

YORK TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

YORK TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

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Independent Auditors' Report

Board of Commissioners
York Township
Dallastown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of York Township as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise York 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 York 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 York 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, the business-type activities, each major fund and the aggregate remaining fund information of York Township as of December 31, 2016, and, where applicable, the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 schedule 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 York Township's basic financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of York Township. The combining 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
May 2, 2017

YORK TOWNSHIP



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis of York Township's (the Township) financial performance provides a brief overview of the Township's financial activities for the fiscal year ended December 31, 2016. The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements.

The accompanying financial statements for York Township for the fiscal year ended December 31, 2016 have been prepared in accordance with GASB Statement No. 34 and present both Government-Wide and Fund Level Financial Statements using both the accrual and modified accrual basis of accounting, as appropriate. The Government-Wide Financial Statements show financial information about the activities of the Township as a whole and provide a longer-term view of the Township's finances. The Statement of Net Position and the Statement of Activities provide this information. These statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. These statements are prepared using the accrual basis of accounting. All assets and liabilities of the Township are included in these statements, and all of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. This method of financial presentation is similar to the accounting used by most private-sector companies. Fund Financial Statements show how the Township finances its services in the short-term, as well as what remains for future spending. Fund Financial Statements provide separate information for the Township's most significant funds, and non-major funds are aggregated and presented together. The modified accrual method of accounting is used in the Governmental Fund Financial Statements. This method measures cash and all other financial assets that can be readily converted to cash. In the financial statements, there are reconciliations which show the differences between the Government-Wide Financial Statements and the Governmental Fund Financial Statements. Lastly, a Statement of Fiduciary Net Position is provided which provides financial information about activities that the Township acts solely as an agent for the benefit of others. These activities are excluded from the other financial statements of the Township because these assets cannot be used to finance the Township's operations.

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

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, 2016 is \$1,009,703. The Township has sufficient funds to meet this obligation at December 31, 2016. The Township also reports a \$533,964 deferred outflows 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, 2016.
- The Township's net position is stated at \$95,202,529 as of December 31, 2016. Net position increased by \$1,544,892 in 2016.
- The total cost of all the Township's programs was \$19,304,300.
- During the year, the Township's expenses from governmental activities totaled \$12,052,173 and were offset by program and general revenue of \$12,671,518, generating a change in net position of \$619,345. Expenses from business-type activities totaled \$7,252,127 and were offset by program and general revenue of \$8,177,674, generating a change in net position of \$925,547. This combined to a total government wide change in net position of \$1,544,892 for 2016.

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Government-wide financial statements

A condensed summary of the Township's assets and deferred outflows and liabilities and net position at December 31, 2016 and 2015 is shown below.

Summary of Net Position as of December 31, 2016 and 2015

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 14,955,690	\$ 15,164,862	\$ 16,988,331	\$ 15,583,294	\$ 31,944,021	\$ 30,748,156
Noncurrent assets	29,710,981	28,878,598	34,851,358	35,320,210	64,562,339	64,198,808
Deferred outflows	395,846	430,388	138,118	150,169	533,964	580,557
Total assets and deferred outflows	\$ 45,062,517	\$ 44,473,848	\$ 51,977,807	\$ 51,053,673	\$ 97,040,324	\$ 95,527,521
Current liabilities	\$ 179,729	\$ 223,406	\$ 400,033	\$ 401,470	\$ 579,762	\$ 624,876
Noncurrent liabilities, other than pension	190,685	244,566	57,645	80,956	248,330	325,522
Net pension liability	748,531	681,649	261,172	237,837	1,009,703	919,486
Total liabilities	\$ 1,118,945	\$ 1,149,621	\$ 718,850	\$ 720,263	\$ 1,837,795	\$ 1,869,884
Investment in capital assets	\$ 29,710,981	\$ 28,878,598	\$ 34,851,358	\$ 35,320,210	\$ 64,562,339	\$ 64,198,808
Restricted	3,755,458	3,550,909			3,755,458	3,550,909
Unrestricted	10,477,133	10,894,720	16,407,599	15,013,200	26,884,732	25,907,920
Total net position	\$ 43,943,572	\$ 43,324,227	\$ 51,258,957	\$ 50,333,410	\$ 95,202,529	\$ 93,657,637

The \$26,884,732 of unrestricted net position represents the cumulative results of all current year and all past years' operations. The results of the current year's operations are presented in the Statement of Activities for the year ended December 31, 2016.

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Government-wide financial statements (continued)

This statement provides a condensed summary of the Township's results of operations:

Statement of Activities

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,438,647	\$ 9,271,298
Operating grants and contributions	<u>1,685,215</u>	<u>1,481,688</u>
Total program revenue	<u>11,123,862</u>	<u>10,752,986</u>
General revenues:		
Taxes	9,155,801	9,469,841
Interest	248,467	153,974
Gain on disposal of assets	14,834	5,007
Miscellaneous	<u>306,228</u>	<u>257,772</u>
Total general revenues	<u>9,725,330</u>	<u>9,886,594</u>
Total revenues	<u>20,849,192</u>	<u>20,639,580</u>
Expenses:		
General government	1,442,021	1,644,343
Public safety	6,858,733	6,613,674
Public works	2,806,191	2,839,555
Capital purchases	69,498	57,455
Culture and recreation	875,730	850,260
Sewer funds	<u>7,252,127</u>	<u>6,935,856</u>
Total expenses	<u>19,304,300</u>	<u>18,941,143</u>
Increase in net position	<u>\$ 1,544,892</u>	<u>\$ 1,698,437</u>

Programs generated \$11,123,862 in program revenue, which offset the total cost of services of \$19,304,300 for a net cost of services of \$(8,180,438). The additional revenue used to provide the Township services was generated from taxes, investment earnings and other revenue sources, which were not restricted for specific programs. Overall, the Township taxpayers, through general revenues, taxes, provided 44% of the Township's support for the year ended December 31, 2016, as compared to 46% in 2015.

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Fund financial statements

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, the information for the non-major funds is summarized in the financial statements. The Township's funds are divided into three categories - governmental, proprietary and fiduciary - and use different accounting approaches.

- **Governmental Funds** - Most of the Township's basic services are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund which is the principal operating fund of the Township; the Capital Projects Funds which are used for major capital purchases, renovations and construction projects of the Township General Fund and Special Revenue funds.
- **Proprietary Funds** - When the Township charges customers for the services it provides, whether to outside customers or to other municipalities, these services are generally reported in proprietary funds. Proprietary funds utilize accrual accounting, the same method used by private sector businesses. Proprietary funds report activities that provide supplies and services to the general public. An example is the Sewer Fund which provides sewer services to the residents for a fee.
- **Fiduciary Funds** - The Township acts as a trustee or fiduciary for its employees' pension plan. It is also responsible for other assets that can only be used for specific purposes. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension and escrow funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the Township to finance its operations.

As stated earlier, fund financial statements provide the reader with an understanding of how the Township finances its services in the short-term and what funds are available for future spending. The Township continues to maintain a healthy fund balance in the General Fund. As of December 31, 2016, the General Fund fund balance was \$8,873,214, an increase of \$166,718 over last year. The \$8,873,214 General Fund fund balance as of December 31, 2016 is comprised of \$24,385 in nonspendable funds, \$3,248,531 in committed funds, \$704,713 in assigned funds and \$4,895,585 in unassigned funds.

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Fund financial statements (continued)

The Capital Projects Funds' committed and restricted fund balances remain healthy, ending 2016 at \$2,104,041 for Capital Reserve, \$286,502 for Recreation Capital and \$932,505 for Storm Water Management for a total Capital Projects Funds balance of \$3,323,048. The Township has earmarked these funds for on-going major purchases and renovations, as well as infrastructure improvements, and they are replenished each year with budgeted operating transfers from the General Fund to the Capital Reserve Funds and fee assessments for both the Storm Water Management and Recreation Capital Reserve Funds.

Capital assets

At December 31, 2016, the Township had \$64,562,339 invested in a broad range of capital assets including infrastructure, land, buildings, furniture and equipment (an increase of \$363,531 as compared to 2015). Below is a comparison of Township capital assets for the past two years.

