

2019-46

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### Standard Right-to-Know Law Request Form

Good communication is vital in the RTKL process. Complete this form thoroughly and retain a copy; it is required should an appeal be necessary. You have 15 business days to appeal after a request is denied or deemed denied.

SUBMITTED TO AGENCY NAME: X CALN TOWNSHIP, CHESTER COUNTY, PA \_\_\_\_\_ (Attn: AORO)

Date of Request: 4-5-19 Submitted via: XX Email  U.S. Mail  Fax  In Person

**PERSON MAKING REQUEST:**

Name: Mark DeYoung Company (if applicable): \_\_\_\_\_

Mailing Address: 20 Beaver Run Rd

City: Downingtown State: PA Zip: 19087 Email: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

How do you prefer to be contacted if the agency has questions?  Telephone XX Email  U.S. Mail

**RECORDS REQUESTED:** Be clear and concise. Provide as much specific detail as possible, ideally including subject matter, time frame, and type of record or party names. Use additional sheets if necessary. RTKL requests should seek records, not ask questions. Requesters are not required to explain why the records are sought or the intended use of the records unless otherwise required by law.

RE; INGLESIDE GOLF COURSE

- 1) 2018 Year End Financials
- 2) 2018 Budget for the Ingleside Golf Course providing details on; Operation Costs, Costs of Sales, Other Revenue, Revenue Types, Payroll & Related Costs, Departmental Operating Costs Detailed Golf Course Maintenance Costs, Undistributed Operating Expenses, Development Costs, construction costs, facility costs, soft costs, Annual Debt Service Calculations.
- 3) 2018 Cash Balances
- 4) 2018 Golf Course Fund Balance
- 5) Audits for the years 2015 - 2018
- 6) 2018-2019 Golf Course Advisory Committee Minutes
- 7) Appraisals on Ingleside regardless of dates
- 8) Business Plan,
- 9) Course 5 year Plan,
- 10) Original agreement to purchase Ingleside, Original financing agreements or contracts., Mortgage documents, Closing Documents

DO YOU WANT COPIES? XX Yes, electronic copies preferred if available  
 Yes, printed copies preferred  
 No, in-person inspection of records preferred (may request copies later)

Do you want certified copies?  Yes (may be subject to additional costs)  No  
RTKL requests may require payment or prepayment of fees. See the Official RTKL Fee Schedule for more details.

Please notify me if fees associated with this request will be more than  \$100 (or)  \$ 20.00.

NOTE: In most cases, a completed RTKL request form is a public record. Form updated Nov. 27, 2018  
More information about the RTKL is available at <https://www.openrecords.pa.gov>

A Swan REC. 4/15/19 response due 4/23/19

Caln Township  
2018 Budget  
Golf Fund

# 2018 Budget Detail

Account Number	Account Description	2016 Actual	2017 Budget	2017 Projected	2018 Proposed
<b>GOLF FUND</b>					
09-10-342-100	Cart Rentals	86,225	106,141	87,000	91,105
09-10-351-300	Interest Earnings	-	-	-	-
09-10-367-100	Seasonal Passes Sold	17,664	22,000	19,000	20,000
09-10-367-101	Greens Fees	412,930	483,815	391,000	419,636
09-10-367-102	Driving Range	30,126	34,000	29,000	32,000
09-10-367-103	Merchandise Sales Non Taxable	11,856	12,300	14,000	10,000
09-10-367-104	Junior Clinic	5,600	6,000	2,940	5,000
09-10-367-105	Ghin Handicap Service	1,522	1,500	1,435	1,500
09-10-367-106	Food - Drinks Taxable	15,768	23,000	16,200	18,000
09-10-367-107	Gift Certificates	26	1,500	1,000	1,000
09-10-367-108	Cash Drawer Over/Under	(509)	(500)	500	(500)
09-10-367-109	Food - Drinks Non Taxable	36,670	36,000	32,000	41,000
09-10-367-110	Merchandise Sales Taxable	25,843	28,700	27,000	28,000
09-10-367-112	Advertising/Signs	851	2,000	1,500	3,500
09-10-367-113	Club Repair	598	-	900	700
09-10-367-115	Awards Redeemed	(3,355)	(4,500)	(3,000)	(3,000)
09-10-367-116	Rain Check Redeemed	(894)	(1,200)	(400)	(500)
09-10-380-100	Other Income Untaxable	963	1,500	100	250
09-10-380-105	Cigars - Taxable	2,332	2,500	2,200	2,500
09-10-391-001	Sale of Golf Carts	-	-	-	-
09-10-396-000	Refund to Prior Year Expense	50	-	-	-
	<b>GOLF COURSE FUND Revenue Total</b>	<b>644,266</b>	<b>754,756</b>	<b>622,375</b>	<b>670,191</b>
09-00-000-000	GOLF COURSE EXPENSES	-	-	-	-
09-00-452-000	GREENS EXPENSES	-	-	-	-
09-00-452-100	SALARY GREENS	-	-	-	-
09-00-452-101	Salary Greens	100,025	97,962	97,962	100,901
09-00-452-120	Greens Overtime	2,267	2,500	291	-
09-00-452-150	Salary Greens Part - time	59,739	66,100	46,900	47,180
09-00-452-170	BENEFITS	-	-	-	-
09-00-452-179	Benefits, other	24,247	27,459	25,990	27,800
09-00-452-180	PA Sales Tax Due	(368)	-	-	-
09-00-452-202	Education/Dues	1,165	1,500	1,000	1,000
09-00-452-206	Clothing/Uniforms	-	200	-	-
09-00-452-211	Eqmt. Supplies	3,076	3,000	2,500	2,000
09-00-452-213	Small Items/drug tests	-	100	-	100
09-00-452-322	Cell Phones	712	750	700	750
09-00-452-352	Electric / Gas	11,345	11,000	9,500	11,000
09-00-452-401	Vehicle Fuel/Oil	11,061	14,000	12,300	13,000
09-00-452-402	Vehicle Maintenance/Tires	888	6,000	1,000	5,000
09-00-452-501	Equipment repairs	7,728	6,000	6,800	5,000
09-00-452-710	Chemicals	28,325	29,000	29,603	23,000
09-00-452-715	Fertilizer, Top Dressing, Seed	21,839	26,000	22,500	16,000
09-00-452-913	Grounds Maint. & Repairs	8,963	10,000	10,500	10,000
09-00-452-999	General Expense	2,557	3,000	3,000	3,000
09-00-453-000	Proshop Expenses	-	-	-	-
09-00-453-100	SALARY PRO SHOP	-	-	-	-
09-00-453-101	Salary Pro Shop	42,911	47,678	47,678	48,748
09-00-453-150	Pro Shop Part - Time	71,956	59,000	71,000	44,856
09-00-453-170	BENEFITS	-	-	-	-
09-00-453-179	Benefits	35,529	28,137	35,036	30,601
09-00-453-205	Dues/licenses	3,695	3,500	4,329	4,000
09-00-453-211	Office Supplies	3,926	4,000	2,500	2,500
09-00-453-213	Credit Costs/Fees	10,024	11,000	9,400	9,000
09-00-453-221	Computers	-	500	-	500
09-00-453-322	Telephone	3,895	3,500	3,900	3,900
09-00-453-341	Advertising	1,270	1,000	500	500
09-00-453-401	Vehicle Fuel/Oil	1,265	1,500	1,400	1,400
09-00-453-460	Food Items	31,495	33,000	25,000	26,000
09-00-453-501	Repair Equipment	-	500	-	500
09-00-453-504	Minor Equipment	72	500	-	500
09-00-453-601	Building Maint	6,715	3,000	5,900	4,000
09-00-453-913	Capital Expenses	1,705	1,500	2,000	1,500
09-00-453-997	Junior Clinic	744	750	-	-
09-00-453-999	General Expense	1,522	2,500	1,500	1,500
09-00-455-921	Golf Carts	9,116	9,000	9,200	9,000
09-00-456-921	Range Expenses	9,279	6,000	6,000	3,000
09-00-457-211	Merchandise	21,588	26,000	20,000	18,000
09-00-457-213	Club Repair	186	-	200	-
09-00-458-913	Capital Items	-	46,035	46,035	42,850
09-00-472-190	Principal/Interest	48,139	146,056	149,056	141,956

# 2018 Budget Detail

Account Number	Account Description	2016 Actual	2017 Budget	2017 Projected	2018 Proposed
0-86-331	Liability Insurance	5,184	6,000	3,500	6,300
09-00-489-840	Depreciation Expense	88,628	-	-	-
09-00-493-000	CONTINGENCIES	-	-	-	-
09-00-493-960	Contingency	-	9,529	7,000	3,349
	<b>GOLF COURSE EXPENSES Expenditure Total</b>	<b>682,413</b>	<b>754,756</b>	<b>721,680</b>	<b>670,191</b>
	<b>Excess of Revenues Over Expenditures</b>	<b>(38,148)</b>	<b>-</b>	<b>(99,306)</b>	<b>(0)</b>
	Beginning Fund Balance 1/1/17			(203,629)	
	Projected Ending Fund Balance 12/31/17			(302,935)	
	Projected Ending Fund Balance 12/31/18				<u><u>(302,935)</u></u>

**CALN TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2017*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

**CALN TOWNSHIP**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Commissioners  
Caln Township  
Thorndale, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Caln Township as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Caln Township's basic financial statements as listed in the table of contents.

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

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

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

To the Board of Commissioners  
Caln Township  
Thorndale, Pennsylvania

***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 Caln Township as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 management's discussion and analysis on pages 5 through 16, and pension plan information on pages 61 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Maillie LLP*

Oaks, Pennsylvania  
November 8, 2018

# **CALN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2017**

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This discussion and analysis of Caln Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Boards (GASB) in their Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

### **FINANCIAL HIGHLIGHTS**

Revenue for the General Fund totaled \$7,612,645 compared to the \$6,823,981 received in 2016. The increase in revenue of \$788,564 was primarily due to an increase in taxes, fines, charges for services and miscellaneous revenues partially offset by slight declines in licenses and permits. We expect that revenue streams will be consistent for 2018.

Expenditures for the General Fund totaled \$6,411,487, compared to the \$6,528,181 in 2016. Expenditures decreased by \$116,694 primarily due to the outsourcing of the engineering function, vacancies in police and public works, and lower miscellaneous expenses partially offset by increases in code enforcement staffing and pension costs.

As of the end of 2017, the Township's General Fund reported an ending balance of \$3,008,567, an increase of \$1,008,158 as compared to 2016.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements 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, respectively.

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

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year 's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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The two government-wide statements report the Township's net assets and how they have changed. Net Position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Township, you need to also consider additional non-financial factors, such as changes in the Township's property tax base and the adequacy of Township services.

The government-wide financial statements of the Township are divided into three categories:

- Governmental Activities - All of the Township's basic services are included here, such as public safety, public works, and administration. Property taxes, state grants, and charges for services finance most of these activities.
- Business-Type Activities - The Township runs a golf-course and charges fees to players to cover the costs of operations.
- Component Unit - The Township has a related Municipal Authority that operates a sewer system and charges fees to customers for operational expenses and tapping fees from new construction for capital related costs.

### Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others.

- Governmental Funds - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

- Proprietary Funds** - These funds are used to account for Township activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides - whether to outside customers or to other units in the Township - these services are generally reported in proprietary funds. The Golf Course and Solid Waste operations are the Township's proprietary funds and are the same as the business-type activities we report in the government-wide statements.
- Fiduciary Funds** - The Township is the trustee, or fiduciary, for the pension plans and escrow funds. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE TOWNSHIP - GOVERNMENT-WIDE STATEMENTS

The Township's net position increased from \$15,962,138 in 2016 to \$18,084,294 in 2017. The net position increased primarily due to the reduction in net pension liabilities associated with the performance of the financial markets.

**Table 1**  
**Statement of Net Position**  
**December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current assets	\$ 4,849,083	\$ 3,784,781	\$ 667,299	\$ 868,367	\$ 5,516,382	\$ 4,653,148
Capital assets, net	20,622,304	20,357,326	2,335,135	2,237,396	22,957,439	22,594,722
<b>TOTAL ASSETS</b>	<b>25,471,387</b>	<b>24,142,107</b>	<b>3,002,434</b>	<b>3,105,763</b>	<b>28,473,821</b>	<b>27,247,870</b>
<b>DEFERRED OUTFLOWS</b>	<b>1,215,067</b>	<b>1,025,563</b>	<b>58,686</b>	<b>42,892</b>	<b>1,273,753</b>	<b>1,068,455</b>
<b>LIABILITIES</b>						
Current liabilities	646,690	822,535	192,889	382,225	839,579	1,204,760
Net pension liabilities	3,521,897	4,556,165	76,597	110,270	3,598,494	4,666,435
Noncurrent liabilities	4,399,976	4,482,833	1,712,614	1,832,624	6,112,590	6,315,457
<b>TOTAL LIABILITIES</b>	<b>8,568,563</b>	<b>9,861,533</b>	<b>1,982,100</b>	<b>2,325,119</b>	<b>10,550,663</b>	<b>12,186,652</b>
<b>DEFERRED INFLOWS</b>	<b>1,077,959</b>	<b>167,535</b>	<b>34,658</b>	<b>-</b>	<b>1,112,617</b>	<b>167,535</b>
<b>NET POSITION</b>						
Invested in capital assets, not of related debt	15,838,400	12,880,654	481,009	272,184	16,319,409	13,152,838
Restricted	626,528	576,395	-	-	626,528	576,395
Unrestricted	575,004	1,681,553	563,353	551,352	1,138,357	2,232,905
<b>TOTAL NET POSITION</b>	<b>\$ 17,039,932</b>	<b>\$ 15,138,602</b>	<b>\$ 1,044,362</b>	<b>\$ 823,536</b>	<b>\$ 18,084,294</b>	<b>\$ 15,962,138</b>

# **CALN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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## **GOVERNMENTAL FUNDS**

Most of the Township's activities are reported in Governmental Funds. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Fire Fund, Liquid Fuels Fund, Street Light Fund, Solid Waste Fund, Solid Waste Equipment Fund, Sewer Reserve Fund, Capital Reserve Fund, Open Space Fund, Equipment Fund, Capital Bond Fund, Fire Equipment Fund, and Internal Service Fund. By far, the most prominent fund is the General Fund.

