18,091,854, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment and infrastructure.

A condensed summary of the Township's capital assets at December 31, 2015 and 2014 follows:

	2015 Governmental activities	2014 Governmental activities
Land and land improvements	\$ 4,610,113	\$ 4,623,687
Buildings	5,546,626	5,515,299
Infrastructure	6,566,404	6,292,393
Park equipment	4,943,346	4,943,346
Tools and equipment	838,252	810,277
Traffic signals	1,606,017	1,577,886
Vehicles	1,571,936	1,525,223
Construction in progress	1,169,469	310,292
	<u>26,852,163</u>	<u>25,598,403</u>
Total capital assets		
Less accumulated depreciation for:		
Land improvements	26,554	26,288
Buildings	2,236,254	2,097,636
Infrastructure	1,102,330	964,880
Park equipment	3,176,623	2,766,281
Tools and equipment	402,273	341,466
Traffic signals	901,971	844,958
Vehicles	914,304	858,804
	<u>8,760,309</u>	<u>7,900,313</u>
Total accumulated depreciation		
Total capital assets, net	<u>\$ 18,091,854</u>	<u>\$ 17,698,090</u>

More detailed information can be found in Note 4 of the financial statements.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
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December 31, 2015

**Long-term debt**

At the end of 2015, the Township had outstanding General Obligation debt of \$6,031,912 (net of original issue premium and/or discount) plus \$573,136 in obligations for accrued compensated absences. More information about the Township's general long-term debt can be found in Note 5 of the financial statements.

A condensed summary of the Township's long-term debt obligations at December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 6,564,296	\$ 7,050,616
Increase (decrease) in compensated absences	(23,514)	24,658
Debt proceeds	665,592	235,348
Principal retirement and amortization	<u>(601,326)</u>	<u>(746,326)</u>
Ending balance	<u>\$ 6,605,048</u>	<u>\$ 6,564,296</u>

**Economic factors and next year's budget and rates**

In 2010, the Township developed a financial trend monitoring system based on the Department of Community and Economic Development's program to better insure the ability to swiftly respond, if needed, in these more difficult economic times. The Township continues to update its five-year Capital Improvement Plan to address long-term capital and operational projects. We feel that we are well equipped to deal with the current economic climate.

In 2014, a referendum was approved by Patton Township voters to increase the Township's commitment to preserving open space. Voters approved a new borrowing of up to \$3.5 million to acquire additional open space in the Township. A task force has been convened to identify and rank potential properties for acquisition. It is expected this process will be completed in the fall of 2016 with the possibility that the property will be purchased before the end of 2016. Borrowing could take place later in 2016. A 6/10<sup>th</sup> of a mill additional tax was levied beginning in 2016 to pay the debt service cost of this borrowing.

**PATTON TOWNSHIP**  
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplemental Information (RSI)  
(unaudited)  
December 31, 2015

The Township has begun to consider the effect of the "Cadillac Tax" that may be imposed, beginning in 2018, on the value of the health insurance plans offered to the employees. At this time, our plans do not meet the threshold for this tax but with the ever increasing cost of health insurance, we may exceed the threshold in 2018. Given that the Township has a collective bargaining agreement with the police, it may be difficult to change benefits enough to avoid the tax, which is 40% of the premium of the plan that exceeds the threshold limit.

**Request for information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Finance Director  
Patton Township  
100 Patton Plaza  
State College, PA 16803-2304

**PATTON TOWNSHIP**

STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>
Current assets:	
Cash	\$ 3,586,829
Taxes receivable, net	116,737
Accounts receivable	119,244
	<hr/>
Total current assets	<u>3,822,810</u>
Noncurrent assets:	
Property, plant and equipment, net:	
Land and land improvements	4,583,559
Buildings and improvements	3,310,372
Park equipment	1,766,723
Vehicles	657,632
Infrastructure	5,464,074
Tools	435,979
Traffic signals	704,046
Construction in progress	<u>1,169,469</u>
Total property, plant and equipment, net	<u>18,091,854</u>
Investments held for long-term purposes	<u>11,325</u>
Total assets	21,925,989
Deferred outflows of resources:	
Deferred charge on refunding	238,834
Pensions	<u>302,291</u>
Total assets and deferred outflows of resources	<u><u>\$ 22,467,114</u></u>

See notes to financial statements.

## LIABILITIES AND NET POSITION

	<u>Governmental activities</u>
<b>Current liabilities:</b>	
Accrued liabilities	\$ 295,797
Developer escrow	22,712
Current portion of notes payable	100,000
Current portion of bonds payable	515,000
Interest payable	<u>14,350</u>
Total current liabilities	<u>947,859</u>
<b>Noncurrent liabilities:</b>	
Notes payable	1,070,998
Bonds payable, net	4,345,914
Compensated absences	573,136
Net pension liability	<u>317,345</u>
Total noncurrent liabilities	<u>6,307,393</u>
Total liabilities	<u>7,255,252</u>
<b>Net position:</b>	
Net investment in capital assets	12,310,101
Unrestricted	<u>2,901,761</u>
Total net position	<u>15,211,862</u>
Total liabilities and net position	<u><u>\$ 22,467,114</u></u>

**PATTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program revenues				Governmental activities - net expense, revenues and change in net position
Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions		
Governmental activities:					
General government	\$ 361,723	\$ 28,442		\$ 49,476	\$ 283,805
Police department	3,181,841	68,846			3,112,995
Public works	3,039,809	109,622	\$ 498,513	397,494	2,034,180
Community services	1,652,072	57,481	13,066		1,581,525
Human services	41,622				41,622
Interest	168,941				168,941
Amortization	18,577				18,577
	<b>\$ 8,464,585</b>	<b>\$ 264,391</b>	<b>\$ 511,579</b>	<b>\$ 446,970</b>	<b>7,241,645</b>
Total primary government					
General revenues:					
Taxes:					
Property					4,452,667
Other					2,506,566
Grants, subsidies, other nonrestricted					389,489
Interest and rents					62,195
Loss on disposal of assets					(20,420)
Transfers					(22,241)
Miscellaneous					3,588
					<b>7,371,844</b>
Total general revenues and transfers					
Change in net position					130,199
Net position:					
January 1, 2015, restated					15,081,663
December 31, 2015					\$ 15,211,862

See notes to financial statements.