	Capital Assets at Year-End			
	Governmental activities		Business-type activities	
	2016	2015	2016	2015
Land	\$ 4,227,228	\$ 4,227,228	\$ 407,251	\$ 407,251
Buildings	9,343,420	8,615,866	2,164,976	2,164,976
Storm water system	289,498	289,498		
Collection lines			5,062,905	4,833,212
Treatment plant/pump stations			2,826,314	2,801,828
Traffic lights	1,021,136	995,824		
Roads	10,951,200	9,154,312		
Signs	2,265	2,265		
Curbs/sidewalks	338,967	338,967		
Vehicles	2,035,193	1,824,833	1,308,221	1,261,488
Office furniture/equipment	715,352	717,905	166,419	162,813
Machinery and equipment	2,411,048	2,277,991	401,253	379,566
Infrastructure	35,403,471	35,403,471	39,393,992	39,393,992
Construction in process	137,875	168,707	139,475	134,315
Totals	66,876,653	64,016,867	51,870,806	51,539,441
Accumulated depreciation	<u>(37,165,672)</u>	<u>(35,138,269)</u>	<u>(17,019,448)</u>	<u>(16,219,231)</u>
Net capital assets	<u>\$ 29,710,981</u>	<u>\$ 28,878,598</u>	<u>\$ 34,851,358</u>	<u>\$ 35,320,210</u>

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Debt administration

As of December 31, 2016 and 2015, there were no bond issuances outstanding for York Township. York Township guarantees payment of any notes or bonds issued by the York Township Water and Sewer Authority, a component unit of York Township. As of December 31, 2016 and 2015, there were no issuances outstanding for the York Township Water and Sewer Authority.

General fund budget highlights

The Township adopts an annual budget for all Governmental Funds. The budget includes all revenues and expenditures of these funds. The budget acts as the financial operating plan for the fiscal year and is revised as necessary. The Board of Commissioners may amend the budget at any time during the fiscal year by making additional appropriations or increasing existing appropriations, but the funds must be provided from unexpended balances in existing appropriations, from unappropriated revenues or from unassigned fund balances.

The Township has adopted a conservative approach to budgeting. Revenues are projected conservatively based upon historical trends, and expenses are generally budgeted on a "worst case" scenario. In 2016, the General Fund showed a net change in fund balance of \$166,718, which is a combination of a \$1,000,000 transfer of unassigned fund balance to capital projects from excess 2015 funds and a \$1,500,844 excess of revenues over expenditures in 2016. The \$1,500,844 excess in 2016 was higher than the original budgeted excess of \$459,409 by \$1,041,435. This positive budget variance was due mainly to the combination of the increase in revenues in every area by \$412,738 and a reduction of expenditures below budget by \$628,697.

Total General Fund balances at year-end were \$8,873,214 and were comprised of:

Nonspendable funds, prepaid expenses	\$ 24,385
Committed funds	
Minimum reserve requirement	2,500,000
Future pension costs	748,531
Assigned funds:	
Emergency management	3,766
Employee benefit	700,947
Unassigned funds	<u>4,895,585</u>
Total fund balance	<u><u>\$ 8,873,214</u></u>

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

General fund budget highlights (continued)

General Fund Budget to Actual for 2016

	Budgeted amounts original/final	Actual	Variance
Revenues:			
Taxes	\$ 8,977,998	\$ 9,145,599	\$ 167,601
Licenses and permits	455,948	485,913	29,965
Fines and forfeitures	161,818	177,466	15,648
Interest	35,700	76,677	40,977
Intergovernmental revenues	731,900	826,578	94,678
Refund of prior year expenditures		30,622	30,622
Charges for services	554,170	587,426	33,256
Other	3,037	3,028	(9)
Total revenues	<u>10,920,571</u>	<u>11,333,309</u>	<u>412,738</u>
Expenditures:			
General government	1,352,352	1,251,808	100,544
Public safety	6,201,310	6,061,475	139,835
Public works, sanitation	23,200	27,309	(4,109)
Public works, highways	2,079,985	1,758,113	321,872
Culture and recreation	804,315	733,760	70,555
Total expenditures	<u>10,461,162</u>	<u>9,832,465</u>	<u>628,697</u>
Excess of revenues over expenditures	459,409	1,500,844	1,041,435
Other financing uses, operating transfers out	<u>(334,126)</u>	<u>(1,334,126)</u>	<u>(1,000,000)</u>
Net change in fund balances	<u>\$ 125,283</u>	<u>\$ 166,718</u>	<u>\$ 41,435</u>

YORK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Proprietary funds budget highlights

The Sewer Fund, the Township's primary proprietary operating fund, showed a \$189,619 change in net position for 2016, only \$19,000 less than budget. The Sewer Fund ended the year with a very healthy net position balance of \$41,857,781, with cash and investments at \$4,299,727. The Sewer Capital Reserve Fund ended the year with a net position of \$8,965,537 with cash and investments at \$8,979,728.

Fiduciary funds

The Fiduciary Funds of the Township are presented separately in the Statement of Fiduciary Net Position because these funds are not used in the operation of the Township. However, the Township acts as the agent of these funds. Included in the Statement of Fiduciary Net Position are the assets of the employee pension fund and funds deposited with the Township by developers for infrastructure improvements.

Requests for information

This financial report is designed to provide a general overview of the York Township finances for all those with an interest in the government's finances. If you have any questions about this report or need additional information, contact York Township, 190 Oak Avenue, Dallastown, PA 17313 or (717) 741-3861.

Separately issued financial statements for York Township Water and Sewer Authority, a component unit of York Township, can be obtained by contacting the Township Office.

YORK TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 8,814,070	\$ 6,863,779	\$ 15,677,849
Investments	5,646,150	6,466,328	12,112,478
Taxes receivable	323,552		323,552
Accounts receivable	178,678	864,983	1,043,661
Internal balances	(31,145)	31,145	-
Prepaid expenses	24,385	3,934	28,319
Intermunicipal deposits		2,758,162	2,758,162
	<u>14,955,690</u>	<u>16,988,331</u>	<u>31,944,021</u>
Land	4,227,228	407,251	4,634,479
Buildings	9,343,420	2,164,976	11,508,396
Construction in progress	137,875	139,475	277,350
Storm water system	289,498		289,498
Collection lines		5,062,905	5,062,905
Treatment plant/pump stations		2,826,314	2,826,314
Infrastructure	35,403,471	39,393,992	74,797,463
Traffic lights	1,021,136		1,021,136
Roads	10,951,200		10,951,200
Signs	2,265		2,265
Curbs and sidewalks	338,967		338,967
Vehicles	2,035,193	1,308,221	3,343,414
Office furniture and equipment	715,352	166,419	881,771
Machinery and equipment	2,411,048	401,253	2,812,301
	66,876,653	51,870,806	118,747,459
Accumulated depreciation	<u>(37,165,672)</u>	<u>(17,019,448)</u>	<u>(54,185,120)</u>
Capital assets, net of depreciation	<u>29,710,981</u>	<u>34,851,358</u>	<u>64,562,339</u>
Deferred outflows of resources, pensions	<u>395,846</u>	<u>138,118</u>	<u>533,964</u>
Total assets and deferred outflows of resources	<u>\$ 45,062,517</u>	<u>\$ 51,977,807</u>	<u>\$ 97,040,324</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable	\$ 122,723	\$ 93,126	\$ 215,849
Payroll deductions and withholdings	49,414	15,443	64,857
Revenue received in advance	7,592		7,592
Other current liabilities		291,464	291,464
	179,729	400,033	579,762
Total current liabilities			
Noncurrent liabilities:			
Compensated absences	190,685	57,645	248,330
Net pension liability	748,531	261,172	1,009,703
	1,118,945	718,850	1,837,795
Total liabilities			
Net position:			
Investment in capital assets	29,710,981	34,851,358	64,562,339
Restricted	3,755,458		3,755,458
Unrestricted	10,477,133	16,407,599	26,884,732
	43,943,572	51,258,957	95,202,529
Total net position			
Total liabilities and net position	\$ 45,062,517	\$ 51,977,807	\$ 97,040,324

YORK TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
General government	\$ 1,442,021	\$ 578,142	\$ 442,714	\$ (421,165)		\$ (421,165)
Public safety	6,858,733	512,275	200,336	(6,146,122)		(6,146,122)
Public works, sanitation	27,309		91,364	64,055		64,055
Public works, highway	2,476,724		950,801	(1,525,923)		(1,525,923)
Public works, storm water and flood control	32,923	43,389		10,466		10,466
Public works, other	269,235			(269,235)		(269,235)
Capital purchases	69,498			(69,498)		(69,498)
Culture and recreation	875,730	285,846		(589,884)		(589,884)
Total governmental activities	12,052,173	1,419,652	1,685,215	(8,947,306)		(8,947,306)
Business-type activities, sewer funds	7,252,127	8,018,995			\$ 766,868	766,868
Total government activities	<u>\$ 19,304,300</u>	<u>\$ 9,438,647</u>	<u>\$ 1,685,215</u>	<u>(8,947,306)</u>	<u>766,868</u>	<u>(8,180,438)</u>

(continued)

YORK TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Primary government		
				Governmental activities	Business-type activities	Total
General revenues:						
Taxes, all levies				\$ 9,155,801		\$ 9,155,801
Investment earnings				120,668	\$ 127,799	248,467
Gain on disposal of assets				14,834		14,834
Other				275,348	30,880	306,228
Total general revenues				<u>9,566,651</u>	<u>158,679</u>	<u>9,725,330</u>
Change in net position				619,345	925,547	1,544,892
Net position:						
Beginning				<u>43,324,227</u>	<u>50,333,410</u>	<u>93,657,637</u>
Ending				<u>\$ 43,943,572</u>	<u>\$ 51,258,957</u>	<u>\$ 95,202,529</u>

See notes to financial statements.