## **STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES**

The results of this year's operations for all funds as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Township's activities that are supported by other Township general revenues. The largest revenues are property taxes, earned income taxes, local service taxes and the real estate transfer tax. The Township also collects a trash fee, which is reflected in the Solid Waste Fund, which was \$240 per year per household. Other activity charges include building permit and subdivision application fees, as well as, police citations, grants, and monies collected under the Street Light Fund, Golf Fund and Solid Waste Fund. The following table presents condensed financial information for the Statement of Activities in a different format, so that you can see out total revenues for the year.

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

**Table 2**  
**Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program services						
Charges for services	\$ 840,111	\$ 962,912	\$ 1,808,120	\$ 1,876,061	\$ 2,648,231	\$ 2,838,973
Operating grants and contributions	864,480	801,922	240,301	-	1,104,781	801,922
Capital grants and contributions	1,059,386	2,675,018	-	-	1,059,386	2,675,018
General revenues						
Property taxes	2,923,865	2,858,075	-	-	2,923,865	2,858,075
Other taxes	3,296,713	2,566,088	-	-	3,296,713	2,566,088
Grants, subsidies and contributions not restricted	-	8,849	-	-	-	8,849
Other	713,233	711,058	9,005	5,488	722,238	716,546
<b>TOTAL REVENUES</b>	<b>9,697,788</b>	<b>10,583,922</b>	<b>2,057,426</b>	<b>1,881,549</b>	<b>11,755,214</b>	<b>12,465,471</b>
<b>EXPENSES</b>						
General government	47,413	103,496	-	-	47,413	103,496
Operating expenses	910,352	1,114,121	-	-	910,352	1,114,121
Public safety	3,173,946	2,950,915	-	-	3,173,946	2,950,915
Codes	399,042	358,233	-	-	399,042	358,233
Public works-highway	1,179,623	1,225,729	-	-	1,179,623	1,225,729
Culture and recreation	166,746	145,536	-	-	166,746	145,536
Interest on long-term debt	99,044	103,869	-	-	99,044	103,869
Miscellaneous expenses	116,059	211,851	-	-	116,059	211,851
Pension expense	605,989	750,761	-	-	605,989	750,761
Unallocated depreciation	1,098,244	996,098	-	-	1,098,244	996,098
Solid waste	-	-	1,211,713	1,173,460	1,211,713	1,173,460
Golf course	-	-	624,887	690,708	624,887	690,708
<b>TOTAL EXPENSES</b>	<b>7,796,458</b>	<b>7,960,609</b>	<b>1,836,600</b>	<b>1,864,168</b>	<b>9,633,058</b>	<b>9,824,777</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,901,330</b>	<b>\$ 2,623,313</b>	<b>\$ 220,826</b>	<b>\$ 17,381</b>	<b>\$ 2,122,156</b>	<b>\$ 2,640,694</b>

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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### General Fund

Revenue for the General Fund totaled \$7,612,645 compared to the \$6,823,981 received in 2016. The increase in revenue of \$788,564 was primarily due to an increase in taxes, fines, charges for services and miscellaneous revenues partially offset by slight declines in licenses and permits. We expect that revenue streams will be consistent for 2018.

Expenditures for the General Fund totaled \$6,411,487, compared to the \$6,528,181 in 2016. Expenditures decreased by \$116,694 primarily due to the outsourcing of the engineering function, vacancies in police and public works, and lower miscellaneous expenses partially offset by increases in code enforcement staffing and pension costs.

The overall effect on Fund Balance in 2017 was an increase of \$1,008,158, leaving a balance of \$3,008,567 going forward into 2017.

The following table summarizes the past eight years of earned income tax revenues. This revenue category has remained stable over the past eight years.

#### Earned Income Tax Revenues 2010 - 2017

2010	\$ 1,902,885
2011	\$ 2,106,972
2012	\$ 2,171,836
2013	\$ 2,142,248
2014	\$ 2,076,455
2015	\$ 2,334,080
2016	\$ 2,243,900
2017	\$ 2,368,825

# **CALN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2017**

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### **Fire Fund**

In 2016, the Township created a Fire Fund to account for the revenue and expenditures associated with providing fire protection services. The expenditures were previously accounted for in the General Fund. A fire tax of 0.5 mills was established and in 2017 it was increased to .6 mills. In 2016, revenues were \$344,842 and expenditures were \$302,101, leaving a fund balance of \$42,741 going into 2017. In 2017, revenues were \$420,097 and expenditures were \$455,610, leaving a cumulative fund balance of \$7,228 going into 2018.

### **Ingleside Golf Club**

On March 15, 2007, Caln Township purchased the Ingleside Golf Club on North Bailey Road. Ingleside Golf Club is 116 acres in size and contains 18 holes, a driving range, and a pro shop, as well as, a number of maintenance buildings. For 2017, operating revenue of \$607,666 exceeded operating expenditures of \$495,356 by \$112,310. When interest expense of \$45,076 and depreciation of \$84,455 is factored in, the Golf Club had a change in net position of \$17,221. The golf fund had an accumulated deficit of \$116,501 at the end of the year. The Township continues to explore ways to enhance revenue and control expenses.

### **Solid Waste Fund**

In 2010, the solid waste operations of the Township became self-sustaining and were reclassified from a special revenue fund to an enterprise fund under business-type activities. For 2017, revenues of \$1,449,760 exceeded expenses of \$1,211,713 by \$922,816.

In 2010, the Fund had acquired 4,500 recycling bins which are shown as assets. Since the 2010 implementation of the larger recycling carts, the recycling rate has increased from 13% to 27% in 2017. In 2014, the Fund acquired 5,028 trash carts for all of its residents for \$267,173.

In 2017, 2016 and 2015, \$60,000, \$60,000 and \$75,000 respectively, was transferred to a Solid Waste Equipment Fund to provide for the future replacement of carts and equipment.

The overall effect on fund balance in 2017 for the combined solid waste funds was an increase of \$238,047 leaving a balance of \$1,160,863 going forward into 2018.

**CALN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

**GENERAL FUND 2017 – 2016**

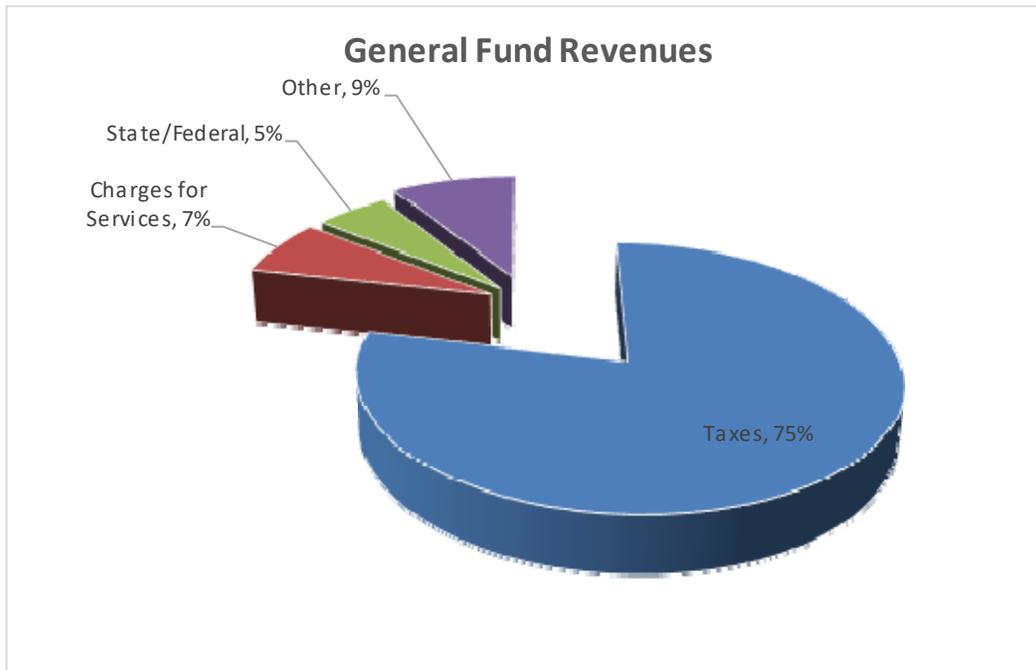
	<u>2017</u>	<u>2016</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 5,745,196	\$ 5,016,469	\$ 728,727
Licenses and permits	359,803	390,281	(30,478)
Fines and forfeits	63,126	59,500	3,626
Interest earned	16,628	7,367	9,261
Intergovernmental revenues	394,623	395,617	(994)
Charges for services	529,470	470,796	58,674
Transfer from Caln Municipal Authority	208,583	246,278	(37,695)
Miscellaneous revenues	295,216	237,673	57,543
TOTAL REVENUES	<u>7,612,645</u>	<u>6,823,981</u>	<u>788,664</u>
EXPENDITURES			
General government	20,719	22,895	(2,176)
Operating expenses	895,086	1,040,750	(145,664)
Public safety	2,819,728	2,797,118	22,610
Codes	399,042	358,233	40,809
Public works - highways	781,447	873,440	(91,993)
Culture and recreation	129,875	130,455	(580)
Pension	919,337	756,745	162,592
Miscellaneous expenditures	116,059	218,551	(102,492)
Debt service (principal and interest)	330,194	329,994	200
TOTAL EXPENDITURES	<u>6,411,487</u>	<u>6,528,181</u>	<u>(116,694)</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,201,158	295,800	905,358
OTHER FINANCING SOURCES (USES)	<u>(193,000)</u>	<u>(51,376)</u>	<u>(141,624)</u>
NET CHANGE IN FUND BALANCE	1,008,158	244,424	763,734
NET POSITION, beginning	<u>2,000,409</u>	<u>1,755,985</u>	<u>244,424</u>
NET POSITION, ending	<u>\$ 3,008,567</u>	<u>\$ 2,000,409</u>	<u>\$ 1,008,158</u>

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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The graph above shows the General Fund revenues broken down into four major revenue sources: Taxes cover 75% of the General Fund revenues and are from the Real Estate Tax, Earned Income Tax, Local Services Tax and the Realty Transfer Tax. Approximately 7% of the funds are generated by charges for services including building permits, fees, and other charges; 5% of the funds came from the Commonwealth of Pennsylvania; and the remaining 13% came from other sources including licenses, fines and forfeits, interest earnings, transfer from the Authority, and miscellaneous sources. The real estate tax millage was increased from 2.808 mils to 2.958 mils in 2016. Prior to this increase, the tax rate had not increased since 2004.

**CALN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

**2017 Summary of Governmental Funds**

	General Fund	Capital Reserve Fund	Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,151,089	\$ 58,869	\$ 944,707
Taxes receivable, net	675,708	-	15,221
Other receivables	98,573	-	37,762
Due from other funds, escrow fund	304,651	2,000	-
<b>TOTAL ASSETS</b>	<b>\$ 3,230,021</b>	<b>\$ 60,869</b>	<b>\$ 997,690</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 56,193	\$ 9,442	\$ 49,651
Due to other funds	2,000	-	-
Accrued salaries and benefits	60,800	-	788
<b>TOTAL LIABILITIES</b>	<b>118,993</b>	<b>9,442</b>	<b>50,439</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	102,461	-	16,883
<b>FUND BALANCE</b>			
Restricted	-	-	626,528
Assigned	-	51,427	303,840
Unassigned	3,008,567	-	-
<b>TOTAL FUND BALANCE</b>	<b>3,008,567</b>	<b>51,427</b>	<b>930,368</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,230,021</b>	<b>\$ 60,869</b>	<b>\$ 997,690</b>

In the previous table, Other Governmental Funds include the Liquid Fuels Fund, Open Space Fund, Equipment Fund, Sewer Fund, Fire Equipment Fund, Internal Service Fund, Street Light Fund and the Fire Fund.

# CALN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

### CAPITAL ASSETS

At December 31, 2017, the Township had \$22,957,439 invested in a board range of capital assets, including land, buildings and improvements, infrastructure, vehicles and machinery and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of 4% from last year. For governmental activities: land increased by \$4,000 for the purchase of park land; buildings and improvements increased by \$104,072 for roof replacement at the municipal complex; infrastructure and construction in progress increased by \$1,355,369 for roadway, bridge, traffic signal and storm water improvements; vehicles increased by \$291,289 for (2) police patrol vehicles, a dump truck and a tractor w/boom mower; machinery and equipment increased by \$50,992 for a license plate reader, a speed/message trailer and security system upgrades. For business-type activities: building and improvements increased by \$29,364 for a compost leaf pad and roof entrance railings at the golf pro shop; machinery and equipment increased \$208,673 for a leaf vacuum truck and a gator/turf tender for the golf course.