**PATTON TOWNSHIP**

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2015

ASSETS

	Major funds				Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund	Nonmajor funds	
Cash	\$ 2,684,179	\$ 333,021	\$ 345,108	\$ 224,521	\$ 3,586,829
Investments		11,325			11,325
Receivables:					
Taxes	93,428				93,428
Other	119,244			782	120,026
Due from other funds	265,584	313,805			579,389
Total assets	<u>\$ 3,162,435</u>	<u>\$ 658,151</u>	<u>\$ 345,108</u>	<u>\$ 225,303</u>	<u>\$ 4,390,997</u>

See notes to financial statements.

LIABILITIES AND FUND BALANCE

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund		
Liabilities:					
Accrued:					
Liabilities	\$ 198,978	\$ 70	\$ 202	\$ 5,955	\$ 205,205
Wages and taxes	90,592				90,592
Developer escrow	22,712				22,712
Due to other funds	313,805	240,050	25,534		579,389
Total liabilities	<u>626,087</u>	<u>240,120</u>	<u>25,736</u>	<u>5,955</u>	<u>897,898</u>
Fund balance:					
Restricted				219,348	219,348
Committed	24,290	11,325	198,209		233,824
Assigned	2,311,952	406,706	121,163		2,839,821
Unassigned	200,106				200,106
Total fund balance	<u>2,536,348</u>	<u>418,031</u>	<u>319,372</u>	<u>219,348</u>	<u>3,493,099</u>
Total liabilities and fund balance	<u>\$ 3,162,435</u>	<u>\$ 658,151</u>	<u>\$ 345,108</u>	<u>\$ 225,303</u>	<u>\$ 4,390,997</u>

**PATTON TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

Total fund balances, governmental funds		\$ 3,493,099
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in governmental funds. The cost of assets is \$26,852,162, and the accumulated depreciation is \$8,760,308.		18,091,854
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures; therefore, they are not recorded in the funds.		22,527
Certain government-wide amounts are not included in government funds because government funds use current financial resources:		
Notes payable	\$ (1,170,998)	
Bonds payable	(4,845,000)	
Accrued interest on the bonds	(14,350)	
Compensated absences	(573,136)	
Net pension liability	(317,345)	
Bond discount	50,698	
Bond premium	(66,612)	
		(6,936,743)
Deferred outflows of resources are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflow of resources, refunding	238,834	
Deferred outflows of resources, pensions	302,291	
		541,125
Total net position, governmental activities		\$ <u>15,211,862</u>

See notes to financial statements.

**PATTON TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund		
Revenues:					
Taxes and assessments	\$ 6,583,052	\$ 313,805		\$ 65,465	\$ 6,962,322
Licenses and permits	290,491				290,491
Fines	83,425				83,425
Intergovernmental	605,572			382,281	987,853
Interest and rents	46,204	75	\$ 15,606	310	62,195
Charges for services	63,992				63,992
Contributions	100,911		13,066		113,977
Miscellaneous	1,268				1,268
Total revenues	<u>7,774,915</u>	<u>313,880</u>	<u>28,672</u>	<u>448,056</u>	<u>8,565,523</u>
Expenditures:					
General government	1,234,625				1,234,625
Police department	3,114,084				3,114,084
Public works	2,579,899			443,795	3,023,694
Community services	1,200,132	11,605	28,702	19,890	1,260,329
Human services	41,622				41,622
Debt service:					
Principal retirement	390,000	210,000			600,000
Interest	138,249	30,050			168,299
Total expenditures	<u>8,698,611</u>	<u>251,655</u>	<u>28,702</u>	<u>463,685</u>	<u>9,442,653</u>
Excess of revenues over (under) expenditures	<u>(923,696)</u>	<u>62,225</u>	<u>(30)</u>	<u>(15,629)</u>	<u>(877,130)</u>

(continued)

**PATTON TOWNSHIP**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund		
Other financing sources:					
Proceeds from general long term debt	\$ 665,592				\$ 665,592
Proceeds from sale of assets	8,080		\$ 23,534		31,614
Refunds of prior year expenditures	51,475				51,475
Interfund operating transfer	<u>(22,241)</u>				<u>(22,241)</u>
Total other financing sources	<u>702,906</u>		<u>23,534</u>		<u>726,440</u>
Net change in fund balances	(220,790)	\$ 62,225	23,504	\$ (15,629)	(150,690)
Fund balances:					
January 1	<u>2,757,138</u>	<u>355,806</u>	<u>295,868</u>	<u>234,977</u>	<u>3,643,789</u>
December 31	<u>\$ 2,536,348</u>	<u>\$ 418,031</u>	<u>\$ 319,372</u>	<u>\$ 219,348</u>	<u>\$ 3,493,099</u>

See notes to financial statements.