YORK TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	Major funds			
	General fund	Capital projects funds	Nonmajor funds	Total governmental funds
Assets:				
Cash and cash equivalents	\$ 4,602,855	\$ 1,674,548	\$ 2,536,667	\$ 8,814,070
Investments	3,938,088	1,708,062		5,646,150
Taxes receivable	323,552			323,552
Accounts receivable	172,875	5,803		178,678
Prepaid expenditures	24,385			24,385
	<u>\$ 9,061,755</u>	<u>\$ 3,388,413</u>	<u>\$ 2,536,667</u>	<u>\$ 14,986,835</u>
Liabilities:				
Accounts payable	\$ 87,792	\$ 34,715	\$ 216	\$ 122,723
Revenue received in advance	7,592			7,592
Due to other funds	495	30,650		31,145
Payroll deductions and withholdings	49,414			49,414
	<u>145,293</u>	<u>65,365</u>	<u>216</u>	<u>210,874</u>
Deferred inflows of resources, unavailable revenue	<u>43,248</u>			<u>43,248</u>
Fund balances:				
Nonspendable, prepaid expenses	24,385			24,385
Restricted:				
Liquid fuels			465,181	465,181
Street light			41,489	41,489
Impact fees			2,029,781	2,029,781
Recreation site fee		286,502		286,502
Storm water		932,505		932,505
Committed:				
Capital reserve		2,104,041		2,104,041
Future pension costs	748,531			748,531
Minimum reserve requirement	2,500,000			2,500,000
Assigned:				
Emergency management	3,766			3,766
Employee benefit	700,947			700,947
Unassigned	4,895,585			4,895,585
	<u>8,873,214</u>	<u>3,323,048</u>	<u>2,536,451</u>	<u>14,732,713</u>
Total fund balances	<u>8,873,214</u>	<u>3,323,048</u>	<u>2,536,451</u>	<u>14,732,713</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,061,755</u>	<u>\$ 3,388,413</u>	<u>\$ 2,536,667</u>	<u>\$ 14,986,835</u>

See notes to financial statements.

YORK TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Total governmental fund balances		\$ 14,732,713
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$66,876,653, and the accumulated depreciation is \$37,165,672.		29,710,981
Property taxes receivable will be collected subsequent to year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.		43,248
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Net pension liability	\$ (748,531)	
Compensated absences	<u>(190,685)</u>	
		(939,216)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		<u>395,846</u>
Net position of governmental activities		<u><u>\$ 43,943,572</u></u>

See notes to financial statements.

YORK TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	Major funds		Nonmajor funds	Total governmental funds
	General fund	Capital projects funds		
Revenues:				
Taxes	\$ 9,145,599		\$ 4,965	\$ 9,150,564
Licenses and permits	485,913			485,913
Fines and forfeitures	177,466			177,466
Charges for services	587,426	\$ 160,269		747,695
Interest	76,677	39,727	4,264	120,668
Refund of prior year expenditures	30,622			30,622
Intergovernmental revenues	826,578		862,837	1,689,415
Other	3,028	15,591	224,776	243,395
Total revenues	11,333,309	215,587	1,096,842	12,645,738
Expenditures:				
General government	1,251,808	549,643		1,801,451
Public safety	6,061,475			6,061,475
Capital projects			34,845	34,845
Public works, sanitation	27,309			27,309
Public works, highway	1,758,113	945,974	966,832	3,670,919
Public works, storm water and flood control		49,744		49,744
Public works, other		408,526	2,648	411,174
Culture and recreation	733,760	44,109		777,869
Total expenditures	9,832,465	1,997,996	1,004,325	12,834,786
Excess (deficiency) of revenues over expenditures	1,500,844	(1,782,409)	92,517	(189,048)
Other financing sources (uses):				
Proceeds from sale of fixed assets		12,600		12,600
Operating transfers in		1,334,126		1,334,126
Operating transfers out	(1,334,126)			(1,334,126)
Total other financing sources (uses)	(1,334,126)	1,346,726		12,600
Net change in fund balances	166,718	(435,683)	92,517	(176,448)
Fund balances:				
Beginning	8,706,496	3,758,731	2,443,934	14,909,161
Ending	\$ 8,873,214	\$ 3,323,048	\$ 2,536,451	\$ 14,732,713

See notes to financial statements.

YORK TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Total net change in fund balances, governmental funds			\$ (176,448)
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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period.			
Depreciation expense		\$ (2,124,627)	
Capital outlays, net		<u>2,957,010</u>	832,383
Because some property taxes will not be collected for several months after the Township's year end, they are not considered as available revenues in the governmental funds. Unavailable tax revenue increased by this amount this year.			
			10,953
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense:			
Township pension contributions			233,328
Costs of benefits earned			(334,752)
Changes in compensated absences are not recorded as expenditures in the governmental funds but are in the statement of activities. Compensated absences decreased by this amount this year.			
			<u>53,881</u>
Change in net position of governmental activities			<u><u>\$ 619,345</u></u>

See notes to financial statements.

YORK TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Major funds			Total
	Sewer fund	Intermunicipal sewer fund	Sewer capital reserve	
Current assets:				
Cash and cash equivalents	\$ 2,794,371	\$ 50,652	\$ 4,018,756	\$ 6,863,779
Investments	1,505,356		4,960,972	6,466,328
Accounts receivable	623,464	241,519		864,983
Due from other funds	449	151,404	30,650	182,503
Prepaid expenses	3,641	293		3,934
Intermunicipal deposits	2,758,162			2,758,162
Total current assets	<u>7,685,443</u>	<u>443,868</u>	<u>9,010,378</u>	<u>17,139,689</u>
Capital assets:				
Land	407,251			407,251
Buildings	2,164,976			2,164,976
Construction in progress	139,475			139,475
Collection lines	5,062,905			5,062,905
Treatment plant/pump stations	2,826,314			2,826,314
Infrastructure	39,393,992			39,393,992
Vehicles	1,308,221			1,308,221
Office furniture and equipment	166,419			166,419
Machinery and equipment	401,253			401,253
	51,870,806			51,870,806
Accumulated depreciation	<u>(17,019,448)</u>			<u>(17,019,448)</u>
Capital assets, net of depreciation	<u>34,851,358</u>			<u>34,851,358</u>
Deferred outflows of resources, pensions	<u>138,118</u>			<u>138,118</u>
Total assets and deferred outflows of resources	<u>\$ 42,674,919</u>	<u>\$ 443,868</u>	<u>\$ 9,010,378</u>	<u>\$ 52,129,165</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	Major funds			Total
	Sewer fund	Intermunicipal sewer fund	Sewer capital reserve	
Current liabilities:				
Accounts payable	\$ 45,609	\$ 2,676	\$ 44,841	\$ 93,126
Payroll deductions and withholdings	14,181	1,262		15,443
Due to other funds	151,358			151,358
Other current liabilities	291,464			291,464
Total current liabilities	502,612	3,938	44,841	551,391
Noncurrent liabilities:				
Compensated absences	53,354	4,291		57,645
Net pension liability	261,172			261,172
Total liabilities	817,138	8,229	44,841	870,208
Net position:				
Investment in capital assets	34,851,358			34,851,358
Unrestricted	7,006,423	435,639	8,965,537	16,407,599
Total net position	41,857,781	435,639	8,965,537	51,258,957
Total liabilities and net position	\$ 42,674,919	\$ 443,868	\$ 9,010,378	\$ 52,129,165

YORK TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Major funds			Total
	Sewer fund	Intermunicipal sewer fund	Sewer capital reserve	
Operating revenues:				
Rental and service charges	\$ 6,003,169	\$ 1,932,485		\$ 7,935,654
Connection and tapping fees	81,000			81,000
Other	33,221			33,221
Total operating revenues	6,117,390	1,932,485		8,049,875
Operating expenses, operations of facilities	4,464,368	1,881,208	\$ 329	6,345,905
Net operating income (loss) before depreciation	1,653,022	51,277	(329)	1,703,970
Depreciation	906,222			906,222
Net operating income (loss)	746,800	51,277	(329)	797,748
Nonoperating revenue, earnings on investments, net	32,499	546	94,754	127,799
Net income before operating transfers	779,299	51,823	94,425	925,547
Operating transfers:				
Transfers in	437,367		1,027,047	1,464,414
Transfers out	(1,027,047)		(437,367)	(1,464,414)
Change in net position	189,619	51,823	684,105	925,547
Net position:				
Beginning	41,668,162	383,816	8,281,432	50,333,410
Ending	\$ 41,857,781	\$ 435,639	\$ 8,965,537	\$ 51,258,957

See notes to financial statements.