The following schedule depicts the capital assets for the period ended December 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets				
Land	\$ 3,211,647	\$ 4,000	\$ -	\$ 3,215,647
Construction in progress	1,585,211	-	(1,585,211)	-
Buildings and improvements	2,401,473	104,072	-	2,505,545
Infrastructure	24,436,504	2,940,580	-	27,377,084
Vehicles	3,619,594	291,289	-	3,910,883
Machinery and equipment	787,609	50,992	-	838,601
<b>TOTAL CAPITAL ASSETS</b>	<u>36,042,038</u>	<u>3,390,933</u>	<u>(1,585,211)</u>	<u>37,847,760</u>
Accumulated depreciation				
Buildings and improvements	(1,440,801)	(75,848)		(1,516,649)
Infrastructure	(11,794,759)	(744,713)		(12,539,472)
Vehicles	(2,359,373)	(220,047)		(2,579,420)
Machinery and equipment	(532,279)	(57,636)		(589,915)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(16,127,212)</u>	<u>(1,098,244)</u>	<u>-</u>	<u>(17,225,456)</u>
<b>NET CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES</b>	<u>\$ 19,914,826</u>	<u>\$ 2,292,689</u>	<u>\$ (1,585,211)</u>	<u>\$ 20,622,304</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Buildings and improvements	1,373,449	29,364	-	1,402,813
Machinery and equipment	925,079	208,673	-	1,133,752
<b>TOTAL CAPITAL ASSETS</b>	<u>3,298,528</u>	<u>238,037</u>	<u>-</u>	<u>3,536,565</u>
Accumulated depreciation				
Buildings and improvements	(386,056)	(39,998)	-	(426,054)
Machinery and equipment	(675,076)	(100,300)	-	(775,376)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(1,061,132)</u>	<u>(140,298)</u>	<u>-</u>	<u>(1,201,430)</u>
<b>NET CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 2,237,396</u>	<u>\$ 97,739</u>	<u>\$ -</u>	<u>\$ 2,335,135</u>

# **CALN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2017**

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### **DEBT ADMINISTRATION**

As of December 31, 2017, the Township's governmental and business-type operations had a total outstanding bond principal of \$5,890,000. The 2013 Bond Issue included \$3,995,000 for the refinancing of the original debt at a lower interest rate, \$2,275,000 refinancing debt for the Ingleside Golf Course at a lower interest rate, and \$1,200,000 of new debt to undertake capital projects. In 2017, the Township obtained a bank loan in the amount of \$120,000 to finance the replacement of the roof on the municipal building. The total debt amount represents 30% of the debt limit as determined by the formula included in the Local Government Unit Act. The total debt limit for the Township at December 31, 2017, is \$19,966,980. Other obligations include capital lease obligations, and post-employment benefits of the Township. In 2014, Standard and Poor's completed their review of the Township's bond and informed Caln Township that its debt rating remains strong at a rating of AA. More detailed information about the Township's long-term liabilities is included in the Notes to the Financial Statements.

### **THE TOWNSHIP'S FUTURE**

During the past few years, Caln Township and other municipalities have weathered an economic recession which affected revenues and demanded cautious budgeting. In spite of these difficulties the Township has preserved and even increased fund balances. Although we have seen an economic upturn in the later part of 2017 going into 2018, there are still a number of important issues for future budgeting:

- Monitoring economic trends and potential softening of revenue streams
- Consistency of revenue streams for all funds
- Capital project and equipment funding and an acceptable debt service strategy
- Further development of funding sources other than the local real estate taxes

### **FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Manager.

**CALN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Primary Government			Component
	Governmental	Business-Type	Totals	Unit
	Activities	Activities		Caln Township Municipal Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,274,668	\$ 353,971	\$ 3,628,639	\$ 3,078,438
Internal balances	301,866	(301,866)	-	-
Receivables	139,120	401,853	540,973	652,682
Taxes receivable	690,929	-	690,929	-
Due from other governmental agencies	-	195,853	195,853	-
Inventories	-	12,907	12,907	-
Prepaid expenses	-	4,581	4,581	58,505
Notes receivable	442,500	-	442,500	-
EDU's held for resale	-	-	-	521,875
Capital assets				
Land	3,215,647	1,000,000	4,215,647	-
Buildings and improvements, net	988,896	976,759	1,965,655	-
Machinery and equipment, net	248,686	358,376	607,062	-
Vehicles, net	1,331,463	-	1,331,463	-
Infrastructure, net	14,837,612	-	14,837,612	-
Sewer system, net	-	-	-	6,316,558
<b>TOTAL ASSETS</b>	<b>25,471,387</b>	<b>3,002,434</b>	<b>28,473,821</b>	<b>10,628,058</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,215,067	58,686	1,273,753	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	117,876	12,104	129,980	38,893
Payroll and withholding taxes payable	61,588	8,033	69,621	-
Unearned revenues	-	20,751	20,751	-
Accrued interest	23,898	10,489	34,387	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and notes payable	263,744	100,000	363,744	-
Capital leases	179,584	41,512	221,096	-
Note payable to township	-	-	-	55,312
Portion due or payable after one year				
Bonds and notes payable	3,951,256	1,695,000	5,646,256	-
Capital leases	389,320	17,614	406,934	-
Note payable to township	-	-	-	387,188
Net pension liability	3,521,897	76,597	3,598,494	-
Net OPEB obligation (asset)	59,400	-	59,400	-
<b>TOTAL LIABILITIES</b>	<b>8,568,563</b>	<b>1,982,100</b>	<b>10,550,663</b>	<b>481,393</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources, pension activity	1,077,959	34,658	1,112,617	-
<b>NET POSITION</b>				
Net investment in capital assets	15,838,400	481,009	16,319,409	6,316,558
Restricted	626,528	-	626,528	1,746,586
Unrestricted	575,004	563,353	1,138,357	2,083,521
<b>TOTAL NET POSITION</b>	<b>\$ 17,039,932</b>	<b>\$ 1,044,362</b>	<b>\$ 18,084,294</b>	<b>\$ 10,146,665</b>

See accompanying notes to the basic financial statements.

**CALN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 47,413	\$ -	\$ -	\$ -
Operating expenses	910,352	305,504	5,576	-
Public safety	3,173,946	101,838	95,399	-
Codes	399,042	432,769	-	-
Public works	1,179,623	-	445,099	1,059,386
Culture and recreation	166,746	-	24,758	-
Miscellaneous	116,059	-	-	-
Pension expense	605,989	-	293,648	-
Interest on long-term debt	99,044	-	-	-
Unallocated depreciation	1,098,244	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>7,796,458</b>	<b>840,111</b>	<b>864,480</b>	<b>1,059,386</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Golf Course	624,887	607,666	-	-
Solid Waste	1,211,713	1,200,454	240,301	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,836,600</b>	<b>1,808,120</b>	<b>240,301</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,633,058</b>	<b>\$ 2,648,231</b>	<b>\$ 1,104,781</b>	<b>\$ 1,059,386</b>
<b>COMPONENT UNIT</b>				
Caln Township Municipal Authority	\$ 2,233,549	\$ 2,532,176	\$ -	\$ 1,111,794
<b>GENERAL REVENUES</b>				
Taxes				
Real estate taxes, net				
Act 511 taxes				
Real estate transfer tax				
Franchise fees				
Earnings on investments				
Gain on sale of assets				
Miscellaneous				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
<b>CHANGE IN NET POSITION</b>				
<b>NET POSITION AT BEGINNING OF YEAR</b>				
<b>NET POSITION AT END OF YEAR</b>				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	Component Unit Calm Township Municipal Authority
\$ (47,413)	\$ -	\$ (47,413)	\$ -
(599,272)	-	(599,272)	-
(2,976,709)	-	(2,976,709)	-
33,727	-	33,727	-
324,862	-	324,862	-
(141,988)	-	(141,988)	-
(116,059)	-	(116,059)	-
(312,341)	-	(312,341)	-
(99,044)	-	(99,044)	-
<u>(1,098,244)</u>	<u>-</u>	<u>(1,098,244)</u>	<u>-</u>
<u>(5,032,481)</u>	<u>-</u>	<u>(5,032,481)</u>	<u>-</u>
-	(17,221)	(17,221)	-
<u>-</u>	<u>229,042</u>	<u>229,042</u>	<u>-</u>
<u>-</u>	<u>211,821</u>	<u>211,821</u>	<u>-</u>
<u>(5,032,481)</u>	<u>211,821</u>	<u>(4,820,660)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,410,421</u>
2,923,865	-	2,923,865	-
2,670,724	-	2,670,724	-
625,989	-	625,989	-
320,871	-	320,871	-
26,153	9,005	35,158	18,042
1,579	-	1,579	-
364,630	-	364,630	-
<u>6,933,811</u>	<u>9,005</u>	<u>6,942,816</u>	<u>18,042</u>
1,901,330	220,826	2,122,156	1,428,463
<u>15,138,602</u>	<u>823,536</u>	<u>15,962,138</u>	<u>8,718,202</u>
<u>\$ 17,039,932</u>	<u>\$ 1,044,362</u>	<u>\$ 18,084,294</u>	<u>\$ 10,146,665</u>

**CALN TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,151,089	\$ 58,869	\$ 944,707	\$ 3,154,665
Taxes receivable, net	675,708	-	15,221	690,929
Accounts receivable	98,573	-	37,762	136,335
Due from other governments	-	-	-	-
Due from other funds	301,866	2,000	-	303,866
Due to Escrow	2,785	-	-	2,785
	<u>3,230,021</u>	<u>60,869</u>	<u>997,690</u>	<u>4,288,580</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,230,021</b>	<b>\$ 60,869</b>	<b>\$ 997,690</b>	<b>\$ 4,288,580</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 56,193	\$ 9,442	\$ 49,651	\$ 115,286
Accrued salaries and benefits	60,800	-	788	61,588
Due to other funds	2,000	-	-	2,000
Deferred revenues	-	-	-	-
	<u>118,993</u>	<u>9,442</u>	<u>50,439</u>	<u>178,874</u>
<b>TOTAL LIABILITIES</b>	<b>118,993</b>	<b>9,442</b>	<b>50,439</b>	<b>178,874</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	102,461	-	16,883	119,344
	<u>102,461</u>	<u>-</u>	<u>16,883</u>	<u>119,344</u>
<b>FUND BALANCES</b>				
<b>Restricted</b>				
Fire protection	-	-	199,706	199,706
Street lights	-	-	7,701	7,701
Highways and streets	-	-	209,475	209,475
Open space	-	-	115,624	115,624
Capital purchases	-	-	94,022	94,022
Assigned, capital outlay	-	51,427	303,840	355,267
Unassigned	3,008,567	-	-	3,008,567
	<u>3,008,567</u>	<u>51,427</u>	<u>930,368</u>	<u>3,990,362</u>
<b>TOTAL FUND BALANCES</b>	<b>3,008,567</b>	<b>51,427</b>	<b>930,368</b>	<b>3,990,362</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<b>\$ 3,230,021</b>	<b>\$ 60,869</b>	<b>\$ 997,690</b>	<b>\$ 4,288,580</b>

See accompanying notes to the basic financial statements.

# CALN TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>3,990,362</u>
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:</p>	
Land	3,215,647
Buildings and improvements, net of accumulated depreciation of \$1,516,649	988,896
Machinery and equipment, net of accumulated depreciation of \$589,915	248,686
Vehicles, net of accumulated depreciation of \$2,579,420	1,331,463
Infrastructure, net of accumulated depreciation of \$12,539,472	<u>14,837,612</u>
	<u>20,622,304</u>
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the statement of net position of the governmental activities.</p>	
	<u>442,500</u>
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>119,344</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>137,108</u>
<p>Internal service funds are used by management to charge the costs of unemployment claims and other post-employment benefits to the governmental activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	
	<u>117,413</u>
<p>Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2017, are:</p>	
Accrued interest on bonds	(23,898)
Bonds and notes payable (Note E)	(4,215,000)
Capital leases	(568,904)
Net pension liability	(3,521,897)
Net OPEB obligation	(59,400)
	<u>(8,389,099)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>17,039,932</u></u>

*See accompanying notes to the basic financial statements.*

**CALN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 5,745,196	\$ -	\$ 461,279	\$ 6,206,475
Licenses and permits	359,803	-	-	359,803
Fines and forfeits	63,126	-	-	63,126
Interest earned	16,628	92	8,528	25,248
Intergovernmental revenues	394,623	208,718	428,835	1,032,176
Charges for services	529,470	-	-	529,470
Charges for services - Caln Township				
Municipal Authority	208,583	-	-	208,583
Miscellaneous revenues	295,216	60,245	9,169	364,630
<b>TOTAL REVENUES</b>	<u>7,612,645</u>	<u>269,055</u>	<u>907,811</u>	<u>8,789,511</u>
<b>EXPENDITURES</b>				
General government	20,719	126,826	36,497	184,042
Operating expenses	895,086	-	-	895,086
Public safety	2,819,728	26,140	465,454	3,311,322
Codes	399,042	-	-	399,042
Public works, highways and streets	781,447	220,235	942,822	1,944,504
Culture and recreation	129,875	-	36,871	166,746
Pension	919,337	-	-	919,337
Debt service (principal and interest)	330,194	-	-	330,194
Miscellaneous expenditures	116,059	-	-	116,059
<b>TOTAL EXPENDITURES</b>	<u>6,411,487</u>	<u>373,201</u>	<u>1,481,644</u>	<u>8,266,332</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,201,158</u>	<u>(104,146)</u>	<u>(573,833)</u>	<u>523,179</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	95,085	224,500	344,585
Transfers out	(218,000)	-	(126,585)	(344,585)
Proceeds from sale of fixed assets	-	-	1,579	1,579
Proceeds from long-term debt	-	120,000	-	120,000
Proceeds from capital lease	-	-	316,169	316,169
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>(193,000)</u>	<u>215,085</u>	<u>415,663</u>	<u>437,748</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,008,158	110,939	(158,170)	960,927
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>2,000,409</u>	<u>(59,512)</u>	<u>1,088,538</u>	<u>3,029,435</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 3,008,567</u>	<u>\$ 51,427</u>	<u>\$ 930,368</u>	<u>\$ 3,990,362</u>

*See accompanying notes to the basic financial statements.*

## CALN TOWNSHIP

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 960,927
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,098,244) exceeds capital outlays (\$914,031) in the current period.</p>	(184,213)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	905,793
<p>Expenditures in the statement of activities that do not use current financial resources are not reported as expenditures in the funds.</p>	(50,621)
<p>Change in net position of the internal service fund reported in the governmental activities.</p>	(21,796)
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	(22,108)
<p>Pension expenses in the statement of activities differs from the amount reported in the governmental funds because the pension expense is recognized based on the liability to the plans, whereas pension expenditures in the governmental funds are based on the amount actually paid.</p>	<u>313,348</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,901,330</u>