**PATTON TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

Total net change in fund balances, governmental funds \$ (150,690)

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

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

Capital outlays, net	\$ 1,344,203	
Depreciation expense	<u>(921,939)</u>	
		422,264

Capital asset disposals are not recorded in the governmental funds. However, in the statement of activities a gain or loss on disposal is calculated. The current year disposals resulted in a loss. (28,500)

Because some property taxes will not be collected for several months after the Township's year-end, they are not considered to be available revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year. (3,088)

Changes in compensated absences are not recorded as expenditures in the governmental funds but are included in the statement of activities. Compensated absences decreased by this amount. 23,514

(continued)

**PATTON TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
(CONTINUED)**

YEAR ENDED DECEMBER 31, 2015

Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these transactions have no effect on net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these transactions in the statement of activities is shown below:

Issuance of debt, notes payable	\$ (665,592)	
Repayment of debt, bonds payable	600,000	
Amortization of:		
Bond discount	(4,225)	
Bond premium	5,551	
Deferred charge on refunding	<u>(19,903)</u>	
		\$ (84,169)
Change in accrued interest expense on bonds payable		(642)
Governmental funds report pension contributions as expenditures		
However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.		
Pension contributions	197,721	
Cost of benefits earned	<u>(246,211)</u>	
		<u>(48,490)</u>
Change in net position of governmental activities		<u>\$ 130,199</u>

See notes to financial statements.

**PATTON TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – ALL FIDUCIARY FUNDS

DECEMBER 31, 2015

ASSETS

	<u>Pension trust funds</u>		<u>Agency fund</u>
	<u>Police pension</u>	<u>Nonuniform pension</u>	<u>Tax office</u>
Cash			\$ 235,128
Investments	\$ 5,141,249	\$ 2,492,447	
Investment in transit	23,403		
Total assets	<u>\$ 5,164,652</u>	<u>\$ 2,492,447</u>	<u>\$ 235,128</u>

LIABILITIES AND NET POSITION HELD IN TRUST FOR PENSION BENEFITS

Taxes collected due to:			
Patton Township general fund			\$ 30,803
Other governments			204,325
Net position, restricted for pension benefits	<u>\$ 5,164,652</u>	<u>\$ 2,492,447</u>	
Total liabilities and net position	<u>\$ 5,164,652</u>	<u>\$ 2,492,447</u>	<u>\$ 235,128</u>

See notes to financial statements.

**PATTON TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – ALL FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Police pension trust fund</u>	<u>Nonuniform pension trust fund</u>
Additions:		
Investment losses	\$ (16,923)	\$ (44,515)
Contributions:		
State	148,883	82,446
Employer	22,241	
Employee	<u>65,424</u>	<u>44,395</u>
Total additions	<u>219,625</u>	<u>82,326</u>
Deductions:		
Administrative expense	38,827	
Distributions	<u>147,181</u>	<u>70,604</u>
Total deductions	<u>186,008</u>	<u>70,604</u>
Net increase	33,617	11,722
Net position held in trust for pension benefits:		
January 1	<u>5,131,035</u>	<u>2,480,725</u>
December 31	<u>\$ 5,164,652</u>	<u>\$ 2,492,447</u>

See notes to financial statements.

# **PATTON TOWNSHIP**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### **1. Organization and significant accounting policies:**

Patton Township (the Township) was incorporated in 1794. It is a second class township under the provisions of the Commonwealth of Pennsylvania's Second Class Township Code, P.L. 103, No. 69 as amended by P.L. 1481, No. 567. The Township is governed by a board of supervisors and provides or secures the following services as authorized by the Township Code: public safety, public works, culture, recreation and community development.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *Reporting entity:*

The Township defines its reporting entity based upon the criteria established by the Governmental Accounting Standards Board. The Township includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Township are such that exclusions would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of reporting entity is based primarily on the notion of financial accountability. The Township is financially accountable to an organization if it appoints a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Township. The Township would also include any organization fiscally dependent on it. Based upon the criteria above, the Township has no agencies or entities which should be presented with the Township.

#### *Basis of presentation, fund accounting and measurement focus:*

##### Basis of presentation

Government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

*Basis of presentation, fund accounting and measurement focus (continued):*

##### Basis of presentation (continued)

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the Township. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

##### Fund accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

##### Governmental funds

Governmental funds are used to account for the Township's expendable financial resources and related liabilities. The measurement focus is based upon determination of changes in financial position. The following are the Township's governmental fund types:

General fund - The general fund is 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.

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to specified purposes. These funds include the liquid fuels fund, the streetlight fund and the hydrant fund, all of which are recorded as nonmajor funds.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

*Basis of presentation, fund accounting and measurement focus (continued):*

##### Governmental funds (continued)

Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. These funds include the parks and recreation fund and the open space bond fund, both included as major funds.

##### Fiduciary funds

These are the funds that account for the assets held by the Township as a trustee or agent for a governmental unit or for pension benefits and are, therefore, not available to support the Township's own programs. The funds included in this category are:

Pension trust fund - This fund includes the police and non-uniform pension trusts.

Agency fund - This fund includes the tax office.

##### Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are 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 revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows less total liabilities) is used as a practical measure of economic resources and the statement of activities includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the statement of net position.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

*Basis of presentation, fund accounting and measurement focus (continued):*

##### Measurement focus and basis of accounting (continued)

The governmental fund financial statements 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 government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Amounts received from federal, state and other grants designated for payment of specific Township expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

##### *Investments:*

Investments at Pennsylvania Local Government Investment Trust (PLGIT) and in the money market fund are stated at cost. The Township invests its pension assets in funds managed by two separate administrators. The funds include investments in bonds and mutual funds and are valued by the administrators at year-end at fair value.

##### *Bond discounts:*

Bond discounts are capitalized and amortized over the term of the related debt as required in government-wide financial statements. Bond discounts are recognized as expenditures in the current period as required in fund financial statements.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**1. Organization and significant accounting policies (continued):**

*Deferred outflows of resources:*

The statement of financial position reports a separate section for deferred outflows of resources, which represents a consumption of net position or fund balance that applies to future periods, and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for this reporting:

A deferred charge on refunding resulting from the difference between the reacquisition price and the net carrying amount of the refunded debt which is amortized on the straight-line basis over the life of the issue.

Deferred outflows related to the police pension plan that represent the difference between the projected and actual earnings on police pension plan investments amortized over a five-year period.