YORK TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Major funds			Total
	Sewer fund	Intermunicipal sewer fund	Sewer capital reserve	
Cash flows from operating activities:				
Cash received from users	\$ 5,851,864	\$ 1,919,462		\$ 7,771,326
Cash payments to employees for service	(776,081)	(94,103)		(870,184)
Cash payments to suppliers for goods and services	(3,638,013)	(1,814,139)	\$ (19,786)	(5,471,938)
Other cash receipts	2,571			2,571
Net cash provided by (used in) operating activities	<u>1,440,341</u>	<u>11,220</u>	<u>(19,786)</u>	<u>1,431,775</u>
Cash flows from noncapital financing activities:				
Operating transfers in (out)	<u>(1,027,047)</u>		<u>1,027,047</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,027,047)</u>		<u>1,027,047</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of assets	30,650			30,650
Purchase of capital assets			<u>(392,526)</u>	<u>(392,526)</u>
Net cash provided by (used in) capital and related financing activities	<u>30,650</u>		<u>(392,526)</u>	<u>(361,876)</u>
Cash flows from investing activities:				
Earnings on investments	27,187	546	82,431	110,164
Sale of investments, net	384,000		947,000	1,331,000
Purchases of investments, net	<u>(349,311)</u>		<u>(1,078,644)</u>	<u>(1,427,955)</u>
Net cash provided by (used in) investing activities	<u>61,876</u>	<u>546</u>	<u>(49,213)</u>	<u>13,209</u>
Increase in cash and cash equivalents	505,820	11,766	565,522	1,083,108
Cash and cash equivalents:				
Beginning of year	<u>2,288,551</u>	<u>38,886</u>	<u>3,453,234</u>	<u>5,780,671</u>
End of year	<u>\$ 2,794,371</u>	<u>\$ 50,652</u>	<u>\$ 4,018,756</u>	<u>\$ 6,863,779</u>

(continued)

YORK TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	Major funds			
	Sewer fund	Intermunicipal sewer fund	Sewer capital reserve	Total
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities:				
Net operating income (loss)	<u>\$ 746,800</u>	<u>\$ 51,277</u>	<u>\$ (329)</u>	<u>\$ 797,748</u>
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Gain from sale of assets	(30,650)			(30,650)
Depreciation	906,222			906,222
(Increase) decrease in:				
Accounts receivable	(20,791)	(13,077)		(33,868)
Due from other funds	22,579	(21,243)	(19,457)	(18,121)
Prepaid expenses	(273)	54		(219)
Intermunicipal deposits	(211,241)			(211,241)
Deferred outflows of resources, pension	12,051			12,051
Increase (decrease) in:				
Accounts payable	(16,297)	(1,163)		(17,460)
Due to other funds	23,922			23,922
Compensated absences	(18,833)	(4,478)		(23,311)
Net pension liability	23,335			23,335
Payroll deductions and withholdings	1,361	(150)		1,211
Other liabilities	<u>2,156</u>			<u>2,156</u>
Total adjustments	<u>693,541</u>	<u>(40,057)</u>	<u>(19,457)</u>	<u>634,027</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,440,341</u></u>	<u><u>\$ 11,220</u></u>	<u><u>\$ (19,786)</u></u>	<u><u>\$ 1,431,775</u></u>
Non cash activities:				
Capital assets included in accounts payable at year-end			\$ 44,841	
Transfer of capital assets	\$ 392,526		(392,526)	

See notes to financial statements.

YORK TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2016

	<u>Escrow fund</u>	<u>Nonuniform pension fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 123,492		\$ 123,492
Investments		<u>\$ 8,697,904</u>	<u>8,697,904</u>
	<u>\$ 123,492</u>	<u>\$ 8,697,904</u>	<u>\$ 8,821,396</u>
LIABILITIES AND NET POSITION			
Liability to developers	\$ 123,492		\$ 123,492
Net position restricted for pension		<u>\$ 8,697,904</u>	<u>8,697,904</u>
	<u>\$ 123,492</u>	<u>\$ 8,697,904</u>	<u>\$ 8,821,396</u>

See notes to financial statements.

YORK TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2016

	<u>Nonuniform pension fund</u>
Additions:	
Investment gain	\$ 523,326
Contributions	<u>314,736</u>
Total additions	<u>838,062</u>
Deductions:	
Administrative expenses	16,082
Benefit payments	<u>311,078</u>
Total deductions	<u>327,160</u>
Change in net position	510,902
Net position restricted for pension:	
Beginning	<u>8,187,002</u>
Ending	<u><u>\$ 8,697,904</u></u>

See notes to financial statements.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies:

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

Principles determining scope of reporting entity:

York Township operates as a first class township under the laws governing municipalities in the Commonwealth of Pennsylvania. The Township operates under a Board of Commissioners form of government and provides services as authorized by statute: General Government, Public Safety (Police and Fire), Public Works (Highway and Sanitation), Culture and Recreation, Planning and Zoning and other services as required. The Township has elected to include the component unit discussed below in the Township's reporting entity.

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. Although not required, the Township has included the component unit, York Township Water and Sewer Authority (the Authority).

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Blended component unit:

The York Township Water and Sewer Authority is a municipal authority chartered under the Municipal Authorities Act of 1945, approved May 2, 1945, P.L. 382 as amended. The purpose of the Authority is to acquire, hold, construct and operate, or provide operations, of the municipal water and sewer systems for York Township. The Water and Sewer Authority has financed the sewer improvement projects of the Township through leasing arrangements. The Township guarantees the debt of York Township Water and Sewer Authority. The governing body of York Township Water and Sewer Authority is appointed by the Township Board of Commissioners.

The separate audited financial statements of the York Township Water and Sewer Authority can be obtained from the Authority Board.

Government-wide financial statements:

The statement of net position and statement of activities display information about the reporting government as a whole. The statements include the primary government and its component units, except for the fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Program revenues – government-wide financial statements:

The statement of activities reports two categories of program revenues: (a) charges for services and (b) program specific operating grants and contributions. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. As a whole, they reduce the net cost of the function to be financed from the government's general revenues.

Policy for eliminating internal activity – government-wide financial statements:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. In the process of aggregating data for the statement of net position, amounts reported as interfund balances in the individual funds are eliminated or reclassified. Eliminations are made in the statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Policy for capitalizing assets and estimating useful lives – government-wide financial statements:

The Township reports capital assets at historical cost or estimated historical cost. Capital assets include land, improvements, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have useful lives extending beyond a single reporting period. The Township's policy is to capitalize assets or groups of assets with costs in excess of \$10,000. Depreciation expense is calculated using the straight-line method over the estimated useful lives of capital assets ranging from 5 to 40 years.

Policy regarding applying restricted or unrestricted resources:

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Fund financial statements:

The accounts of the Township are organized on the basis of funds or account groups each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which includes its assets, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenses or expenditures. The following funds are used by the Township:

Governmental funds:

General Fund – The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. The Emergency Management Fund (EMA) is included in the General Fund; however, it was assigned a separate fund number for internal tracking purposes only.

Special Revenue Funds – The Special Revenue Funds account for revenues that are legally restricted to expenditures for specific purposes. The Special Revenue Funds are the Liquid Fuels Fund, Street Lighting Tax Fund and Impact Fees.

Capital Projects Funds – The Capital Projects Funds account for financial resources to be used for the acquisition of major facilities which are not financed by Proprietary and Trust and Agency Funds. The Capital Projects Funds are the Recreation Capital Reserve Fund, Storm Water Management Fund and Capital Reserve Fund.

Proprietary Funds:

Enterprise Funds – The Enterprise Funds are to account for operations that are financed and operated in a manner similar to private business enterprises where the cost (expenses, including depreciation) is financed through user charges. The Enterprise Funds include the York Township Water and Sewer Authority and the Sewer Fund, Intermunicipal Sewer Fund and Sewer Capital Reserve Fund.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Fund financial statements (continued):

Fiduciary Funds:

The Fiduciary Funds account for assets held by the Township in a trustee capacity or as an agent. Pension trust funds use the economic resources measurement focus in essentially the same manner as proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The Nonuniform Pension Fund is a pension trust fund. The Escrow Fund is an agency fund.

Measurement focus/basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds of the Township are accounted for using a current financial resources measurement focus. Accordingly, only current assets, current liabilities and deferred inflows of resources are included on the balance sheet, and the fund balances reflect spendable or appropriable resources. The operating statements of these funds reflect increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities (current or noncurrent) associated with the operation of the funds are included on the statement of net position. The proprietary fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The Township defines proprietary funds operating revenues based on how the individual transaction would be categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital finance activities or investing activities would normally not be reported as operating revenues.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Modified accrual basis:

The modified accrual basis of accounting is followed for all governmental funds of the Township. Under the modified accrual basis of accounting, expenditures (other than interest and principal payments on long-term debt which are recorded on their payment dates) are recorded when the fund liability is incurred. Revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the Township's operations. Available means collectible within 60 days after fiscal year-end. The modified accrual basis of accounting is used as follows:

Property taxes:

Current revenue – These are taxes levied as of a specific date with a legal, enforceable claim against the taxpayer and/or property. These taxes are recognizable as current revenue when received by the Township during the fiscal year and also estimated to be received by the Township within 60 days after the close of the fiscal year.