*See accompanying notes to the basic financial statements.*

# CALN TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL GENERAL FUND YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 5,378,815	\$ 5,378,815	\$ 5,745,196	\$ 366,381
Licenses and permits	375,000	375,000	359,803	(15,197)
Fines and forfeits	60,000	60,000	63,126	3,126
Interest earned	6,500	6,500	16,628	10,128
Intergovernmental revenues	405,550	405,550	394,623	(10,927)
Charges for services	579,530	579,530	529,470	(50,060)
Charges for services - Caln Township Municipal Authority	243,642	243,642	208,583	(35,059)
Miscellaneous revenues	149,760	242,760	295,216	52,456
TOTAL REVENUES	<u>7,198,797</u>	<u>7,291,797</u>	<u>7,612,645</u>	<u>320,848</u>
<b>EXPENDITURES</b>				
General government	21,894	21,894	20,719	1,175
Operating expenses	1,056,988	1,056,988	895,086	161,902
Public safety	3,046,730	3,046,730	2,819,728	227,002
Codes	357,315	357,315	399,042	(41,727)
Public works, highways and streets	959,717	1,039,717	781,447	258,270
Culture and recreation	118,490	118,490	129,875	(11,385)
Pension	947,140	947,140	919,337	27,803
Debt service (principal and interest)	330,194	330,194	330,194	-
Miscellaneous expenditures	254,500	114,500	116,059	(1,559)
TOTAL EXPENDITURES	<u>7,092,968</u>	<u>7,032,968</u>	<u>6,411,487</u>	<u>621,481</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>105,829</u>	<u>258,829</u>	<u>1,201,158</u>	<u>942,329</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	25,000	25,000	-
Transfers out	(32,000)	(185,000)	(218,000)	(33,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,000)</u>	<u>(160,000)</u>	<u>(193,000)</u>	<u>(33,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 98,829</u>	<u>\$ 98,829</u>	1,008,158	<u>\$ 909,329</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>2,000,409</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 3,008,567</u>	

**CALN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	Golf Course Fund	Solid Waste Fund	Total	Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 353,971	\$ 353,971	\$ 120,003
Accounts receivable	-	401,853	401,853	-
Due from other governments	-	195,853	195,853	-
Prepaid expenses	4,581	-	4,581	-
Inventory	12,907	-	12,907	-
TOTAL CURRENT ASSETS	<u>17,488</u>	<u>951,677</u>	<u>969,165</u>	<u>120,003</u>
<b>NONCURRENT ASSETS</b>				
Land	1,000,000	-	1,000,000	-
Buildings and improvements	1,379,841	-	1,379,841	-
Machinery and equipment	491,075	665,649	1,156,724	-
Less: accumulated depreciation	(783,232)	(418,198)	(1,201,430)	-
TOTAL NONCURRENT ASSETS	<u>2,087,684</u>	<u>247,451</u>	<u>2,335,135</u>	<u>-</u>
TOTAL ASSETS	<u>2,105,172</u>	<u>1,199,128</u>	<u>3,304,300</u>	<u>120,003</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	48,292	10,394	58,686	-
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,614	9,490	12,104	2,590
Interest payable	10,489	-	10,489	-
Accrued salaries and benefits	6,557	1,476	8,033	-
Deferred revenue	20,751	-	20,751	-
Due to other funds	283,523	18,343	301,866	-
Current portion of capital lease payable	41,512	-	41,512	-
Current portion of bonds payable	100,000	-	100,000	-
TOTAL CURRENT LIABILITIES	<u>465,446</u>	<u>29,309</u>	<u>494,755</u>	<u>2,590</u>
<b>NONCURRENT LIABILITIES</b>				
Capital lease payable	17,614	-	17,614	-
Bonds payable	1,695,000	-	1,695,000	-
Net pension liability	63,385	13,212	76,597	-
TOTAL NONCURRENT LIABILITIES	<u>1,775,999</u>	<u>13,212</u>	<u>1,789,211</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,241,445</u>	<u>42,521</u>	<u>2,283,966</u>	<u>2,590</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	28,520	6,138	34,658	-
<b>NET POSITION</b>				
Net investment in capital assets	233,558	247,451	481,009	-
Unrestricted	(350,059)	913,412	563,353	117,413
TOTAL NET POSITION	<u>\$ (116,501)</u>	<u>\$ 1,160,863</u>	<u>\$ 1,044,362</u>	<u>\$ 117,413</u>

*See accompanying notes to the basic financial statements.*

**CALN TOWNSHIP****STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	<u>Golf Course Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ <u>607,666</u>	\$ <u>1,200,454</u>	\$ <u>1,808,120</u>	\$ <u>13,000</u>
OPERATING EXPENSES				
Salaries and wages	254,674	72,805	327,479	-
Employee benefits	49,234	25,522	74,756	35,701
Contractor expenses	-	666,676	666,676	-
Fees	-	270,034	270,034	-
Supplies	129,572	-	129,572	-
Maintenance	25,073	-	25,073	-
Utilities	14,922	-	14,922	-
Administrative and general	21,881	120,832	142,713	-
Depreciation	84,455	55,844	140,299	-
TOTAL OPERATING EXPENSES	<u>579,811</u>	<u>1,211,713</u>	<u>1,791,524</u>	<u>35,701</u>
OPERATING REVENUE (LOSS)	<u>27,855</u>	<u>(11,259)</u>	<u>16,596</u>	<u>(22,701)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	240,301	240,301	-
Interest income	-	9,005	9,005	905
Interest expense	<u>(45,076)</u>	<u>-</u>	<u>(45,076)</u>	<u>-</u>
TOTAL OTHER EXPENSES	<u>(45,076)</u>	<u>249,306</u>	<u>204,230</u>	<u>905</u>
CHANGE IN NET POSITION	<u>(17,221)</u>	<u>238,047</u>	<u>220,826</u>	<u>(21,796)</u>
NET POSITION AT BEGINNING OF YEAR	<u>(99,280)</u>	<u>922,816</u>	<u>823,536</u>	<u>139,209</u>
NET POSITION AT END OF YEAR	\$ <u><u>(116,501)</u></u>	\$ <u><u>1,160,863</u></u>	\$ <u><u>1,044,362</u></u>	\$ <u><u>117,413</u></u>

See accompanying notes to the basic financial statements.

**CALN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Golf Course Enterprise Fund	Solid Waste Fund	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 610,373	\$ 1,164,703	\$ 1,775,076	\$ 13,000
Payments to suppliers	(178,523)	(1,054,718)	(1,233,241)	-
Payments to employees	(313,446)	(101,068)	(414,514)	(37,703)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>118,404</u>	<u>8,917</u>	<u>127,321</u>	<u>(24,703)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants	-	44,448	44,448	-
Principal payments on debt	(105,000)	-	(105,000)	-
Transfers in (out) to other funds, net	79,894	18,343	98,237	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(25,106)</u>	<u>62,791</u>	<u>37,685</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(6,393)	(196,428)	(202,821)	-
Capital lease repayments	(41,304)	-	(41,304)	-
Interest paid on long-term debt	(45,601)	-	(45,601)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(93,298)</u>	<u>(196,428)</u>	<u>(289,726)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	-	9,005	9,005	905
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(115,715)	(115,715)	(23,798)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	-	469,686	469,686	143,801
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	<u>\$ -</u>	<u>\$ 353,971</u>	<u>\$ 353,971</u>	<u>\$ 120,003</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 27,855	\$ (11,259)	\$ 16,596	\$ (22,701)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	84,455	55,844	140,299	-
Net pension liability adjustment	(11,833)	(2,976)	(14,809)	-
Change in assets and liabilities				
Inventory	800	-	800	-
Accounts receivable	-	(35,751)	(35,751)	-
Prepaid expenses	14,292	-	14,292	-
Accounts payable	(2,167)	2,824	657	(2,002)
Accrued payroll	2,295	235	2,530	-
Deferred revenue	2,707	-	2,707	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 118,404</u>	<u>\$ 8,917</u>	<u>\$ 127,321</u>	<u>\$ (24,703)</u>

*See accompanying notes to the basic financial statements.*

**CALN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**

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	Police Pension Trust	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 726,857	\$ 573,672
Investments	7,412,890	-
Receivables	19,443	-
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>8,159,190</u>	<u>\$ 573,672</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 570,887
Refunds payable	1,959	-
Due to Township	-	2,785
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>1,959</u>	<u>\$ 573,672</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 8,157,231</u>	

*See accompanying notes to the basic financial statements.*

**CALN TOWNSHIP**

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2017

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	Police Pension Trust
ADDITIONS	
Contributions	
Employer	\$ 721,776
Member	94,030
TOTAL CONTRIBUTIONS	<u>815,806</u>
Investment earnings	
Interest and dividends	139,576
Net increase in fair value of investments	831,776
TOTAL INVESTMENT EARNINGS	<u>971,352</u>
TOTAL ADDITIONS	<u>1,787,158</u>
DEDUCTIONS	
Benefit payments to retired plan participants	294,919
Administrative	56,401
TOTAL DEDUCTIONS	<u>351,320</u>
CHANGE IN NET POSITION	1,435,838
NET POSITION AT BEGINNING OF YEAR	<u>6,721,393</u>
NET POSITION AT END OF YEAR	<u>\$ 8,157,231</u>

See accompanying notes to the basic financial statements.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Caln Township (the "Township") conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

**Scope of Reporting Entity**

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in the Township of Caln. The Township receives funding from local, county, and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Township commissioners are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of Caln Township include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility.

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Township evaluated the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity based on financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviewed the applicability of the criteria listed below.

The Township is financially accountable for:

- Organizations that make up the legal Township entity.

Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township as defined below.

***Impose Its Will*** - If the Township can significantly influence the programs, projects, or activities of or the level of services performed or provided by the organization.

***Financial Benefit or Burden*** - Exists if the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

**CALN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Organizations that are fiscally dependent on the Township. Fiscal dependency is established if the organization is unable to adopt its budget without approval by the Township.

Based on the foregoing criteria, the reporting entity includes all the organizations for which the Township is financially accountable or for which there is a significant relationship.

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The Township has a corresponding Municipal Authority. The Authority is a component unit because the Township appoints the governing body of the Authority. The Authority is also considered a component unit because the Authority has the potential to provide financial benefits to, or impose financial burden on, the Township.

**Caln Township Municipal Authority - A Component Unit**

The Authority is a municipal authority formed for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construction, finance, improve, maintain, operate, own, and lease the sewer system within Caln Township. The Authority receives funding through user fees, grants, borrowings, and other sources. All of the funds collected go towards programs of the Authority. The Authority is governed by a five-member Board. The Township has determined that the Authority is a component unit of Caln Township.

The Authority is presented in these financial statements as a discretely presented component unit. The Authority's financial information may be obtained at the Authority's office.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** - The statement of net position and statement of activities display information about the Township. These financial statements include the financial activities of the primary government, except for Fiduciary Funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# CALN TOWNSHIP

## NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Fund Financial Statements*** - The fund financial statements provide information about the Township's funds, including its Fiduciary Funds. Separate statements for each fund category--*governmental, proprietary* and *fiduciary*--are presented. The emphasis of fund financial statements is on major Governmental and Enterprise Funds, each displayed in a separate column. All remaining Governmental and Enterprise Funds are aggregated and reported as nonmajor funds.

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

#### **Fund Accounting**

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund and the capital project funds are the Township's major governmental funds.

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

**Special Revenue Funds** - Special Revenue Funds generally account for the expenditure of revenues that have been restricted to specific programs or projects.

**Liquid Fuels Fund** - The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

**Street Light Fund** - The Street Light Fund is used to account for the revenues received from the residents on several streets in the Township that have dedicated street lights.

# CALN TOWNSHIP

## NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Reserve Funds - Capital Reserve Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Internal Service Funds - Internal Service Funds are used to account for goods or services provided by a central department or agency to other departments or agencies of the government or agencies of the governmental unit, usually on a cost recovery basis.

#### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the Township's proprietary funds:

Solid Waste Fund - The solid waste Fund is used to account for the operations of the solid waste collection operations in the Township. The solid waste collection system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

Golf Fund - The Golf Fund is used to account for the operations of the Township's golf course. The gold course is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered through user charges.

#### **Fiduciary Funds**

Trusts and agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals. Fiduciary Funds are custodial in nature and do not involve measurement of results of operations.

#### **Basis of Accounting**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CALN TOWNSHIP

## NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental Funds and Fiduciary Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied provided they are collected within 60 days after the end of the year. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The accrual basis of accounting is used by the Enterprise Fund. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The Township reports unearned revenues on its Governmental Funds balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

**CALN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets**

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Commissioners is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance by the Board of Commissioners.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Commissioners. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and are reflected in the official minutes of the Board. Appropriations lapse at year end.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-40 years
Buildings and building improvements	15-40 years
Infrastructure	40-50 years
Furniture and fixtures	5-20 years
Vehicles	5-15 years
Equipment	5-20 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience, changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, and contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan, and the net difference between projected and actual earnings on pension plan investments.

**CALN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months at the time they are issued are reported as investments.

**Interfund Transactions**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-type activities are eliminated on the government-wide statement of net position.

**Investments**

The Township has adopted GASB Statement No. 72, *Fair Value Measurements and Application* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement requires the Township to record investments at fair value or amortized cost, as applicable.

State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

**Prepaid Items**

Payments made to vendors for services that will benefit period beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**Inventory**

Inventory consists of retail merchandise at the golf course. Inventory is stated at the lower of cost or market using the first-in, first-out method.

**Compensated Absences**

The Township has no benefits which qualify as compensated absences.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Real Estate Tax Calendar and Reserve**

Assessed valuations of property are determined by Chester County. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; full amount May 1 through June 30; and a 10% penalty after July 1. Unpaid real estate property taxes are returned to the County in January of the following year for the purpose of filing a lien.

**Net Position/Fund Balances**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township, or through external restrictions imposed by creditors, grantors, and laws and regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ***Net Investment in Capital Assets*** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

# CALN TOWNSHIP

## NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - The category represents net position of the Township not restricted for any project or other purpose.