*Capital assets:*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Only infrastructure assets acquired after December 31, 2003 are capitalized. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**1. Organization and significant accounting policies (continued):**

*Capital assets (continued):*

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	40
Vehicles	10 to 20
Tools and equipment	5 to 20
Park equipment	10
Traffic signals	25

*Accrued compensated absences:*

The Township allows employees to accumulate an unlimited amount of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to their contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual. The liability for these compensated absences is recorded as a long term liability in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability as it matures and becomes due.

*Pension plans:*

The Township provides separate pension plans for nonuniformed employees and uniformed police personnel. The nonuniformed employees participate in a defined contribution plan in which both the employee and employer contribute annually. The employee is vested completely in the employer contributions by the end of the seventh year of employment. The uniformed police plan is a defined benefit plan. It is the policy of the Township to fund, after employee and state contributions, the amounts intended to cover normal cost and amortization of the unfunded actuarial accrued liability of the uniformed police plan as determined by the Township's actuary.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

##### *Pension plans (continued):*

The financial information on the Township's plans is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plans.

Plan investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Funds are valued at quoted market prices.

##### *Use of estimates:*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

##### *GASB Statement No. 54:*

The Township follows GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements.

##### *Fund balance classification:*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable:** Includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. None of the Township's fund balances were classified as nonspendable at December 31, 2015.

**Restricted:** Includes amounts that can be spent only for specific purposes because of the grantors or contributors' restrictions, the Township Ordinance, the city code, state or federal laws or externally imposed conditions by grantors or creditors.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

##### *Fund balance classification (continued):*

Committed: Includes amounts that can be used only for specific purposes determined by a formal action by the Township's board (highest level of decision making authority) resolution. These amounts cannot be used for any other purpose unless the Township's board removes or changes the specified use by taking the same action (resolution) that was employed when the funds were initially committed.

Assigned: Includes amounts that are designated by the Township's board for a specific purpose but are not spendable until a formal action by the Township's board or an ordinance is passed. This classification includes amounts that are constrained by the Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township's board or through the Township's board delegating this responsibility to the Township's manager through the budgetary process.

Unassigned: All amounts not included in other spendable classifications are considered to be available for general use by the Township.

##### *Use of fund balance:*

The restricted fund balance would typically be reduced to the extent that the underlying reason for the restriction has been eliminated. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed. Decreases to fund balance first reduce committed fund balance. In the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

##### *Fund balance classifications:*

Government-wide statements – Fund balance is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **1. Organization and significant accounting policies (continued):**

*Fund balance classifications (continued):*

- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. None of the Township's net position was classified as restricted net position at December 31, 2015.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

*Subsequent events:*

The Township has evaluated subsequent events through April 21, 2016, which is the date the financial statements were available to be issued.

#### **2. Cash deposits and investments:**

The cash and investment policies of the Township are governed by Section 3204 of the Second Class Township Code. Cash must be held in insured depositories approved by the board of supervisors and must be fully collateralized. Permissible investments include United States treasury bills and short-term obligations of the United States government or its agencies or instrumentalities, bank common trust funds, government pools and fully insured or collateralized certificates of deposit issued by banks or savings and loan associations. For pension trust funds, any investment authorized by 20 PA C.S. Chapter 73 (relating to fiduciary investments) is a permissible investment, including corporate bonds and mutual funds. The ratings for the pension investments held at Wilmington Trust are based on Moody's ratings.

*Custodial credit risk:*

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that is in the possession of an outside party. The Township does not currently have an investment policy for custodial credit risk for either its deposits or investments. As of December 31, 2015, \$2,839,630 of the Township's bank balance of \$3,589,630 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**2. Cash deposits and investments (continued):**

*Deposits:*

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 2,839,630
PLGIT investments	358,038
Insured by Federal Deposit Insurance Corporation	750,000
Deposits in transit	1,412
Outstanding checks	(127,215)
Petty cash	<u>92</u>
Total deposits	<u><u>\$ 3,821,957</u></u>

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**2. Cash deposits and investments (continued):**

*Investments:*

As of December 31, 2015, the Township had the following investments:

	<u>Ratings</u>	<u>Maturities</u>	<u>Fair value</u>
Pension investments:			
Wilmington Trust:			
Cash			\$ 1,204
Money market	N/A	N/A	230,648
U.S. treasury bills	AAA	less than 1 year	50,850
U.S. government agencies	AAA	less than 1 year	-
Corporate bonds	AA	less than 1 year	-
	AA	more than 10 years	74,866
Mutual funds:			
Fixed income funds	Unrated	N/A	1,714,538
Domestic equity funds	Unrated	N/A	1,353,718
International funds	Unrated	N/A	887,062
Closed end equity funds	Unrated	N/A	676,565
Closed end international funds	Unrated	N/A	151,800
ICMA-RC:			
Mutual funds:			
Stable value funds	Unrated	N/A	23,478
Bond funds	Unrated	N/A	118,531
Balanced funds	Unrated	N/A	1,539,030
U.S. stock funds	Unrated	N/A	709,961
International stock funds	Unrated	N/A	101,445
Governmental activities, PLGIT	N/A	N/A	<u>11,325</u>
Total investments			7,645,021
Total deposits			<u>3,821,957</u>
Total deposits and investments			<u><u>\$ 11,466,978</u></u>

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**2. Cash deposits and investments (continued):**

*Reconciliation to the financial statements:*

Cash:	
Governmental funds	\$ 3,586,829
Fiduciary funds	235,128
Investments:	
Governmental funds	11,325
Fiduciary funds	<u>7,633,696</u>
	<u>\$ 11,466,978</u>

*Interest rate and credit risk:*

The Township does not have a formal policy to monitor either interest rate risk or credit risk.

**3. Property taxes:**

The Township's property tax is levied each March 1 on the assessed value as of the prior January 1 for all real property located in the Township. The assessed value at January 1, 2015, upon which the 2015 levy was based, was \$456,736,810 with an estimated current market value of \$1,580,404,187.