Revenue received in advance – taxes – Currently levied property taxes which are not estimated to be received by the Township within 60 days after the close of the current fiscal year are recorded as deferred inflows of resources -unavailable revenue.

Doubtful – An allowance for doubtful accounts is not required for property taxes due to a lien placed on delinquent properties. Upon sale, the lien would be satisfied and the Township would receive levied taxes.

Revenue from state sources:

State subsidies due the Township as current fiscal year entitlements are recognized as revenue in the current fiscal year even though such funds may be received in a subsequent fiscal year.

Revenue from federal sources:

Federal program funds applicable to expenditures for the same program in the current fiscal year, but expected to be received in the next fiscal year, are accrued as current revenue at the end of the current fiscal year along with the recognition of the federal funds receivable. Likewise, any excess of revenues at the fiscal year-end over the program expenditures are recorded as unearned revenue.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Accrual basis:

Under the accrual basis of accounting, revenues are recognized in the accounting period they are earned and become measureable; expenses are recognized in the period incurred. The accrual basis of accounting is used for the Proprietary Funds and Pension Trust Fund.

Interfund transactions:

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are stated at fair value. Fair values for the mutual funds are measured by quoted prices in an active market. Fair values for the money market funds are principal values, and fair value for the government pool is based upon quoted market prices for investments held by the pool. The change in fair value of the investments is reflected as unrealized gains (losses) and is included as a component of investment income.

Budgets:

Prior to December 31, 2015, in accordance with the laws of the Commonwealth, the 2016 annual budget was presented to the York Township Commissioners. The budget was enacted on December 8, 2015, by Ordinance No. 2015-8. All unused budget appropriations lapse at year-end.

Deferred outflows/inflows of resources – pension:

The Township recognizes the difference between projected earnings and actual earnings of their pension plan as deferred outflows of resources. The amounts are amortized over a five year period.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Fund balance classification:

The Township follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable:** This classification includes amounts that are not in spendable form (such as inventory), prepaid expenses or amounts that are required to be maintained intact.
- **Restricted:** This classification includes amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- **Committed:** This classification includes amounts constrained to specific purposes by the Township itself, using its highest level of decision making authority (Board of Commissioners). When reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned:** This classification includes amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Township Board of Commissioners delegates the authority.
- **Unassigned:** This classification includes amounts that are available for any purpose.

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board or the assignment has been changed by the Board. 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.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Capital assets – fund financial statements:

Under the Township's method of accounting, capital assets are recorded as expenditures at the time of purchase in the governmental funds. Accordingly, no depreciation has been provided on fixed assets in those funds. Proprietary Fund capital assets are recorded at cost. Depreciation is provided for on a straight-line basis over periods ranging from 5 to 40 years.

Total columns:

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-term liabilities:

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of accrued compensated absences and net pension liability.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Net position classifications:

Government-wide statements - Equity is classified as net position and displayed in three components:

- Investment in capital assets - Consists of capital assets net of accumulated depreciation.
- 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.
- Unrestricted net position - All other net position that does not meet the definition of "restricted" or "investment in capital assets."

Adoption of new accounting standard:

The Township has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. With the adoption of this standard, the Township has revised disclosures of investments.

Subsequent events:

Management has evaluated subsequent events through May 2, 2017, the date the financial statements were available to be issued.

2. Deposits and investments:

Cash includes amounts in demand deposits and certificates of deposit that mature within three months of the purchase date. The Township is authorized under the First Class Township Code to invest in the following:

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

1. United States treasury bills and short-term obligations of the U.S. Government or its agencies or instrumentalities,
2. Obligations of the United States of America and the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are backed by the full faith and credit of said government,
3. Savings accounts, time deposits and certificates of deposit, pursuant to certain insurance and collateral requirements, and
4. Shares of qualifying registered investment companies.
5. Any investment authorized by PA C.S. Ch. 73, (relating to fiduciaries investments) shall be an authorized investment for any pension or retirement fund.

Custodial credit risk – deposits and investments:

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township has a policy for managing custodial credit risk.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

Reconciliation to financial statements:

Covered by Federal Depository Insurance Corporation (FDIC)	\$ 251,995
Collateral held by the pledging bank under Act 72	15,107,990
Outstanding checks	(77,225)
Outstanding bank items	<u>22</u>
Carrying amount - bank balances	15,282,782
Money market funds held in investment accounts covered by Securities Investor Protection Corporation (SIPC)	517,459
Petty cash	<u>1,100</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 15,801,341</u></u>

Reconciliation to financial statements:

Governmental Funds	\$ 8,814,070
Proprietary Funds	6,863,779
Fiduciary Funds	<u>123,492</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 15,801,341</u></u>

Investments:

Investments, other than certificates of deposits, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

Investments (continued):

Investment	Maturities	Fair value
Investments, certificates of deposits, at cost:	Less than 1 year 1 - 5 years	\$ 3,935,567 <u>8,176,911</u>
		<u>12,112,478</u> **

As of December 31, 2016, the Township had the following Level 1 investments:

Fiduciary Nonuniform Pension Investments:

Principal Financial Group:

Large U.S. Equity	2,771,225
Small/Mid U.S. Equity	504,569
International Equity	1,104,639
Balanced	171,139
Fixed income	3,403,917
Other	<u>742,415</u>

Total fiduciary funds, pension plan	<u>8,697,904</u>
	<u><u>\$ 20,810,382</u></u>

Reconciliation to financial statements:

Governmental Funds	\$ 5,646,150
Proprietary Funds	6,466,328
Fiduciary Funds, nonuniform pension plan	<u>8,697,904</u>

Total investments per financial statements	<u><u>\$ 20,810,382</u></u>
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** \$11,760,875 is insured by FDIC and the balance is collateralized by the pledging bank under Act 72.

See Note 1 for a further description of how the fair value measurements were derived.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

Investments (continued):

At December 31, 2016, the nonuniform pension plan investments that exceeded 5% of total net assets include the following:

Large U.S. equity:

Edge Asset Management, Equity Income Separate Account	\$ 575,998
Principal Global Investors, Large Cap Value Separate Account	571,640
Principal Global Investors, Large Cap S&P Index	488,016
T. Rowe Price/Brown Advisory, Large Cap Growth Separate Account	1,135,571

International equity, Causeway/Barrow Hanley

Overseas Separate Account	823,602
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Fixed income:

Mellon Capital Management Bond Index Separate Account	693,362
Principal Global Investors Bond and Mortgage Separate Account	1,916,736
Principal Real Estate Inv., US Properties Separate Account	508,878

Other, Multiple Sub Advisors Global Multi Str Separate Account	507,569
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Interest rate risk:

The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

The Township has an investment policy that limits its investment choices to certain credit ratings.

Concentrations:

The Township's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

3. Property taxes:

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1
Discount dates	February 16 - April 15
Face amount dates	April 16 - June 15
Delinquent dates	June 16 - December 31

Real estate taxes were .90 mills for general purposes and .30 mills for fire tax in 2016. Property taxes attach as an enforceable lien on property, as of the date of the tax notice. Delinquent taxes for balance sheet purposes are considered fully collectible, and therefore, no allowance of uncollectible taxes is provided.

4. Capital assets, governmental activities:

A summary of governmental activities' capital assets transactions for the year ended December 31, 2016, is as follows:

	Beginning balance	Transfers/ additions	Transfers/ deletions	Ending balance
Land	\$ 4,227,228			\$ 4,227,228
Buildings	8,615,866	\$ 727,554		9,343,420
Construction in progress	168,707	62,526	\$ (93,358)	137,875
Storm water system	289,498			289,498
Infrastructure	35,403,471			35,403,471
Traffic lights	995,824	25,312		1,021,136
Roads	9,154,312	1,796,888		10,951,200
Signs	2,265			2,265
Curbs and sidewalks	338,967			338,967
Vehicles	1,824,833	291,443	(81,083)	2,035,193
Office furniture and equipment	717,905	6,697	(9,250)	715,352
Machinery and equipment	2,277,991	140,714	(7,657)	2,411,048
Totals	<u>\$ 64,016,867</u>	<u>\$ 3,051,134</u>	<u>\$ (191,348)</u>	<u>\$ 66,876,653</u>

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

4. Capital assets, governmental activities (continued):

Accumulated depreciation:

	Beginning balance	Current year depreciation	Transfers/ deletions	Ending balance
Buildings	\$ 2,555,343	\$ 283,560		\$ 2,838,903
Storm water system	66,426	11,580		78,006
Infrastructure	24,418,567	763,374		25,181,941
Traffic lights	895,357	47,377		942,734
Roads	4,056,119	706,782		4,762,901
Signs	575	113		688
Curbs and sidewalks	137,816	13,998		151,814
Vehicles	1,160,656	109,758	\$ (81,083)	1,189,331
Office furniture and equipment	578,142	49,125	(9,250)	618,017
Machinery and equipment	1,269,268	138,960	(6,891)	1,401,337
Totals	\$ 35,138,269	\$ 2,124,627	\$ (97,224)	\$ 37,165,672

	Cost	Accumulated depreciation	Net value
Land	\$ 4,227,228		\$ 4,227,228
Buildings	9,343,420	\$ 2,838,903	6,504,517
Construction in progress	137,875		137,875
Storm water system	289,498	78,006	211,492
Infrastructure	35,403,471	25,181,941	10,221,530
Traffic lights	1,021,136	942,734	78,402
Roads	10,951,200	4,762,901	6,188,299
Signs	2,265	688	1,577
Curbs and sidewalks	338,967	151,814	187,153
Vehicles	2,035,193	1,189,331	845,862
Office furniture and equipment	715,352	618,017	97,335
Machinery and equipment	2,411,048	1,401,337	1,009,711
Totals	\$ 66,876,653	\$ 37,165,672	\$ 29,710,981

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

4. Capital assets, governmental activities (continued):

Current depreciation expense is charged to each of the functions in the statement of activities as follows:

General government	\$ 205,135
Public works:	
Highway	779,850
Highway (infrastructure)	763,374
Other	266,588
Culture and recreation	<u>109,680</u>
 Total	 <u><u>\$ 2,124,627</u></u>

5. Capital assets, proprietary funds:

A summary of capital assets of the Sewer fund as of December 31, 2016 is as follows:

	<u>Beginning balance</u>	<u>Transfers/ additions</u>	<u>Transfers/ deletions</u>	<u>Ending balance</u>
Land	\$ 407,251			\$ 407,251
Buildings	2,164,976			2,164,976
Construction in process	134,315	\$ 5,160		139,475
Collection lines	4,833,212	229,693		5,062,905
Treatment plant/pump stations	2,801,828	24,486		2,826,314
Infrastructure	39,393,992			39,393,992
Vehicles	1,261,488	90,947	\$ (44,214)	1,308,221
Office furniture and equipment	162,813	3,606		166,419
Machinery and equipment	<u>379,566</u>	<u>83,475</u>	<u>(61,788)</u>	<u>401,253</u>
 Totals	 <u><u>\$ 51,539,441</u></u>	 <u><u>\$ 437,367</u></u>	 <u><u>\$ (106,002)</u></u>	 <u><u>\$ 51,870,806</u></u>

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Capital assets, proprietary funds (continued):

Accumulated depreciation:

	Beginning balance	Current year depreciation	Deletions	Ending balance
Buildings	\$ 689,242	\$ 51,662		\$ 740,904
Collection lines	1,508,961	194,094		1,703,055
Treatment plant/pump stations	1,196,618	82,556		1,279,174
Infrastructure	12,037,487	465,902		12,503,389
Vehicles	353,392	89,599	\$ (44,214)	398,777
Office furniture and equipment	154,631	2,368		156,999
Machinery and equipment	278,900	20,038	(61,788)	237,150
Totals	\$ 16,219,231	\$ 906,219	\$ (106,002)	\$ 17,019,448

	Cost	Accumulated depreciation	Net value
Land	\$ 407,251		\$ 407,251
Buildings	2,164,976	\$ 740,904	1,424,072
Collection lines	5,062,905	1,703,055	3,359,850
Treatment plant/pump stations	2,826,314	1,279,174	1,547,140
Infrastructure	39,393,992	12,503,389	26,890,603
Vehicles	1,308,221	398,777	909,444
Office furniture and equipment	166,419	156,999	9,420
Machinery and equipment	401,253	237,150	164,103
Construction in process	139,475		139,475
Totals	\$ 51,870,806	\$ 17,019,448	\$ 34,851,358

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

6. Compensated absences:

Employees are allowed to carry over a maximum of 80 hours of unused vacation time, unless the Board of Commissioners approves the carryover of additional time due to circumstances. Upon separation from service, employees are eligible to receive any unpaid vacation pay earned through the last day of work. As of December 31, 2016, the vacation leave liability totaled \$48,362.

Employees are allowed to accumulate a maximum of 1,120 hours of sick leave. Upon retirement, if the employee has accumulated the maximum number of sick days, one-third of those days will be paid to the employee as a retirement benefit. As of December 31, 2016, the total sick time liability was \$199,968.

As of December 31, 2016, the liability for the accrued vacation and sick leave is \$248,330. The amount expected to be paid from current resources is not significant.

A summary of changes in compensated absences is as follows:

	<u>Beginning January 1</u>	<u>Net decreases</u>	<u>Balance December 31</u>
Government-wide activities	\$ 244,566	\$ (53,881)	\$ 190,685
Business-type activities	<u>80,956</u>	<u>(23,311)</u>	<u>57,645</u>
	<u>\$ 325,522</u>	<u>\$ (77,192)</u>	<u>\$ 248,330</u>

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan:

Description of plan:

The York Township Nonuniform Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 97-11. The Plan is governed by the Board of Township Commissioners which is responsible for the management of plan assets. The Board of Township Commissioners has delegated the authority to manage certain plan assets to Principal Financial Group. Payroll for nonuniform employees covered by the plan was \$2,229,604 of the Township's total 2016 payroll of \$2,413,406. There is no stand-alone financial report issued for this plan.

Plan membership:

As of December 31, 2016, the pension plan's membership consisted of:

Active employees	41
Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	<u>16</u>
Total	<u>79</u>

A summary of employee eligibility requirements and benefits as of December 31, 2016 is as follows:

Covered employees:

All full-time nonuniformed employees

Eligibility requirements:

Normal retirement – Attainment of age 60
Early retirement – Attained age 50 and 10 years of vesting service
Vesting – 100% vested after 7 years of vesting service

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

Description of plan (continued):

Plan membership (continued):

Retirement benefit:

2% of average monthly pay multiplied by years of service. Average monthly pay is based upon the final 36 months of employment.

Survivor benefit:

50% of the participant's accrued benefit on date of death if 7 years of vesting service.

Disability benefit:

50% of average monthly pay (minimum of \$20/month).

Member's contributions:

Amount or rate – currently suspended
Interest rate credited to members' contributions – 6.5%.

Funding policy:

Act 205:

On December 18, 1984, Act 205 was passed into law and is known as the "Municipal Pension Plan Funding Standard and Recovery Act". The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and amortization of the unfunded actuarial accrued liability. For financially distressed pension plans, the act provides for delayed implementation of these funding standards over either 10 or 15 years. In addition, supplemental state aid is available to all eligible municipalities and will be paid from the supplemental state assistance account.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

Funding policy (continued):

Funding requirements:

Active members are not currently required to contribute to the plan.

The pension plan may receive an annual allocation from the General Municipal Pension System State Aid Program. The entire proceeds of the insurance premium tax on foreign casualty insurance companies and any investment income earned on those proceeds of the insurance premium tax on foreign fire insurance companies which represent the amount of the distributions applicable to paid firefighters, and any investment income earned on the amount of those distributions are specifically designated for municipal pension plans. Any remaining obligation with respect to the pension plan shall be paid by the municipality.

Investment policy:

The investment policy statement sets forth the investment objectives and guidelines that will be applied within the investment program to help ensure that the plan is managed in a manner consistent with the plan document and applicable statutory requirements.

The overall objective of this statement is to provide guidance for the investment of contributions and other plan assets, to help maintain adequate funding for plan liabilities. The primary investment objectives of the plan are as follows:

Return – Obtain a reasonable long-term return on assets consistent with the level of risk assumed. Specific return objectives include asset returns that track the growth of liabilities within a reasonable range and/or exceed the return of a plan specified benchmark index over a market cycle.

Cost – Seek to control the cost of funding the plan within prudent levels of risk through the investment of plan assets.

Diversifications – Provide diversification of assets in an effort to minimize the risk of large losses and maximize the investment return consistent with market and economic risk.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

Funding policy (continued):

Investment policy (continued):

The Investment Adviser shall adopt and implement an asset allocation strategy that is based on several factors including:

- The projected liability stream of benefits and the costs of funding to both covered employees and employers;
- The plan's funding level;
- The sensitivity of plan liabilities to interest rate changes;
- The relationship between the current and projected assets of the plan and the projected future liability stream;
- Capital market assumptions;
- The perception of future economic conditions, including inflation and interest rate assumptions;
- The ability of the plan to withstand funding fluctuations.