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

- **Nonspendable Fund Balance** includes balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Directors and do not lapse at year-end. To be 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 Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The details of the fund balances are included in the Governmental Funds balance sheet (page 19). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitment by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$4,929,168 and the corresponding bank balances were \$5,140,657. Of the bank balance, \$500,000 was covered by the Federal Depository Insurance, and the balance was collateralized under Act 72 through pools of securities held by the respective depository institutions.

**Caln Township Municipal Authority** - At December 31, 2017, \$2,828,438 of the Authority's bank balance of \$3,078,438 was exposed to custodial credit risk. The \$2,828,438 was uninsured and collateralized with securities held by the pledging banks trust department not in the Authority's name.

**Investments**

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts, institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

**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 no investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk** - The Township places no limit on the amount the Township may invest in any one issuer.

**The Police Pension Plan**

The Plan is managed by an investment advisor and is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

**Interest Rate Risk** - This is the risk that a change in interest rates will adversely affect fair value of an investment. The Plan has no investment policy for interest rate risk. The maturities of the plan's debt investments are:

Investment Type	Fair Value	Amortized Cost	Investment Maturities in Years			
			Less than 1	1-5	6-10	16-20
U.S. Agency Securities	\$ 18,652	\$ -	\$ -	\$ -	\$ -	\$ 18,652
Certificates of Deposit	-	446,115	99,850	198,597	147,668	-
Corporate debt	957,728	-	54,421	825,020	78,287	-
<b>Total</b>	<b>\$ 976,380</b>	<b>\$ 446,115</b>	<b>\$ 154,271</b>	<b>\$ 1,023,617</b>	<b>\$ 225,955</b>	<b>\$ 18,652</b>

# CALN TOWNSHIP

## NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NOTE B - DEPOSITS AND INVESTMENTS (Continued)

**Credit Risk** -This is the risk that an issuer will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plans investments (excluding obligations explicitly guaranteed by the U.S. government) are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Corporate debt	\$ 228,541	A2
Corporate debt	221,591	A3
Corporate debt	205,092	A1
Corporate debt	78,921	Aaa
Corporate debt	64,544	Aa3
Corporate debt	50,144	Baa1
Corporate debt	40,320	Aa1
Corporate debt	39,613	Aa2
Corporate debt	<u>28,962</u>	Baa3
Total	\$ <u><u>957,728</u></u>	

**Concentration of Credit Risk.** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represents 5% or more of Fiduciary Net Position.

The Police Pension Plan's Investments consists of:

Certificates of deposit	\$ 446,115
Corporate bonds	957,728
U.S. Agency Securities	18,652
Equities	4,358,643
Options	(67,766)
Other assets	<u>1,699,518</u>
Total	\$ <u><u>7,412,890</u></u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

**Fair Value Measurement**

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2017:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 957,728	\$ -	\$ 957,728
Mortgage pool	-	18,652	-	18,652
Equities	4,358,643	-	-	4,358,643
Options	-	(67,766)	-	(67,766)
Other assets	-	-	1,699,518	1,699,518
Totals	\$ 4,358,643	\$ 908,614	\$ 1,699,518	\$ 6,966,775

**Interest Rate Risk** - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value. The Township's investment policy does not further limit its investment choices.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE C - CAPITAL ASSETS**

Capital assets are as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 3,211,647	\$ 4,000	\$ -	\$ 3,215,647
Construction in Progress	1,585,211	-	(1,585,211)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,796,858</u>	<u>4,000</u>	<u>(1,585,211)</u>	<u>3,215,647</u>
Capital assets being depreciated:				
Buildings and improvements	2,401,473	104,072	-	2,505,545
Infrastructure	24,436,504	2,940,580	-	27,377,084
Vehicles	3,619,594	291,289	-	3,910,883
Machinery and equipment	787,609	50,992	-	838,601
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>31,245,180</u>	<u>3,386,933</u>	<u>-</u>	<u>34,632,113</u>
TOTAL CAPITAL ASSETS	<u>36,042,038</u>	<u>3,390,933</u>	<u>(1,585,211)</u>	<u>37,847,760</u>
Accumulated depreciation for				
Buildings and improvements	(1,440,801)	(75,848)	-	(1,516,649)
Infrastructure	(11,794,759)	(744,713)	-	(12,539,472)
Vehicles	(2,359,373)	(220,047)	-	(2,579,420)
Machinery and equipment	(532,279)	(57,636)	-	(589,915)
TOTAL ACCUMULATED DEPRECIATION	<u>(16,127,212)</u>	<u>(1,098,244)</u>	<u>-</u>	<u>(17,225,456)</u>
NET CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES	<u>\$ 19,914,826</u>	<u>\$ 2,292,689</u>	<u>\$ (1,585,211)</u>	<u>\$ 20,622,304</u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE C - CAPITAL ASSETS (Continued)**

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,373,449	29,364	-	1,402,813
Machinery and equipment	925,079	208,673	-	1,133,752
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>2,298,528</u>	<u>238,037</u>	<u>-</u>	<u>2,536,565</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>3,298,528</u>	<u>238,037</u>	<u>-</u>	<u>3,536,565</u>
Accumulated depreciation for				
Buildings and improvements	(386,056)	(39,998)	-	(426,054)
Machinery and equipment	(675,076)	(100,300)	-	(775,376)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(1,061,132)</u>	<u>(140,298)</u>	<u>-</u>	<u>(1,201,430)</u>
<b>NET CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 2,237,396</u>	<u>\$ 97,739</u>	<u>\$ -</u>	<u>\$ 2,335,135</u>

**Caln Municipal Township Authority**

Capital assets presented in the component unit's financial statements are as follows:

	2017	Additions	Deletions	2017
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Construction-in-progress	\$ 368,979	\$ 451,736	\$ -	\$ 820,715
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Sewer lines	16,457,721	795,904	-	17,253,625
Vehicles	208,010	-	-	208,010
Equipment	103,737	-	-	103,737
Pump Stations	930,000	-	-	930,000
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>17,699,468</u>	<u>795,904</u>	<u>-</u>	<u>18,495,372</u>
Accumulated depreciation	(12,774,894)	(224,635)	-	(12,999,529)
<b>COMPONENT UNIT CAPITAL ASSETS, net</b>	<u>\$ 5,293,553</u>	<u>\$ 1,023,005</u>	<u>\$ -</u>	<u>\$ 6,316,558</u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE D - LONG-TERM OBLIGATIONS**

A summary of transactions affecting long-term obligations for the year ended December 31, 2017, is as follows:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds					
Series of 2013					
\$ 7,480,000 originally issued with interest rates from 0.25% - 3.05%	\$ 4,325,000	\$ -	\$ (230,000)	\$ 4,095,000	\$ 240,000
Note payable, Series of 2017	-	120,000	-	120,000	23,744
Capital leases	435,645	316,169	(182,910)	568,904	179,584
Net pension liability	4,556,165	-	(1,034,268)	3,521,897	-
Net OPEB obligation	64,092	-	(4,692)	59,400	-
	<u>9,380,902</u>	<u>436,169</u>	<u>(1,451,870)</u>	<u>8,365,201</u>	<u>443,328</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,380,902</b>	<b>\$ 436,169</b>	<b>\$ (1,451,870)</b>	<b>\$ 8,365,201</b>	<b>\$ 443,328</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds					
Series of 2013					
\$ 7,480,000 originally issued with interest rates from 0.25% - 3.05%	\$ 1,900,000	\$ -	\$ (105,000)	\$ 1,795,000	\$ 100,000
Capital leases	65,212	35,218	(41,304)	59,126	41,512
Net pension liability	110,270	-	(33,673)	76,597	-
	<u>2,075,482</u>	<u>35,218</u>	<u>(179,977)</u>	<u>1,930,723</u>	<u>141,512</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 2,075,482</b>	<b>\$ 35,218</b>	<b>\$ (179,977)</b>	<b>\$ 1,930,723</b>	<b>\$ 141,512</b>
<b>CALN TOWNSHIP MUNICIPAL AUTHORITY</b>					
Due to Caln Township	\$ 497,813	\$ -	\$ (55,313)	\$ 442,500	\$ 55,312

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE D - LONG-TERM OBLIGATIONS (Continued)**

**Bonds Payable**

The Township has pledged its full faith, credit, and taxing powers as collateral.

The following table shows the maturities and interest requirements for the Governmental Activities bonds payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2018	\$ 240,000	\$ 95,594	\$ 335,594
2019	240,000	90,794	330,794
2020	240,000	85,994	325,994
2021	250,000	81,193	331,193
2022	255,000	76,194	331,194
2023-2027	1,350,000	302,225	1,652,225
2028-2032	<u>1,520,000</u>	<u>136,063</u>	<u>1,656,063</u>
Total	<u>\$ 4,095,000</u>	<u>\$ 868,057</u>	<u>\$ 4,963,057</u>

The following table shows the maturities and interest requirements for the Golf Fund bonds payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2018	\$ 100,000	\$ 41,956	\$ 141,956
2019	105,000	39,956	144,956
2020	110,000	37,856	147,856
2021	110,000	35,656	145,656
2022	110,000	33,456	143,456
2023-2027	590,000	133,231	723,231
2028-2032	<u>670,000</u>	<u>60,069</u>	<u>730,069</u>
Total	<u>\$ 1,795,000</u>	<u>\$ 382,180</u>	<u>\$ 2,177,180</u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE D - LONG-TERM OBLIGATIONS (Continued)**

**Notes Payable**

The following table shows the maturities and interest requirements for the Governmental Activities notes payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2018	\$ 23,744	\$ 624	\$ 24,368
2019	23,874	494	24,368
2020	24,004	363	24,367
2021	24,136	232	24,368
2022	<u>24,242</u>	<u>99</u>	<u>24,341</u>
Total	<u>\$ 120,000</u>	<u>\$ 1,812</u>	<u>\$ 121,812</u>

**NOTE E - STATEMENT OF BORROWING BASE**

The borrowing base of the Township is calculated as follows:

<u>Total Net Revenues (gross revenues less exclusion)</u>	
Year 2015	\$ 7,383,529
Year 2016	7,884,257
Year 2017	<u>8,692,590</u>
Total net revenues (last 3 years)	<u>23,960,376</u>
Average net revenues	<u>7,986,792</u>
Base percent per Act 185	<u>250%</u>
Total non-electoral debt allowance	<u>\$ 19,966,980</u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE F - CAPITAL LEASE**

The Township leases certain equipment under capital lease arrangements.

**Governmental Activities**

A schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2017, is as follows:

<u>Year Ending December 31,</u>		
2018	\$	195,847
2019		157,746
2020		147,136
2021		<u>104,485</u>
	TOTAL MINIMUM LEASE PAYMENTS	605,214
	Amount representing interest	<u>(36,310)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 568,904</u>

The gross value of this equipment on the statement of net position is \$867,910 with accumulated depreciation of \$186,731.

**Business-Type Activities**

A schedule by years of future minimum lease payments under capital leases as of December 31, 2017, is as follows:

<u>Year Ending December 31,</u>		
2018	\$	42,850
2019		9,179
2020		<u>9,180</u>
	TOTAL MINIMUM LEASE PAYMENTS	61,209
	Amount representing interest	<u>(2,083)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 59,126</u>

The gross value of this equipment on the statement of net position is \$192,898 with accumulated depreciation of \$77,728.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At December 31, 2017, the interfund receivables and payables are as follows:

	Due	
	From	To
General Fund	\$ 301,866	\$ 2,000
Capital Reserve	2,000	-
Golf Course Fund	-	283,523
Solid Waste Fund	-	18,343
	\$ 303,866	\$ 303,866

Interfund transfers for the year ending December 31, 2017, are as follows:

	Transfers	
	In	Out
General Fund	\$ 25,000	\$ 218,000
Capital Reserve	95,085	-
Other Governmental Funds	224,500	126,585
Totals	\$ 344,585	\$ 344,585

The transfers in and transfers out were in accordance with the transfers approved in the budget process.

**NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

**Summary of Significant Accounting Policies**

***Method Used to Value Investments*** - Police Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**Plan Description**

***Plan Administration*** - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all full-time members of the Police Department of the Township.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Management of the plan is vested in the Township Board of Commissioners, which consists of five members. The Board of Commissioners is responsible for managing, investing and monitoring the Township's Police Pension Fund.

**Plan Membership** - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>2</u>
	<u><u>29</u></u>

**Benefits Provided** - Plan provisions are established by Township ordinance. The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 52 and completion of 25 years of service if hired before January 1, 2014, or age 54 and completion of 25 years of service if hired after January 1, 2014. Individuals are 100% vested after 12 years of service.

The retirement benefit is a monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment, plus a service increment of \$100 for service in excess of 26 years. The death benefit before vesting is a refund of employee contributions.

The death benefit after vesting and before retirement eligibility is a monthly survivor benefits equal to 50% of the participant's vested benefit commencing on the participant's normal retirement date. The death benefit after retirement eligibility is a monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive on the day of the participant's death. The monthly survivor benefits are payable to the participant's spouse for life. If there is no spouse or the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until the age 18, or age 23 if attending college.

The disability benefit is a monthly benefit equal to 50% of the participant's final monthly average salary at disablement, but no less than 50% of the member's salary at the time of disability, offset by worker's compensation and social security disability for the same injury. There is no disability benefit for non-service related injury.

**Contributions** - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Active members will contribute 5% of their salary to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. It is the policy of the Pension Board to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated health benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

**Concentrations** - At December 31, 2017, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any issuer that represents 5% or more of Fiduciary Net Position.

**Rate of Return** - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 14.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 10,920,839
Plan fiduciary net position	<u>(8,157,231)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>2,763,608</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	  <u>74.69%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.0% annual increase
Investment rate of return	7.0%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table, with 50% of the Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvements based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	6.3%
Fixed income	1.9%
Cash and Cash Equivalents	0.0%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. 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 to ultimately achieve a 100% funded status.