The Township levies taxes by authority of the Township Code of Pennsylvania, Section 3210 at \$8.90 per \$1,000 of assessed valuation. The combined tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended December 31, 2015 was \$7.70 per \$1,000 with an additional \$1.20 per \$1,000 for debt service.

Taxes are collected at a discount until April 30, at their face amount from May 1 until June 30 and include a penalty thereafter. Current tax collections, net of exonerations and exemptions, for the year ended December 31, 2015 were 97.7% of the tax levy.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**4. Capital assets:**

	January 1, 2015	Additions	Transfers / Deletions	December 31, 2015
Governmental activities:				
Land and land improvements	\$ 4,623,687	\$ 2,059	\$ (15,633)	\$ 4,610,113
Buildings	5,515,299	31,327		5,546,626
Infrastructure	6,292,393	274,011		6,566,404
Park equipment	4,943,346			4,943,346
Tools and equipment	810,277	27,975		838,252
Traffic signals	1,577,886	28,131		1,606,017
Vehicles	1,525,223	121,523	(74,810)	1,571,936
Construction in progress	310,292	1,034,167	(174,990)	1,169,469
	<u>25,598,403</u>	<u>1,519,193</u>	<u>(265,433)</u>	<u>26,852,163</u>
Less accumulated depreciation for:				
Land improvements	26,288	3,352	(3,086)	26,554
Buildings	2,097,636	138,618		2,236,254
Infrastructure	964,880	137,450		1,102,330
Park equipment	2,766,281	410,342		3,176,623
Tools and equipment	341,466	60,807		402,273
Traffic signals	844,958	57,013		901,971
Vehicles	858,804	114,357	(58,857)	914,304
	<u>7,900,313</u>	<u>921,939</u>	<u>(61,943)</u>	<u>8,760,309</u>
Total accumulated depreciation				
Governmental activities, capital assets, net	<u>\$ 17,698,090</u>	<u>\$ 597,254</u>	<u>\$ (203,490)</u>	<u>\$ 18,091,854</u>

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**4. Capital assets (continued):**

Depreciation expense was charged to the following functions of the government as follows:

Governmental activities:	
General government	\$ 334,213
Police department	42,905
Community services	411,751
Public works	<u>133,070</u>
Total governmental activities	<u><u>\$ 921,939</u></u>

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**5. Long-term debt:**

The following is a summary of debt transactions for the Township for the year ended December 31, 2015:

	<u>Principal balance, January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal balance, December 31, 2015</u>
General Obligation Note, Series 2011	\$ 605,406	\$ 665,592	\$ (100,000)	\$ 1,170,998
General Obligation Bonds: Series 2010	<u>5,345,000</u>	<u>                    </u>	<u>(500,000)</u>	<u>4,845,000</u>
	<u>\$ 5,950,406</u>	<u>\$ 665,592</u>	<u>\$ (600,000)</u>	6,015,998
Original issue premium				66,612
Original issue discount				<u>(50,698)</u>
				<u>\$ 6,031,912</u>
Current maturities, governmental activities:				
Notes payable				\$ 100,000
Bonds payable				515,000
Noncurrent debt, governmental activities:				
Notes payable				1,070,998
Bonds payable				<u>4,345,914</u>
Total maturities				<u>\$ 6,031,912</u>

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**5. Long-term debt (continued):**

The statement of net position includes:

General Obligation Bonds, Series of 2010, \$4,845,000 outstanding at December 31, 2015, due in annual principal installments ranging from \$295,000 to \$550,000 through June 1, 2027, interest rates range from 2.0% to 3.4%.

General Obligation Note, Series of 2011, a \$3,000,000 note of which \$1,170,998 is outstanding at December 31, 2015. Interest only payments are required until the close of the draw down period in 2017, at which time amortization of the debt will be calculated. The Township has elected to make principal payments during the draw down period. Interest is fixed at 3.13% through 2022, followed by a variable rate with a cap of 6.0% until maturity. The debt service requirement related to this note is included in the schedule below for the amount outstanding at December 31, 2015.

The total debt service requirements as of December 31, 2015 are listed below:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 615,000	\$ 162,566	\$ 777,566
2017	630,000	151,898	781,898
2018	635,000	136,781	771,781
2019	650,000	118,713	768,713
2020	615,000	99,674	714,674
2021-2025	2,125,000	294,491	2,419,491
2026-2030	745,998	22,918	768,916
	<u>\$ 6,015,998</u>	<u>\$ 987,041</u>	<u>\$ 7,003,039</u>

The Township is subject to the Commonwealth of Pennsylvania's Local Government Unit Debt Act (Act of 1978-52) which limits the amount of non-electoral debt the Township may have outstanding. At December 31, 2015, there was no electoral debt outstanding. Non-electoral debt of \$6,015,998 is outstanding at December 31, 2015.

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **5. Long-term debt (continued):**

##### *Regional pools loan:*

The Township, as one of the participating municipalities in the Centre Region Council of Governments, has agreed to guarantee its proportionate share, based on the established funding formula, of a \$7.9 million, 20-year fixed bank loan, for the revitalization of two community pools. The maximum extent of the Township's obligation was limited to 20.54% or \$1,622,000. The Centre Region Council of Governments used the Centre Region Recreation Authority to issue this debt.

In November 2012, the loan was refinanced through the Series 2012 revenue bond. The Series 2012 revenue bond has a maximum principal amount of \$6,128,000, of which the Township's obligation is 20.54% or \$1,258,691. Interest is fixed at 2.43% until December 1, 2022, followed by a variable rate capped at 3.95% until maturity. At December 31, 2015, the Township's portion of the loan is \$1,000,688 principal and \$191,890 interest. The Township's annual share of principal and interest payments is approximately \$92,000.