The asset allocation strategy shall identify target allocations to eligible asset classes and suitable ranges within each asset class:

	<u>Lower limit</u>	<u>Upper limit</u>	<u>Normal target range</u>
Fixed income	0%	100%	20% to 80%
Domestic equities	0%	100%	20% to 80%
International equities	0%	50%	0% to 25%
Real assets strategies	0%	15%	0% to 10%

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

Funding policy (continued):

Investment policy (continued):

The following asset classes are permitted for plan asset allocation strategies:

1. Stable value
2. Fixed income
3. Real assets
4. U.S. stock
5. Non-U.S. stock

Net pension liability:

The Township's net pension liability was measured as of December 31, 2016, and the total net pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial assumptions:

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

- Inflation – 3.00%
- Salary increases – 4.75% (average, including inflation)
- Investment rate of return – 7.75% (including inflation)
- Postretirement cost of living increase – 0.00%

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

The following is a summary of the nonuniformed Pension Plan's net dollar-weighted rates of investment return on a market value basis for the two most recent available calendar years:

	<u>2016</u>	<u>2015</u>
Market value of assets	6.46 %	(0.80) %

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	44%	5.50% - 7.50%
International equity	18%	4.50% - 6.50%
Fixed income	33%	1.00% - 3.00%
Real estate	5%	4.50% - 6.50%

Discount rate:

The discount rate used to measure the total pension liability was 7.75%. 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 employer has always met the funding requirements of Pennsylvania law, Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

Changes in the nonuniformed net pension liability:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at January 1, 2016	<u>\$ 9,106,488</u>	<u>\$ 8,187,002</u>	<u>\$ 919,486</u>
Service cost	202,783		202,783
Interest cost	709,414		709,414
Contributions - employer		314,736	(314,736)
Net investment income		511,294	(511,294)
Benefit payments, including refund of member contributions	(311,078)	(311,078)	-
Administrative expense		(4,050)	4,050
Net changes	<u>601,119</u>	<u>510,902</u>	<u>90,217</u>
Balance at December 31, 2016	<u><u>\$ 9,707,607</u></u>	<u><u>\$ 8,697,904</u></u>	<u><u>\$ 1,009,703</u></u>

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

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

The following presents the net pension liability of the plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1.00% point lower or 1.00% point higher than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's net pension liability	\$ 2,066,882	\$ 1,009,703	\$ 111,089

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2016, the Township recognized pension expense of \$451,546. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 533,964</u>	<u>\$ -</u>

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. Nonuniform pension plan (continued):

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

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

<u>Year ended</u>	
2017	\$ 169,776
2018	169,776
2019	169,776
2020	24,636

8. Other postemployment benefits:

On March 10, 1998, York Township adopted Resolution 98-5: *Postemployment Health Plan for Public Employees*.

This defined contribution plan is intended to pay 50% of medical premiums, until Medicare eligibility, for the medical benefits of an employee and his or her spouse in situations where the employee retires prior to age 65. Also, the plan pays for prescribed medication, dental and vision coverage, until Medicare eligibility for the employee and the spouse.

Eligibility:

All nonuniform employees that are full-time employees of York Township are eligible. Participation begins on the first day of a calendar month following the later of (a) the date on which the employee becomes eligible or (b) the effective date of York Township's participation agreement.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

8. Other postemployment benefits (continued):

Contributions:

Employer contributions:

York Township shall contribute to the plan on a periodic basis on behalf of each participant an amount equal to the amount specified in the employee handbook to fund a postemployment health plan reimbursement account(s) for unreimbursed qualifying medical care expenses and/or health care insurance premium reimbursements. Employees are not required to contribute. York Township contributed \$43,315 in 2016.

Individual accounts for contributions:

The amount York Township contributes on the employees' behalf is placed in a trust maintained by the plan's trustee, LaSalle National Bank. The administrator maintains a separate subaccount for contributions made on the employees' behalf to reimburse qualified postemployment health care expenses. The account consists of employer contributions, investment returns and any forfeitures allocated. Accounts are charged for amounts reimbursed and plan administrative fees. Employees and their dependents may not receive reimbursements from the employee's account for any reason prior to the employee's separation of service from York Township.

Benefits:

Postemployment health benefits:

Upon separation of service from York Township, employees have the right to seek reimbursement of out-of-pocket qualifying medical or health care expenses incurred by employees and their dependents after such termination. Benefit payments are limited to the amounts in a participant's account.

Postemployment health plan value:

The fair value of participating employee accounts at December 31, 2016 is \$929,723.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

9. Risk management:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

In May 2005, the Township began participating in the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). PMHIC is a public entity risk pool established by certain units of local government in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families and dependents. The PMHIC receives, processes and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. The Township does not exercise any control over the activities of the PMHIC beyond its representation on the Board of Directors.

Under the trust plan, the Township pays reasonable and customary healthcare expenses. For the year ended December 31, 2016, the Township paid premiums of \$813,362. Actual claims paid for the year ended December 31, 2016 were \$642,263.

10. Interfund activity:

Individual fund receivable and payable balances consist of the following:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		\$ 495
Intermunicipal Sewer Fund	\$ 151,404	
Sewer Fund	449	151,358
Sewer Capital Reserve Fund	30,650	
Capital Projects Fund		<u>30,650</u>
Total	<u>\$ 182,503</u>	<u>\$ 182,503</u>

The amounts between the sewer fund and the intermunicipal sewer fund represent the fourth quarter billing of the Mill Creek interceptor. The sewer capital reserve and capital project fund amounts pertain to proceeds from the sale of assets.

YORK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

11. Interfund transfers:

Operating transfers in to/out of other funds consist of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund		\$ 1,334,126
Capital Projects Funds	\$ 1,334,126	
Sewer Fund	437,367	1,027,047
Sewer Capital Reserve Fund	<u>1,027,047</u>	<u>437,367</u>
Total	<u>\$ 2,798,540</u>	<u>\$ 2,798,540</u>

The general fund transfer of \$1,334,126 to the capital projects fund and the sewer fund net transfer to the sewer capital reserve fund pertain to the funding of current and future capital projects identified and planned for in the five year capital projects schedule.

12. Sewer Fund - intermunicipal deposits:

The Township has an agreement with Springettsbury Township for the processing of sewage waste which flows to their facility from the Township. Deposits are required by the Township and eight other municipalities that participate in the agreement to defer the cost of future capital improvements to the sewer system. As of December 31, 2016, the Township's portion of the deposits totaled approximately \$1,377,700.

The Township also participates in a similar arrangement for the transportation of sewage waste with the City of York. This arrangement includes reserve accounts. As of December 31, 2016, the Township's portion of the deposits totaled approximately \$1,380,500.

YORK TOWNSHIP
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET TO ACTUAL – GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

	Budgeted amounts original and final	Actual	Variance with final budget positive (negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 8,977,998	\$ 9,145,599	\$ 167,601
Licenses and permits	455,948	485,913	29,965
Fines and forfeitures	161,818	177,466	15,648
Charges for services	554,170	587,426	33,256
Interest	35,700	76,677	40,977
Refund of prior year expenditures		30,622	30,622
Intergovernmental revenues	731,900	826,578	94,678
Other revenue	3,037	3,028	(9)
	<u> </u>	<u> </u>	<u> </u>
Total revenues	10,920,571	11,333,309	412,738
Expenditures:			
General government	1,352,352	1,251,808	100,544
Public safety	6,201,310	6,061,475	139,835
Public works, sanitation	23,200	27,309	(4,109)
Public works, highways	2,079,985	1,758,113	321,872
Culture and recreation	804,315	733,760	70,555
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	10,461,162	9,832,465	628,697
Excess of revenues over expenditures	459,409	1,500,844	1,041,435
Other financing uses, operating transfers out	(334,126)	(1,334,126)	(1,000,000)
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	<u>\$ 125,283</u>	166,718	<u>\$ 41,435</u>
Fund balances:			
Beginning		<u>8,706,496</u>	
Ending		<u>\$ 8,873,214</u>	

**YORK TOWNSHIP
NONUNIFORM PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 202,783	\$ 193,588
Interest	709,414	662,249
Benefit payments, including refunds of member contributions	<u>(311,078)</u>	<u>(201,815)</u>
Net change in total pension liability	601,119	654,022
Total pension liability:		
Beginning of year	<u>9,106,488</u>	<u>8,452,466</u>
End of year (a)	<u><u>\$ 9,707,607</u></u>	<u><u>\$ 9,106,488</u></u>
Plan fiduciary net position:		
Contributions, employer	\$ 314,736	\$ 460,930
Net investment income	511,294	(93,962)
Benefit payments, including refunds of member contributions	(311,078)	(201,815)
Administrative expense	<u>(4,050)</u>	<u></u>
Net change in plan fiduciary net position	510,902	165,153
Total fiduciary net position:		
Beginning of year	<u>8,187,002</u>	<u>8,021,849</u>
End of year (b)	<u><u>\$ 8,697,904</u></u>	<u><u>\$ 8,187,002</u></u>
Net pension liability, end of year (a) - (b)	\$ 1,009,703	\$ 919,486
Plan fiduciary net position as a percentage of the total pension liability	89.60%	89.90%
Covered employee payroll	\$ 2,229,604	\$ 2,189,258
Net pension liability as a percentage of covered employee payroll	45.29%	42.00%

**YORK TOWNSHIP
NONUNIFORM PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF TOWNSHIP CONTRIBUTIONS AND MONEY WEIGHTED RATE OF RETURN

YEAR ENDED DECEMBER 31, 2016

Description	2016	2015
Actuarially determined contribution	\$ 314,736	\$ 460,930
Contributions in relation to the actuarially determined contribution	<u>314,736</u>	<u>460,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,229,604	\$ 2,189,258
Total contributions made as a percentage of payroll	14.12%	21.05%
Money weighted rate of return	6.46%	-0.80%

Effective January 1, 1994, members are not required to contribute to the plan.