***Changes in the Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2017	\$ 10,153,685	\$ 6,721,393	\$ 3,432,292
Changes for the year			
Service cost	373,430	-	373,430
Interest	724,257	-	724,257
Differences between expected and actual experience	(227,179)	-	(227,179)
Changes of assumptions	191,565	-	191,565
Contributions			
Employer	-	721,776	(721,776)
Member	-	94,030	(94,030)
Net investment income	-	971,352	(971,352)
Benefit payments	(294,919)	(294,919)	-
Administrative expense	-	(56,401)	56,401
NET CHANGES	<u>767,154</u>	<u>1,435,838</u>	<u>(668,684)</u>
BALANCE AT DECEMBER 31, 2017	<u>\$ 10,920,839</u>	<u>\$ 8,157,231</u>	<u>\$ 2,763,608</u>

**CALN TOWNSHIP**

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

**NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 4,251,500	\$ 2,763,608	\$ 1,529,572

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended December 31, 2017, the Township recognized pension expense of \$581,743. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 259,172
Changes in assumptions	481,879	-
Net difference between projected and actual earnings on pension plan investments	135,060	465,547
<b>TOTALS</b>	<b>\$ 616,939</b>	<b>\$ 724,719</b>

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 Ending</u> <u>December 31,</u>	
2018	\$ (4,358)
2019	(4,360)
2020	(71,891)
2021	(49,346)
2022	28,107
Thereafter	(5,932)

**CALN TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN)**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Employee Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**Plan Description**

The Caln Township pension plan is a single-employer, defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

**Plan Membership** - At December 31, 2016, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>24</u>
	<u><u>38</u></u>

**Benefits Provided** - Plan provisions are established by Township ordinance. The plan provides retirement and limited death benefits. A member is eligible for normal retirement after attainment of age 60 with monthly benefits of years of service times the final salary times 2%, limited to 50% of final salary (average of final 5 years salary). The plan vests after 12 years of service.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)**

**Contributions** - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Employees are not required to contribute. Contributions are subject to collective bargaining.

**Investments**

**Investment Policy** - The plan policy in regard to the allocation of invested assets is established and may be amended by the PMRS. It is the policy of the PMRS to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated retirement benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities (large capitalized firms)	25%
Domestic equities (small capitalized firms)	15%
International equities (international developed markets)	15%
International equities (emerging markets)	10%
Real estate	20%
Fixed income	15%
	<u>100%</u>

Investments are reported at fair value. The fair value is the quoted market price. The plan's fair value of investments as of December 31, 2016, was \$5,133,924.

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

**Concentrations** - At December 31, 2016, none of the plan's individual investments exceeded 5% of the total portfolio.

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)**

**Net Pension Liability of the Township**

Total pension liability	\$ 5,968,810
Plan fiduciary net position	<u>(5,133,924)</u>
NET PENSION LIABILITY	<u>\$ 834,886</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>86.01%</u>
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**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8%
Salary increases	Age related scale from 2.8% to 7.05%
Investment rate of return	5.25%

Mortality rates were based on the RP-2000 Mortality Tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 as well as subsequent Board approved assumption changes. These assumptions were first used for the December 31, 2015 measurement date. For an overview of assumption changes since the prior measurement date, please refer to the experience study referenced above.

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2016 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities (large capitalized firms)	6.4%
Domestic equities (small capitalized firms)	7.0%
International equities (international developed markets)	3.7%
International equities (emerging markets)	7.9%
Real estate	7.0%
Fixed income	2.4%

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)**

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. 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, to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2015	\$ 5,963,914	\$ 4,729,770	\$ 1,234,144
Changes for the year			
Service cost	126,079	-	126,079
Interest	330,966	-	330,966
Differences between expected and actual experience	(465,478)	-	(465,478)
Changes of assumptions	160,170	-	160,170
Contributions			
Employer	-	210,377	(210,377)
Net investment income	-	354,999	(354,999)
Benefit payments	(146,841)	(146,841)	-
Administrative expense	-	(14,381)	14,381
NET CHANGES	<u>4,896</u>	<u>404,154</u>	<u>(399,258)</u>
BALANCE AT DECEMBER 31, 2016	<u>\$ 5,968,810</u>	<u>\$ 5,133,924</u>	<u>\$ 834,886</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 5.25%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability	<u>\$ 1,543,339</u>	<u>\$ 834,886</u>	<u>\$ 230,232</u>

**CALN TOWNSHIP****NOTES TO THE BASIC FINANCIAL STATEMENTS**DECEMBER 31, 2017

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2017, the Township and Authority recognized pension expense of \$247,616. At December 31, 2017, 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>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 29,307	\$ 353,240
Changes in assumptions	150,918	-
Net difference between projected and actual earnings on pension plan investments	212,675	-
Contributions subsequent to the measurement date	<u>205,228</u>	<u>-</u>
TOTALS	<u>\$ 598,128</u>	<u>\$ 353,240</u>
<b>GOLF COURSE</b>		
Difference between expected and actual experience	\$ 2,366	\$ 28,520
Changes in assumptions	12,185	-
Net difference between projected and actual earnings on pension plan investments	17,171	-
Contributions subsequent to the measurement date	<u>16,570</u>	<u>-</u>
TOTALS	<u>\$ 48,292</u>	<u>\$ 28,520</u>
<b>SOLID WASTE</b>		
Difference between expected and actual experience	\$ 509	\$ 6,138
Changes in assumptions	2,623	-
Net difference between projected and actual earnings on pension plan investments	3,696	-
Contributions subsequent to the measurement date	<u>3,566</u>	<u>-</u>
TOTALS	<u>\$ 10,394</u>	<u>\$ 6,138</u>

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (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 Ending December 31,</u>	<u>Governmental Activities</u>	<u>Golf Course</u>	<u>Solid Waste</u>
2018	\$ 48,631	\$ 3,926	\$ 845
2019	48,631	3,926	845
2020	22,835	1,844	397
2021	(49,750)	(4,017)	(865)
2022	(35,583)	(2,873)	(618)
Thereafter	4,896	396	86

**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The Township adheres to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment healthcare benefits provided by the Township. This statement generally provides for prospective implementation, (e.g., that employers set the beginning of the initial years). Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits at the date of transition.

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The plan does not issue a financial reporting and is not included in the financials of any public employee retirement system or other entity.

The plan has been terminated. Only employees eligible for benefits before termination of the plan are able to receive benefits. The benefits for the one remaining eligible retiree is to receive a maximum of \$600 per month until the retiree reaches age 65.

**Funding Policy**

The contribution requirements of plan members are established by, and may be amended by, the Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to be prefunded as determined annually by the Commissioners. As of December 31, 2017, the Township has not designated any funds specifically for these benefits.

**Annual OPEB Cost and Net OPEB Obligation**

The plan provides a maximum benefit of \$600 per month for health care costs until the participant reaches age 65. The plan was terminated upon the renegotiation of the police contract effective for 2015. Retirees in the plan upon termination of the plan will continue to receive benefits. No new participants will be allowed.

The Township's calculation of the maximum benefit cost to the Township is \$59,400.

**CALN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE K - UNEMPLOYMENT COMPENSATION**

The Township has elected the reimbursement method of paying unemployment compensation benefits. This method requires the Township to reimburse the State Unemployment Compensation Fund on a dollar-for-dollar basis for all claims and other charges made to its account. Repayments are made quarterly for claims paid by the state. The Township has incurred \$29,278 of claims for the year ended December 31, 2017.

**NOTE L - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The general fund incurred expenditures over appropriations in the following amounts for the year ended December 31, 2017:

Codes	\$	41,727
Culture and recreation	\$	11,385
Miscellaneous	\$	1,559

The excess expenditures were covered by savings in other budgeted line items.

**NOTE M - 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 manages these various risks of loss primarily through the purchase of commercial insurance, except as described below. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

**NOTE N - DEFICIT NET POSITION**

The Township's proprietary funds include the operations of the Ingleside Golf Course. For 2017, the golf course expenditures exceeded revenues. The resulting deficit fund balance is \$116,501 at December 31, 2017. The Township has implemented plans to eliminate the deficit which include increasing usage of the course with additional marketing, improving the course, and restructuring the fees.

**NOTE O - SUBSEQUENT EVENT**

The Township has evaluated all events subsequent to the financial statement date of December 31, 2017, through November 8, 2018, which is the date these financial statements were available to be issued.

**CALN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**NOTE P - GOING CONCERN - GOLF COURSE**

The Gold Course has suffered recurring losses from operations and has a net position deficiency that raises substantial doubts about its ability to continue as a going concern. Management is reviewing the operations of the golf course including the revenue stream and the expenses along with other options to improve the financial performance of the golf course and maintain its operations. The Township has no plans to discontinue the operations of the golf course.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CALN TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST FOUR FISCAL YEARS**

	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 373,430	\$ 317,220	\$ 302,114	\$ 247,523
Interest	724,257	674,711	629,617	583,268
Changes of benefit terms	-	-	202,140	-
Differences between expected and actual experience	(227,179)	-	(104,991)	-
Changes of assumptions	191,565	-	523,605	-
Benefit payments	(294,919)	(314,207)	(291,435)	(285,345)
NET CHANGE IN TOTAL PENSION LIABILITY	767,154	677,724	1,261,050	545,446
Total pension liability, beginning	10,153,685	9,475,961	8,214,911	7,669,465
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 10,920,839</b>	<b>\$ 10,153,685</b>	<b>\$ 9,475,961</b>	<b>\$ 8,214,911</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions				
Employer	\$ 721,776	\$ 546,388	\$ 539,937	\$ 468,734
Member	94,030	93,087	91,959	87,217
Net investment income	971,352	526,989	50,021	267,591
Benefit payments, including refunds of member contributions	(294,919)	(314,207)	(291,435)	(285,345)
Administrative expense	(56,401)	(48,337)	(42,856)	(12,675)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,435,838	803,920	347,626	525,522
Plan fiduciary net position, beginning	6,721,393	5,917,473	5,569,847	5,044,325
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 8,157,231</b>	<b>\$ 6,721,393</b>	<b>\$ 5,917,473</b>	<b>\$ 5,569,847</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 2,763,608</b>	<b>\$ 3,432,292</b>	<b>\$ 3,558,488</b>	<b>\$ 2,645,064</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>74.69%</b>	<b>66.20%</b>	<b>62.45%</b>	<b>67.80%</b>
<b>COVERED-EMPLOYEE PAYROLL</b>	<b>\$ 1,571,340</b>	<b>\$ 1,932,398</b>	<b>\$ 1,806,387</b>	<b>\$ 1,714,193</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<b>175.88%</b>	<b>177.62%</b>	<b>196.99%</b>	<b>154.30%</b>

**NOTES TO SCHEDULE**

*Changes of Assumptions:* In 2017 the inflation assumption was lowered from 3.0% to 2.75%, the mortality assumption was updated from RP-2000 Combined Healthy Mortality table to RP-2014 Mortality Tables, and the disability assumption was updated from 60% of the rates from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence. In 2015, the interest rate assumption was lowered from 7.5% to 7.0%.

*Changes of Benefits:* In 2015 the minimum age for normal retirement was increased from 52 to 54 for those hired after January 1, 2014, and a survivor benefit was added for the spouse of a participant who dies before normal retirement disability but after vesting.

**CALN TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 721,776	\$ 546,388	\$ 539,937	\$ 468,734
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>721,776</u>	<u>546,388</u>	<u>539,937</u>	<u>468,734</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,571,340</u>	<u>\$ 1,932,398</u>	<u>\$ 1,806,387</u>	<u>\$ 1,714,193</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>45.93%</u>	<u>28.28%</u>	<u>29.89%</u>	<u>27.34%</u>

**NOTES TO SCHEDULE**

Valuation date:	January 1, 2015	January 1, 2013
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	10 years	12 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	3.0%	3.0%
Salary increases	5.0% annual increase	5.0% annual increase
Investment rate of return	7.0%	7.0%
Retirement age	Normal Retirement Age, or attained age if currently eligible to retire	Normal Retirement Age, or attained age if currently eligible to retire
Mortality	RP-2000 Combined Healthy Mortality Table	RP-2000 Combined Healthy Mortality Table

**CALN TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST FOUR FISCAL YEARS**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>14.46%</u>	<u>8.95%</u>	<u>0.91%</u>	<u>5.99%</u>

# CALN TOWNSHIP

## SCHEDULE OF CHANGES IN THE NET EMPLOYEE PENSION PLAN LIABILITY AND RELATED RATIOS LAST THREE FISCAL YEARS

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 126,079	\$ 163,685	\$ 163,943
Interest	330,966	315,015	297,960
Differences between expected and actual experience	(465,478)	-	51,493
Changes of assumptions	160,170	43,001	-
Transfers	-	(54,333)	-
Benefit payments	(146,841)	(185,739)	(167,020)
NET CHANGE IN TOTAL PENSION LIABILITY	4,896	281,629	346,376
Total pension liability, beginning	5,963,914	5,682,285	5,335,909
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 5,968,810</u>	<u>\$ 5,963,914</u>	<u>\$ 5,682,285</u>
PLAN FIDUCIARY NET POSITION			
Contributions, employer	\$ 210,377	\$ 214,845	\$ 168,903
Net investment income	354,999	(129,212)	121,647
Transfers	-	(54,333)	-
Benefit payments, including refunds of member contributions	(146,841)	(185,739)	(167,020)
Administrative expense	(14,381)	(12,147)	(11,018)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	404,154	(166,586)	112,512
Plan fiduciary net position, beginning	4,729,770	4,896,356	4,783,844
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 5,133,924</u>	<u>\$ 4,729,770</u>	<u>\$ 4,896,356</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 834,886</u>	<u>\$ 1,234,144</u>	<u>\$ 785,929</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>86.01%</u>	<u>79.31%</u>	<u>86.17%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,413,358</u>	<u>\$ 1,648,354</u>	<u>\$ 1,672,957</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>59.07%</u>	<u>74.87%</u>	<u>46.98%</u>

### NOTES TO SCHEDULE

Changes of Assumption: In 2016, the investment return assumption for municipal assets decreased from 5.5% to 5.25%. In 2015, assumptions based on the PMRS Experience Study for the period January 1, 2009 through December 31, 2013, issued by the actuary in July 2015 first effective.