##### *Regional parks loan:*

The Centre Region Recreation Authority issued Guaranteed Project Revenue Bond (regional parks projects), Series of 2011. Originally issued in the amount of \$7,578,000 with a draw period through June 2013, the terms were modified on November 28, 2011 to reduce the maximum amount available to be advanced to \$7,001,869 and extend the draw period through June 1, 2014. The Township's share of this loan is 21.08%. Interest is fixed at 3.15% through June 1, 2016 followed by a variable rate with a cap of 6.00%. Quarterly payments are due through December 2031.

On February 1, 2013, a second loan modification agreement reduced the amount available to borrow to \$6,611,300 and reduced the interest rate from 3.15% to 2.8% through December 1, 2022. The maximum variable rate was reduced from 6% to 5.35% for the period December 1, 2022 through December 1, 2031. Quarterly principal and interest payments are due through December 1, 2031 and commenced on March 1, 2014. As of December 31, 2015, \$3,548,579 was drawn on the bond, of which \$748,040 was the Township's portion.

The notes referenced above are not presented on the statement of net position.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans:**

The Township has two pension plans, one covering uniformed police and the other covering non-uniformed employees. The uniformed police plan was established by Township ordinance and the non-uniformed plan by resolution of the board of supervisors. The plans are reported as the pension trust funds on the statement of fiduciary net position - all fiduciary funds.

*Defined contribution plan:*

Plan description and funding policy

The Patton Township Employees Pension Plan (non-uniformed) is a single employer defined contribution plan administered by the Township manager. Current Township employer and employee contribution requirements are equal to 6.5% and 3.5% of base covered salary, respectively. For 2015, the employer and employee contributions amounted to \$82,446 or 6.5% and \$44,395 or 3.5% of the employee's covered payroll, respectively. The plan provisions have been established and may be amended through a resolution of the board of supervisors.

The Township contributes with general fund cash and foreign casualty insurance premium taxes submitted by the Commonwealth of Pennsylvania, as available. Employees are 100% vested in their own contributions and gradually vest in the Township's contributions over seven years at which time they are 100% vested. Retirement benefits are the vested benefits at retirement, payable in lump sum or installments.

Plan membership

As of January 1, 2015, the most recent actuarial valuation available, the Employees Pension Plan membership consisted of the following:

Active members	25
New members	2
Terminated without vesting	<u>(2)</u>
Total	<u><u>25</u></u>

## **PATTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **6. Pension plans (continued):**

##### *Contributory defined benefit plan:*

##### Plan description and funding policy

The Patton Township Police Pension Plan is a contributory single employer defined benefit plan that covers all full-time uniformed police officers of the Township and administered by the Township manager. The plan provides retirement, termination, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended. Township police employees are required to contribute up to 5.0% of annual base pay compensation. The Township is required to contribute the remaining amount necessary to fund the plan using the entry age normal cost method. The Township funds its contributions with general fund cash and foreign casualty insurance premium taxes obtained from the Commonwealth of Pennsylvania.

Retirement benefits are 50% of the employees' average monthly pay (not including overtime) over the last 36 months of employment. Employees are eligible for retirement at age 55 with 25 years of service. Employees are 100% vested in their own contributions and are vested in the Township's contributions upon completion of 12 years of service. The plan provisions have been established by an ordinance of the board of supervisors and may be amended by same.

Disability benefits are 50% of the employees' salary at the time of disablement reduced by any Social Security disability benefits payable due to the same illness or injury.

Death benefits for a surviving spouse or eligible dependent of employees' killed in the line of duty are 100% of members' salary at the time of death; however, effective October 9, 2009, this benefit will be paid from the general fund of the Commonwealth of Pennsylvania. If an employee dies, but is not killed in the line of duty, the surviving spouse or eligible dependent benefits are 50% of the pension the member would have received had they retired at the time of death.

The Township makes actuarially determined contributions to the pension plan equal to the amount required by state statutes. For 2015, the required contribution was equal to 11.8% of covered payroll.

There is no stand-alone financial report issued for this plan.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans (continued):**

*Contributory defined benefit plan (continued):*

Plan membership

As of January 1, 2015, the most recent actuarial valuation available, the Police Pension Plan membership consisted of the following:

Active members	18
Retirees and beneficiaries currently receiving benefits	<u>4</u>
Total	<u>22</u>

Net pension liability

The Township's net pension liability was measured as of December 31, 2015, and the total net pension liability was determined by rolling forward the liabilities from the January 1, 2015 actuarial valuation to the December 31, 2015 measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial assumptions

The total pension liability as of January 1, 2015 was determined using the following economic assumptions, applied to all periods included in this measurement.

- Inflation – 2.5%
- Salary increases – 5.0%
- Investment rate of return – 7.0% (including inflation)

Mortality rates were based on the RP-2000 mortality tables for males and females.

The annual money-weighted rate of return for 2015 was -0.33%.

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

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans (continued):**

*Contributory defined benefit plan (continued):*

Actuarial assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Cash	2.00%	1.50%
Municipal Bonds	30.00%	4.30%
High Yield Corporate Bonds	2.00%	5.90%
High Yield Municipal Bonds	4.00%	5.30%
US Large - Cap Stocks	35.00%	7.10%
US Small - Cap Stocks	5.00%	8.10%
Developed International Stocks	12.00%	6.90%
Emerging Markets Stocks	4.00%	8.90%
Domestic Inflation - Linked Bonds	2.50%	2.60%
Domestic Real Estate Investment Trusts	1.50%	7.10%
Global Real Estate Investment Trusts	2.00%	8.50%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total net pension liability was 7.0%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employers funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans (continued):**