Past member contributions are credited with 6.5% interest.

**YORK TOWNSHIP
NONUNIFORM PENSION PLAN**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

YEAR ENDED DECEMBER 31, 2016

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the financial year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	6 years
Asset valuation method:	Market value of assets as determined by the trustee
Inflation:	3.00%
Salary increases:	4.75%
Investment rate of return:	7.75%
Retirement age:	Normal retirement age
Mortality:	RP2000 Table. This table does not include projected mortality improvements.
Changes in benefit terms:	None since 1/1/2015

YORK TOWNSHIP

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	ASSETS			
	Liquid fuels	Street lighting tax	Impact fees	Total
Cash and cash equivalents	<u>\$ 465,181</u>	<u>\$ 41,705</u>	<u>\$ 2,029,781</u>	<u>\$ 2,536,667</u>
	LIABILITIES AND FUND BALANCE			
Liabilities, accounts payable		\$ 216		\$ 216
Fund balance	<u>\$ 465,181</u>	<u>41,489</u>	<u>\$ 2,029,781</u>	<u>2,536,451</u>
	<u>\$ 465,181</u>	<u>\$ 41,705</u>	<u>\$ 2,029,781</u>	<u>\$ 2,536,667</u>

YORK TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	<u>Liquid fuels</u>	<u>Street lighting tax</u>	<u>Impact fees</u>	<u>Total</u>
Revenues:				
Taxes		\$ 4,965		\$ 4,965
Interest	\$ 1,441	60	\$ 2,763	4,264
Intergovernmental revenues	862,837			862,837
Impact fees			224,776	224,776
			<u>224,776</u>	<u>224,776</u>
Total revenues	<u>864,278</u>	<u>5,025</u>	<u>227,539</u>	<u>1,096,842</u>
Expenditures:				
Capital projects	34,845			34,845
Public works, highways	966,832			966,832
Utilities, electricity		2,648		2,648
			<u>2,648</u>	<u>2,648</u>
Total expenditures	<u>1,001,677</u>	<u>2,648</u>		<u>1,004,325</u>
Net change in fund balances	(137,399)	2,377	227,539	92,517
Fund balances:				
Beginning	<u>602,580</u>	<u>39,112</u>	<u>1,802,242</u>	<u>2,443,934</u>
Ending	<u>\$ 465,181</u>	<u>\$ 41,489</u>	<u>\$ 2,029,781</u>	<u>\$ 2,536,451</u>

YORK TOWNSHIP

COMBINING BALANCE SHEET – CAPITAL PROJECTS FUNDS

DECEMBER 31, 2016

ASSETS

	<u>Recreation capital reserve</u>	<u>Storm water management</u>	<u>Capital reserve funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 286,502	\$ 941,068	\$ 446,978	\$ 1,674,548
Investments			1,708,062	1,708,062
Accounts receivable			5,803	5,803
	<u>\$ 286,502</u>	<u>\$ 941,068</u>	<u>\$ 2,160,843</u>	<u>\$ 3,388,413</u>

LIABILITIES AND FUND BALANCE

Accounts payable		\$ 8,563	\$ 26,152	\$ 34,715
Due to other funds			30,650	30,650
Total liabilities		8,563	56,802	65,365
Fund balance	<u>\$ 286,502</u>	<u>932,505</u>	<u>2,104,041</u>	<u>3,323,048</u>
	<u>\$ 286,502</u>	<u>\$ 941,068</u>	<u>\$ 2,160,843</u>	<u>\$ 3,388,413</u>

YORK TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
CAPITAL PROJECTS FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Recreation capital reserve</u>	<u>Storm water management</u>	<u>Capital reserve funds</u>	<u>Total</u>
Revenues:				
Charges for services	\$ 94,100	\$ 66,169		\$ 160,269
Interest	337	1,321	\$ 38,069	39,727
Other			15,591	15,591
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	94,437	67,490	53,660	215,587
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
General government			549,643	549,643
Public works, highways			945,974	945,974
Public works, storm water and flood control		44,671	5,073	49,744
Other public works			408,526	408,526
Culture recreation	5,224		38,885	44,109
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,224	44,671	1,948,101	1,997,996
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	89,213	22,819	(1,894,441)	(1,782,409)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources:				
Proceeds from sale of fixed assets			12,600	12,600
Operating transfers in			1,334,126	1,334,126
			<hr/>	<hr/>
Total other financing sources			1,346,726	1,346,726
			<hr/>	<hr/>
Net change in fund balances	89,213	22,819	(547,715)	(435,683)
Fund balances:				
Beginning	197,289	909,686	2,651,756	3,758,731
	<hr/>	<hr/>	<hr/>	<hr/>
Ending	\$ 286,502	\$ 932,505	\$ 2,104,041	\$ 3,323,048
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

YORK TOWNSHIP

COMBINING BALANCE SHEET – SEWER FUND AND WATER AND SEWER AUTHORITY

YEAR ENDED DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Sewer fund</u>	<u>Water and Sewer Authority</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,792,645	\$ 1,726	\$ 2,794,371
Investments	1,505,356		1,505,356
Accounts receivable	623,464		623,464
Due from other funds	449		449
Prepaid expenses	3,641		3,641
Intermunicipal deposits	<u>2,758,162</u>		<u>2,758,162</u>
Total current assets	<u>7,683,717</u>	<u>1,726</u>	<u>7,685,443</u>
Capital assets:			
Land	407,251		407,251
Buildings	2,164,976		2,164,976
Construction in progress	139,475		139,475
Collection lines	5,062,905		5,062,905
Treatment plant/pump stations	2,826,314		2,826,314
Infrastructure	39,393,992		39,393,992
Vehicles	1,308,221		1,308,221
Office furniture and equipment	166,419		166,419
Machinery and equipment	401,253		401,253
Accumulated depreciation	<u>(17,019,448)</u>		<u>(17,019,448)</u>
Capital assets, net of depreciation	<u>34,851,358</u>		<u>34,851,358</u>
Deferred outflows of resources, pensions	<u>138,118</u>		<u>138,118</u>
Total assets and deferred outflows of resources	<u>\$ 42,673,193</u>	<u>\$ 1,726</u>	<u>\$ 42,674,919</u>

LIABILITIES AND NET POSITION

	Sewer fund	Water and Sewer Authority	Total
Current liabilities:			
Accounts payable	\$ 45,609		\$ 45,609
Payroll deductions and withholdings	14,181		14,181
Due to other funds	151,358		151,358
Other current liabilities	291,464		291,464
	502,612		502,612
Total current liabilities			
Noncurrent liabilities:			
Compensated absences	53,354		53,354
Net pension liability	261,172		261,172
	817,138		817,138
Total liabilities			
Net position:			
Investment in capital assets	34,851,358		34,851,358
Unrestricted	7,004,697	\$ 1,726	7,006,423
	41,856,055	1,726	41,857,781
Total net position			
	\$ 42,673,193	\$ 1,726	\$ 42,674,919

YORK TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
SEWER FUND AND WATER AND SEWER AUTHORITY

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Water and Sewer Authority</u>	<u>Total</u>
Operating revenues:			
Rental and service charges	\$ 6,003,169		\$ 6,003,169
Connection and tapping fees	81,000		81,000
Other	<u>33,221</u>		<u>33,221</u>
Total operating revenues	6,117,390		6,117,390
Operating expenses, operations of facilities	<u>4,460,425</u>	<u>\$ 3,943</u>	<u>4,464,368</u>
Net operating income (loss) before depreciation	1,656,965	(3,943)	1,653,022
Depreciation	<u>906,222</u>		<u>906,222</u>
Net operating income (loss)	750,743	(3,943)	746,800
Nonoperating revenue, earnings on investments	<u>32,499</u>		<u>32,499</u>
Net income (loss) before operating transfers	783,242	(3,943)	779,299
Operating transfers:			
Transfers in	437,367		437,367
Transfers out	<u>(1,027,047)</u>		<u>(1,027,047)</u>
Change in net position	193,562	(3,943)	189,619
Net position:			
Beginning	<u>41,662,493</u>	<u>5,669</u>	<u>41,668,162</u>
Ending	<u>\$ 41,856,055</u>	<u>\$ 1,726</u>	<u>\$ 41,857,781</u>