**CALN TOWNSHIP**  
**SCHEDULE OF EMPLOYEE**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 210,357	\$ 214,825	\$ 168,843
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>210,377</u>	<u>214,845</u>	<u>168,903</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ (60)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,413,358</u>	<u>\$ 1,648,354</u>	<u>\$ 1,672,957</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>14.88%</u>	<u>13.03%</u>	<u>10.10%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar
Asset valuation method	Based upon the municipal reserves
Inflation	3.0%
Salary increases	Age related scale
Investment rate of return	5.5%
Retirement age	Age related range
Mortality	RP 2000 Combined Healthy Mortality Table

**CALN TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**CALN TOWNSHIP  
FINANCIAL STATEMENTS**

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27 South High Street  
West Chester, PA 19382-3224

voice: 610-692-0910  
fax: 610-692-7260  
e-mail: mcl@maulo.com

**Independent Auditor's Report**

To the Board of Commissioners  
Caln Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparison information, and the aggregate remaining fund information of Caln Township as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Caln Township's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***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, the discretely presented component unit, each major fund, budgetary comparison information and the aggregate remaining fund information of Caln Township as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Emphasis-of-Matter Regarding Going Concern***

The accompanying financial statements of the Golf Course have been prepared assuming that the Golf Course will continue as a going concern. As discussed in Note 18 to the financial statements, the Golf Course has suffered recurring losses from operations and has a net position deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Emphasis-of-Matter-Adoption of GASB Statement No. 72***

As discussed in Note 20 to the financial statements, the Township has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement address accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MD&A 1 through MD&A 10 and the Schedules of Funding Progress and Schedules of Investment Returns on pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Caln Township's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U. S. Code of Federal Regulations 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of Caln Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caln Township's internal control over financial reporting and compliance.

*Mauro & Company Ltd.*

West Chester, Pennsylvania  
October 12, 2017

**CALN TOWNSHIP**  
**Management's Discussion and Analysis – Unaudited**  
**December 31, 2016**

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This discussion and analysis of Caln Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements, and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

**FINANCIAL HIGHLIGHTS**

Revenue for the General Fund totaled \$6,823,981 compared to the \$6,589,703 received in 2015. The increase in revenue of \$234,278 was primarily due to an increase in licenses and permits and charges for services due to increased development activity partially offset by slight declines in taxes, fines and miscellaneous revenues. Transfers from the Caln Township Municipal Authority increased primarily due to the annual payment of \$55,312 for EDU's purchased under the 2015 Asset Purchase Agreement. We expect that revenue streams will be consistent for 2017.

Expenditures for the General Fund totaled \$6,528,181, compared to the \$6,439,669 in 2015. Expenditures increased by \$88,512 primarily due to increased operating expenses partially offset by vacancies in public works positions. Public safety expenditures declined by \$53,424 due to the expenditures for fire protection being accounted for in the Fire Fund beginning in 2016, with the decrease partially offset by the addition of two police officers during 2016.

As of the end of 2016, the Township's General Fund reported an ending balance of \$2,000,409, an increase of \$244,424 as compared to 2015.

**OVERVIEW OF FINANCIAL STATEMENTS**

The accompanying financial statements 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, respectively.

**Government-Wide Financial Statements**

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net Position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis - Unaudited**  
**December 31, 2016**

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To assess the overall health of the Township, you need to also consider additional non-financial factors, such as changes in the Township's property tax base and the adequacy of Township services.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** – All of the Township's basic services are included here, such as public safety, public works, and administration. Property taxes, state grants, and charges for services finance most of these activities.
- **Business-type Activities** – The Township runs a golf-course and charges fees to players to cover the costs of operations.
- **Component Unit** – The Township has a related Municipal Authority that operates a sewer system and charges fees to customers for operational expenses and tapping fees from new construction for capital related costs.

**Fund Level Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.
- **Proprietary Funds** – These funds are used to account for Township activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides – whether to outside customers or to other units in the Township – these services are generally reported in proprietary funds. The Golf Course and Solid Waste operations are the Township's proprietary funds and are the same as the business-type activities we report in the government-wide statements.
- **Fiduciary Funds** – The Township is the trustee, or fiduciary, for the pension plans and escrow funds. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis - Unaudited**  
**December 31, 2016**

**FINANCIAL ANALYSIS OF THE TOWNSHIP – GOVERNMENT-WIDE STATEMENTS**

The Township's net position increased from \$13,321,444 in 2015 to \$15,962,138 in 2016. The net position increased primarily due to the investment of \$3,609,763 in capital projects and equipment offset by depreciation and the reduction in cash due to the capital expenditures. Total liabilities increased by \$1,078,182, primarily due to the increase in unfunded pension liabilities as required by GASB Statement No. 68.

**Statement of Net Position**  
**December 31, 2015 and 2016**

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
<b>ASSETS</b>						
Current assets	\$ 3,481,471	\$ 3,784,781	\$ 723,620	\$ 868,367	\$ 4,205,091	\$ 4,653,148
Capital assets, net	17,848,429	20,357,326	2,330,004	2,237,396	20,178,433	22,594,722
Deferred outflows	194,043	1,025,563	19,882	42,892	213,925	1,068,455
Total assets	<u>21,523,943</u>	<u>25,167,670</u>	<u>3,073,506</u>	<u>3,148,655</u>	<u>24,597,449</u>	<u>28,316,325</u>
<b>LIABILITIES</b>						
Current liabilities	567,012	822,535	344,585	382,225	911,597	1,204,760
Net pension liabilities	3,631,070	4,556,165	73,041	110,270	3,704,111	4,666,435
Noncurrent liabilities	4,810,572	4,482,833	1,849,725	1,832,624	6,660,297	6,315,457
Deferred inflows		167,535				167,535
Total liabilities	<u>9,008,654</u>	<u>10,029,968</u>	<u>2,267,351</u>	<u>2,325,119</u>	<u>11,276,005</u>	<u>12,354,187</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	12,619,989	12,880,654	260,977	272,184	12,880,966	13,152,838
Restricted	1,348,376	576,395			1,348,376	576,395
Unrestricted	(1,453,076)	1,681,553	545,178	551,352	(907,898)	2,232,905
Total net position	<u>\$ 12,515,289</u>	<u>\$ 15,138,602</u>	<u>\$ 806,155</u>	<u>\$ 823,536</u>	<u>\$ 13,321,444</u>	<u>\$ 15,962,138</u>

**GOVERNMENTAL FUNDS**

Most of the Township's activities are reported in Governmental Funds. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Fire Fund, Liquid Fuels Fund, Street Light Fund, Solid Waste Fund, Solid Waste Equipment Fund, Sewer Reserve Fund, Capital Reserve Fund, Open Space Fund, Equipment Fund, Capital Bond Fund, Fire Equipment Fund, and Internal Service Fund. By far, the most prominent fund is the General Fund.

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES**

The results of this year's operations for all funds as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine

**CALN TOWNSHIP**  
**Management's Discussion and Analysis - Unaudited**  
**December 31, 2016**

the final amount of the Township's activities that are supported by other Township general revenues. The largest revenues are property taxes, earned income taxes, local service taxes and the real estate transfer tax. The Township also collects a trash fee, which is reflected in the Solid Waste Fund, which was \$240 per year per household. Other activity charges include building permit and subdivision application fees, as well as, police citations, grants, and monies collected under the Street Light Fund, Golf Fund and Solid Waste Fund. The following table presents condensed financial information for the Statement of Activities in a different format, so that you can see our total revenues for the year.

**Changes in Net Position**  
**For the Years Ended December 31, 2015 and 2016**

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
<b>REVENUES</b>						
Program services:						
Charges for services	\$ 436,066	\$ 962,912	\$ 2,012,833	\$ 1,876,061	\$ 2,448,899	\$ 2,838,973
Operating grants and contributions	412,058	801,922	237,044		649,102	801,922
Capital grants and contributions	503,184	2,675,018			503,184	2,675,018
General revenues:						
Property taxes	2,409,532	2,858,075			2,409,532	2,858,075
Other taxes	2,649,358	2,566,088			2,649,358	2,566,088
Grants, subsidies, and contributions not restricted	8,675	8,849			8,675	8,849
Other revenue	1,699,641	711,058	362	5,488	1,700,003	716,546
Total revenue	<u>8,118,514</u>	<u>10,583,922</u>	<u>2,250,239</u>	<u>1,881,549</u>	<u>10,368,753</u>	<u>12,465,471</u>
<b>EXPENSES</b>						
General government	20,782	103,496	0	0	20,782	103,496
Operating expenses	860,207	1,114,121			860,207	1,114,121
Public safety	2,890,577	2,950,915			2,890,577	2,950,915
Codes	329,812	358,233			329,812	358,233
Public works - highways	1,436,821	1,225,729			1,436,821	1,225,729
Culture and recreation	146,984	145,536			146,984	145,536
Interest on long-term debt	108,369	103,869			108,369	103,869
Miscellaneous expenses	1,302,301	962,612			1,302,301	962,612
Unallocated depreciation	944,936	996,098			944,936	996,098
Solid waste			1,204,571	1,173,460	1,204,571	1,173,460
Golf course			694,504	690,708	694,504	690,708
Transfers						
Total expenses	<u>8,040,789</u>	<u>7,960,609</u>	<u>1,899,075</u>	<u>1,864,168</u>	<u>9,939,864</u>	<u>9,824,777</u>
Change in net position	\$ <u>77,725</u>	\$ <u>2,623,313</u>	\$ <u>351,164</u>	\$ <u>17,381</u>	\$ <u>428,889</u>	\$ <u>2,640,694</u>

**CALN TOWNSHIP**  
**Management's Discussion and Analysis - Unaudited**  
**December 31, 2016**

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**General Fund**

Revenue for the General Fund totaled \$6,823,981 compared to the \$6,589,703 received in 2015. The increase in revenue of \$234,278 was primarily due to an increase in licenses and permits and charges for services due to increased development activity partially offset by slight declines in taxes, fines and miscellaneous revenues. Transfers from the Caln Township Municipal Authority increased primarily due to the annual payment of \$55,312 for EDU's purchased under the 2015 Asset Purchase Agreement. We expect that revenue streams will be consistent for 2017.

Expenditures for the General Fund totaled \$6,528,181, compared to the \$6,439,669 in 2015. Operating expenditures increased by \$88,512 primarily due to increased operating expenses partially offset by vacancies in public works positions. Public safety expenditures declined by \$53,424 due to the expenditures for fire protection being accounted for in the Fire Fund beginning in 2016, with the decrease partially offset by the addition of two police officers during 2016.

The overall effect on Fund Balance in 2016 was an increase of \$244,424, leaving a balance of \$2,000,409 going forward into 2017.

The following table summarizes the past seven years of earned income tax revenues. This revenue category has remained stable over the past seven years.

**Earned Income Tax Revenues**  
**2010 - 2016**

2010	\$ 1,902,885
2011	\$ 2,106,972
2012	\$ 2,171,836
2013	\$ 2,142,248
2014	\$ 2,076,455
2015	\$ 2,334,080
2016	\$ 2,243,900

**Fire Fund**

In 2016, the Township created a Fire Fund to account for the revenue and expenditures associated with providing fire protection services. The expenditures were previously accounted for in the General Fund. A fire tax of 0.5 mils was established. In 2016, revenues were \$344,842 and expenditures were \$302,101, leaving a fund balance of \$42,741 going into 2017.

**Ingleside Golf Club**

On March 15, 2007, Caln Township purchased the Ingleside Golf Club on North Bailey Road. Ingleside Golf Club is 116 acres in size and contains 18 holes, a driving range, and a pro shop, as well as, a number of maintenance buildings. For 2016, operating revenue of \$644,266 exceeded operating expenditures of \$642,569 by \$1,697. When interest expense and depreciation is factored in, the Golf Club had a change in net position of \$46,442. The golf fund had an accumulated deficit of \$99,208 at the end of the year. The Township continues to explore ways to enhance revenue and control expenses.

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**Solid Waste Fund**

In 2010, the solid waste operations of the Township became self-sustaining and were reclassified from a special revenue fund to an enterprise fund under business-type activities. For 2016, operating revenue of \$1,231,795 exceeded operating expenses of \$1,173,460 by \$58,335. In 2010, the Fund had acquired 4,500 recycling bins which are shown as assets. Since the 2010 implementation of larger recycling carts, the recycling rate has increased from 13% to 27% in 2016. In 2014, the Fund acquired 5,028 trash carts for all of its residents for \$267,173. In 2016 and 2015, \$60,000 and \$75,000 respectively, was transferred to a Solid Waste Equipment Fund to provide for the future replacement of carts and equipment.

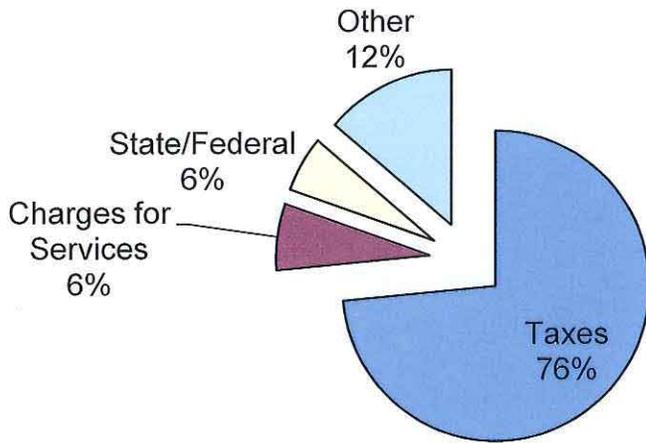
The overall effect on fund balance in 2016 for the combined solid waste funds was an increase of \$63,823, leaving a balance of \$922,816 going forward into 2017.