*Contributory defined benefit plan (continued):*

Changes in the net pension liability

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balances at January 1, 2015	\$ 5,097,599	\$ 5,131,035	\$ (33,436)
Service cost	168,129		168,129
Interest cost	363,450		363,450
Difference between expected and actual experience			
Employer contributions		171,124	(171,124)
Employee contributions		65,424	(65,424)
Net investment income		(16,923)	16,923
Benefit payments, including contribution refunds	(147,181)	(147,181)	
Insurance premiums			
Administrative expense		(38,827)	38,827
Other changes			
Net changes	384,398	33,617	350,781
Balance at December 31, 2015	\$ 5,481,997	\$ 5,164,652	\$ 317,345

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans (continued):**

*Contributory defined benefit plan (continued):*

Sensitivity of the net pension liability to changes in the discount rate

The schedule below shows the impact on the net pension liability if it were calculated using a discount rate 1% higher and lower than the current discount rate:

	1% decrease in discount rate 6.00%	Current discount rate 7.00%	1% increase in discount rate 8.00%
Plan's net pension liability	<u>\$ 1,061,733</u>	<u>\$ 317,345</u>	<u>\$ (304,483)</u>

Pension expense and deferred outflows of resources related to pensions

For the year ended December 31, 2015, the Township recognized pension expense of \$48,490. At December 31, 2015, the Township reported deferred outflows of resources related to pensions from the following sources:

Net difference between projected and actual earnings on pension plan investments	<u>\$ 302,291</u>
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**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**6. Pension plans (continued):**

*Contributory defined benefit plan (continued):*

Pension expense and deferred outflows of resources related to pensions (continued)

Amounts reported as deferred outflows of resources related to pensions at December 31, 2015 will be recognized in pension expense as follows:

<u>Year ended</u>	
2016	\$ 75,573
2017	75,573
2018	75,573
2019	75,573

**7. Interfund activity:**

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

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 265,584	\$ 313,805
Parks and recreation fund	313,805	240,050
Open space bond fund		25,534
	<u>\$ 579,389</u>	<u>\$ 579,389</u>

The general funds due from the parks and recreation fund and open space fund relate to debt service payments, salaries, wages, benefits and minor miscellaneous expenditures. The parks and recreation funds due from the general fund relate to dedicated real estate tax revenues collected for the fund.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**8. Fund balances:**

As of December 31, 2015, fund balances are composed of the following:

	<u>General fund</u>	<u>Parks and recreation fund</u>	<u>Open space bond fund</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
Restricted:					
Fire protection				\$ 44,363	\$ 44,363
Liquid fuels				153,578	153,578
Streetlights				21,407	21,407
Committed, capital project	\$ 24,290	\$ 11,325	\$ 198,209		233,824
Assigned:					
Reserve funds:					
Revenue assigned to open space			121,163		121,163
Building refurbishment	78,290				78,290
Weather related emergencies	15,257				15,257
Waddle road traffic mitigation	114,978				114,978
Police cars	39,835				39,835
Road equipment	173,091				173,091
Road resurfacing	91,573				91,573
Compensated absences	21,076				21,076
Surety	21,997				21,997
Debt service payments	851,035	406,706			1,257,741
Fund balance used to balance 2016 budget	904,820				904,820
Unassigned	<u>200,106</u>				<u>200,106</u>
Total fund balances	<u>\$ 2,536,348</u>	<u>\$ 418,031</u>	<u>\$ 319,372</u>	<u>\$ 219,348</u>	<u>\$ 3,493,099</u>

**9. Jointly governed organizations:**

The Township, in conjunction with College, Ferguson, Halfmoon and Harris Townships and State College Borough, has created the Centre Region Council of Governments (COG) to provide regionwide services such as parks and recreation, library facilities and fire protection. COG's general forum is composed of the board members from each of these municipalities. The Township's expenditures for COG's regional programs were \$1,342,511 for the year ended December 31, 2015.

**PATTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**9. Jointly governed organizations (continued):**

In addition, the Township, in conjunction with College, Ferguson and Harris Townships and State College Borough, created the Centre Area Transportation Authority (CATA). CATA's board consists of five members, one appointed by each of the five participating municipalities. The Township's contributions toward CATA's capital and operating expenses were \$16,097 and \$75,070, respectively, for the year ended December 31, 2015.

**10. Participation in risk sharing pool:**

The Township participates in a self-funded health insurance cooperative to provide medical benefits to its employees. Under this program, the Township pays monthly premiums to the cooperative to cover medical claims to Capital Blue Cross, as well as to cover reinsurance and administrative management fees. For the year ended December 31, 2015, the Township was limited in liability for claims to \$40,000 per enrollee per claim and a maximum claims liability of \$698,774. Actual claims paid by the cooperative on behalf of the Township for the year ended December 31, 2015 were \$724,613, with \$87,256 of this amount being reimbursed through reinsurance. In the event that claims exceed the Township's maximum liability, the excess is paid through the cooperative's cross sharing pool. If claims are less than the maximum claim liability, the Township will receive a refund of the excess contributions less the Township's cross sharing obligation.

**11. Adoption of new accounting principles:**

Effective January 1, 2015, the Township adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The new standards revise and establish new financial reporting requirements for pension benefits provided for employees. The following is the adjustment to net position:

Beginning net position as previously reported, December 31, 2014	\$ 15,048,227
Prior period adjustment - implementation of GASB No. 68, net pension asset (measurement date)	<u>33,436</u>
Net position as restated, January 1, 2015	<u><u>\$ 15,081,663</u></u>

**PATTON TOWNSHIP**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET COMPARED TO ACTUAL – GENERAL FUND  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED DECEMBER 31, 2015

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 6,721,028	\$ 6,721,028	\$ 6,583,052	\$ (137,976)
Licenses and permits	340,363	340,363	290,491	(49,872)
Fines	96,183	96,183	83,425	(12,758)
Intergovernmental	1,015,067	1,015,067	605,572	(409,495)
Interest and rents	44,663	44,663	46,204	1,541
Charges for services	66,333	66,333	63,992	(2,341)
Contributions	75,970	75,970	100,911	24,941
Miscellaneous	16,000	16,000	1,268	(14,732)
Total revenues	<u>8,375,607</u>	<u>8,375,607</u>	<u>7,774,915</u>	<u>(600,692)</u>
Expenditures:				
General government	1,246,946	1,246,946	1,234,625	12,321
Police department	3,390,516	3,390,516	3,114,084	276,432
Public works	4,408,917	4,408,917	2,579,899	1,829,018
Community service	1,187,883	1,187,883	1,200,132	(12,249)
Human services	55,366	55,366	41,622	13,744
Debt service	606,692	606,692	528,249	78,443
Total expenditures	<u>10,896,320</u>	<u>10,896,320</u>	<u>8,698,611</u>	<u>2,197,709</u>
Excess of expenditures over revenues	(2,520,713)	(2,520,713)	(923,696)	1,597,017
Other financing sources	5,495,363	5,495,363	725,147	(4,770,216)
Other financing uses	<u>(3,500,924)</u>	<u>(3,500,924)</u>	<u>(22,241)</u>	<u>3,478,683</u>
Net change in fund balances	<u>\$ (526,274)</u>	<u>\$ (526,274)</u>	<u>\$ (220,790)</u>	<u>\$ 305,484</u>

**PATTON TOWNSHIP  
UNIFORMED POLICE PENSION PLAN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
(Required supplementary information)  
(unaudited)

Total pension liability:	
Service cost	\$ 168,129
Interest	363,450
of member contributions	<u>(147,181)</u>
Net change in total pension liability	384,398
Total pension liability:	
Beginning of year	<u>5,097,599</u>
End of year (a)	<u><u>\$ 5,481,997</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 171,124
Contributions - member	65,424
Net investment income	(16,923)
Benefit payments, including refunds	
of member contributions	(147,181)
Administrative expense	<u>(38,827)</u>
Net change in plan fiduciary net position	33,617
Total fiduciary net position:	
Beginning of year	<u>5,131,035</u>
End of year (b)	<u><u>\$ 5,164,652</u></u>
Net position liability (asset), end of year (a) - (b)	<u><u>\$ 317,345</u></u>
Plan fiduciary net position as a percentage of the total pension liability	106.14%
Covered employee payroll	\$ 1,432,794
Net pension liability as a percentage of covered employee payroll	22.15%

**PATTON TOWNSHIP  
UNIFROMED POLICE PENSION PLAN**

SCHEDULES OF TOWNSHIP CONTRIBUTIONS AND MONEY WEIGHTED RATE OF RETURN  
(Required supplementary information)  
(unaudited)

Description	
Actuarially determined employer contribution	\$ 167,443
Contributions in relation to the actuarially determined contribution	167,443
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,432,794
Total contributions made as a percentage of payroll	11.69%
Money weighted rate of return	-0.33%

## **PATTON TOWNSHIP**

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

#### **1. Budgetary data:**

The Township follows these procedures in establishing the budget:

At least 30 days prior to January 1, the Township manager submits to the board of supervisors a proposed operating budget for the general fund for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain citizen comments on the proposed budget. Prior to December 31, the budget is adopted through passage of a resolution by the board of supervisors.

The board of supervisors is authorized to transfer unencumbered monies from one Township account to another, but no monies shall be transferred from the fund allocated for the payment of debts or from any fund raised by a special tax levy for a particular purpose. Transfers of unencumbered monies shall not be made during the first three months of the fiscal year. The board of supervisors may at any time by resolution make supplemental appropriations. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. Encumbrances are not reported; however, fund balances are designated in amounts equal to the subsequent year's anticipated budget deficit, if any. The Township prepares its budget on a modified accrual basis of accounting.

The budgetary comparison schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the general fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results. During 2015, the board of supervisors did not approve any additional budgetary expenditure amendments for the general fund.

(continued)

**PATTON TOWNSHIP**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**2. Uniformed police pension plan:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of January 1, 2015. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method:	Entry Age
Amortization method:	N/A
Remaining amortization period:	N/A
Asset valuation method:	Market value as determined by the trustee
Inflation:	2.50%
Salary increases:	5.00%
Investment rate of return:	7.00%
Retirement age:	Normal retirement age
Mortality	RP-2000 table
Change in benefit terms:	None since 1/1/2015

**PATTON TOWNSHIP**

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>Liquid fuels fund</u>	<u>Streetlight fund</u>	<u>Hydrant fund</u>	<u>Total</u>
Assets:				
Cash	\$ 153,578	\$ 21,668	\$ 49,275	\$ 224,521
Assessment receivable		594	188	782
Total assets	<u>\$ 153,578</u>	<u>\$ 22,262</u>	<u>\$ 49,463</u>	<u>\$ 225,303</u>
Liabilities and fund balances:				
Accounts payable		\$ 855	\$ 5,100	\$ 5,955
Fund balances, restricted	\$ 153,578	21,407	44,363	219,348
Total liabilities and fund balances	<u>\$ 153,578</u>	<u>\$ 22,262</u>	<u>\$ 49,463</u>	<u>\$ 225,303</u>

**PATTON TOWNSHIP**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
ALL NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	Liquid fuels fund	Streetlight fund	Hydrant fund	Total
Revenues:				
Intergovernmental	\$ 382,281			\$ 382,281
Interest income	310			310
Assessments		\$ 42,812	\$ 22,653	65,465
Total revenues	382,591	42,812	22,653	448,056
Expenditures:				
Hydrant service			19,890	19,890
Highways and streets	401,736			401,736
Electricity		42,059		42,059
Total expenditures	401,736	42,059	19,890	463,685
Net change in fund balances	(19,145)	753	2,763	(15,629)
Fund balances:				
January 1	172,723	20,654	41,600	234,977
December 31	\$ 153,578	\$ 21,407	\$ 44,363	\$ 219,348