**GENERAL FUND 2015–2016**

	<u>2015</u>	<u>2016</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 5,026,426	\$ 5,016,469	\$ (9,957)
Licenses and permits	321,143	390,281	69,138
Fines and forfeits	69,000	59,500	(9,500)
Interest earned	3,546	7,367	3,821
Intergovernmental revenues	372,390	395,617	23,227
Charges for services	396,073	470,796	74,723
Transfer from Caln Municipal Authority	158,638	246,278	87,640
Miscellaneous revenues	<u>242,487</u>	<u>237,673</u>	<u>(4,814)</u>
Total revenues	<u>6,589,703</u>	<u>6,823,981</u>	<u>234,278</u>
<b>EXPENDITURES</b>			
General government	20,782	22,895	2,113
Operating expenses	860,207	1,040,750	180,543
Public safety	2,850,542	2,797,118	(53,424)
Codes	329,812	358,233	28,421
Public works - highways	943,952	873,440	(70,512)
Culture and recreation	136,063	130,455	(5,608)
Pension	719,762	756,745	36,983
Miscellaneous expenditures	244,055	218,551	(25,504)
Debt service (principal & interest)	334,494	329,994	(4,500)
Other financing uses	<u>33,000</u>	<u>51,376</u>	<u>18,376</u>
Total expenditures	<u>6,472,669</u>	<u>6,579,557</u>	<u>\$ 106,888</u>
Net change in fund balance	117,034	244,424	
Net position—beginning	<u>1,638,951</u>	<u>1,755,985</u>	
Net position—ending	<u>\$ 1,755,985</u>	<u>\$ 2,000,409</u>	

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The graph above shows the General Fund revenues broken down into four major revenue sources: Taxes cover 76% of the General Fund revenues and are from the Real Estate Tax, Earned Income Tax, and the Realty Transfer Tax. Approximately 6% of the funds are generated by charges for services including building permits, fees, and other charges; 6% of the funds came from the Commonwealth of Pennsylvania; and the remaining 12% came from other sources including licenses, fines and forfeits, interest earnings, transfer from the Authority, and miscellaneous sources. The real estate tax millage was increased from 2.808 mils to 2.958 mils in 2016. Prior to this increase, the tax rate had not increased since 2004.

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**2016 Summary of Governmental Funds**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 1,506,044	\$ 253,949	\$ 1,078,271
Investments			
Taxes receivable (Net)	612,615		7,708
Other receivables	89,012	8,216	29,588
Prepaid expenses			264
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	\$ <u>2,207,671</u>	\$ <u>262,165</u>	\$ <u>1,115,831</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	43,089	321,677	17,621
Due to other funds			
Accrued salaries and benefits	67,841		763
Deferred revenues	96,332		8,909
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>207,262</u>	<u>321,677</u>	<u>27,293</u>
<b>FUND BALANCE</b>			
Nonspendable			264
Restricted		(59,512)	1,088,274
Assigned			
Unassigned	<u>2,000,409</u>		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>2,000,409</u>	<u>(59,512)</u>	<u>1,088,538</u>
Total liabilities and Fund balances	\$ <u>2,207,671</u>	\$ <u>262,165</u>	\$ <u>1,115,831</u>

In the previous table, Other Governmental Funds include the Liquid Fuels Fund, Open Space Fund, Equipment Fund, Sewer Reserve Fund, Fire Equipment Fund, Internal Service Fund, Street Light Fund and the Fire Fund.

**CALN TOWNSHIP**  
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**CAPITAL ASSETS**

At December 31, 2016, the Township had \$22,152,222 invested in a broad range of capital assets, including land, buildings & improvements, infrastructure, vehicles and machinery & equipment. This amount represents a net increase (including additions, disposals, and depreciation) of 6% from last year. For governmental activities: land increased by \$7,794 for the purchase of park land; buildings and improvements increased by \$21,600 for paving and roof replacement at the municipal complex; infrastructure and construction in progress increased by \$3,145,051 for roadway, bridge, traffic signal and storm water improvements; vehicles increased by \$334,691 for (2) police patrol vehicles, a dump truck and a backhoe; machinery and equipment increased by \$51,172 for generators at the municipal complex, emergency radios and a security system. For business-type activities: building and improvements increased by \$14,400 for a furnace/air conditioning unit replacement and roof replacement at the golf pro shop; machinery and equipment increased \$35,055 for a rotary mower for the golf course. The following schedule depicts the capital assets for the period ended December 31, 2016.

<b>GOVERNMENTAL ACTIVITIES</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Land	\$ 3,203,853	\$ 7,794	\$ 0	\$ 3,211,647
Construction in progress	29,109	1,556,102		1,585,211
Buildings & improvements	2,379,873	21,600		2,401,473
Infrastructure	22,847,555	1,588,949		24,436,504
Vehicles	3,450,168	334,691	165,265	3,619,594
Machinery & equipment	754,827	51,172	18,390	787,609
Total capital assets	<u>32,665,385</u>	<u>3,560,308</u>	<u>183,655</u>	<u>36,042,038</u>
Accumulated depreciation for:				
Buildings & improvements	1,367,458	73,343	0	1,440,801
Infrastructure	11,111,964	682,795		11,794,759
Vehicles	2,335,705	188,933	165,265	2,359,373
Machinery & equipment	499,642	51,027	18,390	532,279
Total accumulated depreciation	<u>15,314,769</u>	<u>996,098</u>	<u>183,655</u>	<u>16,127,212</u>
Net capital assets for Governmental activities	<u>\$ 17,350,616</u>	<u>\$ 2,564,210</u>	<u>\$ 0</u>	<u>\$ 19,914,826</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets:				
Land	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Buildings & improvements	1,359,049	14,400		1,373,449
Machinery & equipment	890,024	35,055		925,079
Total capital assets	<u>3,249,073</u>	<u>49,455</u>	<u>0</u>	<u>3,298,528</u>
Accumulated depreciation for:				
Buildings & improvements	346,730	39,326	0	386,056
Machinery & equipment	572,338	102,738		675,076
Total accumulated depreciation	<u>919,068</u>	<u>142,064</u>	<u>0</u>	<u>1,061,132</u>
Net capital assets for Business-type activities	<u>\$ 2,330,005</u>	<u>\$ (92,609)</u>	<u>\$ 0</u>	<u>\$ 2,237,396</u>

**CALN TOWNSHIP**  
**Management's Discussion and Analysis - Unaudited**  
**December 31, 2016**

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**DEBT ADMINISTRATION**

As of December 31, 2016, the Township's governmental and business-type operations had a total outstanding bond principal of \$6,225,000. The 2013 Bond Issue included \$3,995,000 for the refinancing of the original debt at a lower interest rate, \$2,275,000 refinancing debt for the Ingleside Golf Course at a lower interest rate, and \$1,200,000 of new debt to undertake capital projects. The total debt amount represents 36% of the debt limit as determined by the formula included in the Local Government Unit Act. The total debt limit for the Township at December 31, 2016, is \$18,364,263. Other obligations include capital lease obligations, and post-employment benefits of the Township. In 2014, Standard and Poor's completed their review of the Township's bond and informed Caln Township that its debt rating remains strong at a rating of AA. More detailed information about the Township's long-term liabilities is included in the Notes to the Financial Statements.

**THE TOWNSHIP'S FUTURE**

During the past few years, Caln Township and other municipalities have weathered an economic recession which affected revenues and demanded cautious budgeting. In spite of these difficulties the Township has preserved and even increased fund balances. Going forward, future budgets should be cautious, pending an economic turnaround. The following are a number of important issues for future budgeting:

- Monitoring economic trends and potential softening of revenue streams
- Consistency of revenue streams for all funds
- Capital Project and equipment funding and an acceptable debt service strategy
- Further development of funding sources other than the local real estate taxes

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Manager.

**CALN TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2016**

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,982,065	\$ 469,686	\$ 3,451,751	\$ 2,763,697
Investments				
Taxes receivable, net	620,323		620,323	
Internal balances				
Other receivables	118,600	366,102	484,702	617,637
Due from Authority other governments-current	55,313		55,313	
Due from other Governmental Unit	8,216		8,216	
Prepaid expenses	264	18,873	19,137	52,745
Inventories		13,706	13,706	
Total current assets	<u>3,784,781</u>	<u>868,367</u>	<u>4,653,148</u>	<u>3,434,079</u>
<b>Noncurrent assets</b>				
Capital assets not being depreciated:				
Land	3,211,647	1,000,000	4,211,647	
Construction in progress	1,585,211		1,585,211	
Capital assets being depreciated (net):				
Building & building improvements	960,672	987,393	1,948,065	
Furniture & equipment	255,330	250,003	505,333	
Infrastructure assets	12,641,746		12,641,746	5,293,553
Vehicles	1,260,220		1,260,220	
Due from other governments-long term:	442,500		442,500	
EDU's held for resale				540,625
Total noncurrent assets	<u>20,357,326</u>	<u>2,237,396</u>	<u>22,594,722</u>	<u>5,834,178</u>
Total assets	<u>24,142,107</u>	<u>3,105,763</u>	<u>27,247,870</u>	<u>9,268,257</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension	1,025,563	42,892	1,068,455	
Total assets and deferred outflows of resources	<u>\$ 25,167,670</u>	<u>\$ 3,148,655</u>	<u>\$ 28,316,325</u>	<u>\$ 9,268,257</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	\$ 0	\$ 203,629	\$ 203,629	\$ 0
Accounts payable	386,979	11,447	398,426	52,242
Current portion of bonds payable	230,000	105,000	335,000	
Current portion of leases payable	111,904	27,588	139,492	
Interest payable	25,048	11,014	36,062	
Accrued salaries and benefits	68,604	5,502	74,106	
Due to township				55,313
Unearned revenue		18,045	18,045	
Total current liabilities	<u>822,535</u>	<u>382,225</u>	<u>1,204,760</u>	<u>107,555</u>
<b>Noncurrent liabilities</b>				
Bonds payable	4,095,000	1,795,000	5,890,000	
Notes and capital leases payable	323,741	37,624	361,365	
Due to township				442,500
Net pension liability	4,556,165	110,270	4,666,435	
OPEB	64,092		64,092	
Total noncurrent liabilities	<u>9,038,998</u>	<u>1,942,894</u>	<u>10,981,892</u>	<u>442,500</u>
Total liabilities	<u>9,861,533</u>	<u>2,325,119</u>	<u>12,186,652</u>	<u>550,055</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension	167,535		167,535	
<b>NET POSITION</b>				
Invested in capital assets net of related debt	12,880,654	272,184	13,152,838	5,293,553
Restricted	576,395		576,395	1,742,050
Unrestricted	1,681,553	551,352	2,232,905	1,682,599
Total net position	<u>15,138,602</u>	<u>823,536</u>	<u>15,962,138</u>	<u>8,718,202</u>
Total liabilities and net position	<u>\$ 25,167,670</u>	<u>\$ 3,148,655</u>	<u>\$ 28,316,325</u>	<u>\$ 9,268,257</u>

**CALN TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit
		Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>									
General government	\$ 103,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ (103,496)	\$ 0	\$ (103,496)	\$ 0
Operating expenses	1,114,121		239,475	288,727		(585,919)		(585,919)	
Public safety	2,950,915		59,500	98,042		(2,793,373)		(2,793,373)	
Codes	358,233		663,906			305,673		305,673	
Public works - highways	1,225,729			415,153	2,675,018	1,864,442		1,864,442	
Culture and recreation	145,536		31			(145,505)		(145,505)	
Interest on long-term debt	103,869					(103,869)		(103,869)	
Miscellaneous expenses	211,851					(211,851)		(211,851)	
Other financing uses	0					0		0	
Unallocated pension expense	750,761					(750,761)		(750,761)	
Unallocated depreciation and amortization expense	996,098					(996,098)		(996,098)	
Total governmental activities	<u>7,960,609</u>	<u>0</u>	<u>962,912</u>	<u>801,922</u>	<u>2,675,018</u>	<u>(3,520,757)</u>		<u>(3,520,757)</u>	<u>0</u>
<b>BUSINESS-TYPE ACTIVITIES</b>									
Golf course	690,708		644,266				(46,442)	(46,442)	
Solid waste	1,173,460		1,231,795				58,335	58,335	
Total primary government	<u>\$ 9,824,777</u>	<u>\$ 0</u>	<u>\$ 2,838,973</u>	<u>\$ 801,922</u>	<u>\$ 2,675,018</u>	<u>(3,520,757)</u>	<u>11,893</u>	<u>(3,508,864)</u>	<u>0</u>
<b>Component unit</b>									
Public sewer system	<u>\$ 2,421,895</u>	<u>\$ 0</u>	<u>\$ 2,486,705</u>	<u>\$ 0</u>	<u>\$ 256,035</u>				<u>320,845</u>
Total component unit	<u>\$ 2,421,895</u>	<u>\$ 0</u>	<u>\$ 2,486,705</u>	<u>\$ 0</u>	<u>\$ 256,035</u>				<u>320,845</u>
<b>General revenues</b>									
<b>Taxes</b>									
Property taxes, net, levied for general purposes						2,858,075		2,858,075	
Taxes levied for specific purposes						2,566,088		2,566,088	
Grants, subsidies and contributions not restricted						8,849		8,849	
Licenses, permits, and fees						390,280		390,280	
Investment earnings						12,511	5,488	17,999	5,763
Miscellaneous income						142,559		142,559	
Gain on disposal of assets						96,084		96,084	
Interfund transfers						69,624		69,624	
Total general revenues, special items, extraordinary items, and transfers						<u>6,144,070</u>	<u>5,488</u>	<u>6,149,558</u>	<u>5,763</u>
Change in net position						2,623,313	17,381	2,640,694	326,608
Net Position—beginning						<u>12,515,289</u>	<u>806,155</u>	<u>13,321,444</u>	<u>8,391,594</u>
Net Position—ending						<u>\$ 15,138,602</u>	<u>\$ 823,536</u>	<u>\$ 15,962,138</u>	<u>\$ 8,718,202</u>

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

**CALN TOWNSHIP**  
**Balance Sheet--Governmental Funds**  
**December 31, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash & cash equivalents	\$ 1,506,044	\$ 253,949	\$ 1,078,271	\$ 2,838,264
Taxes receivable (net)	612,615		7,708	620,323
Accounts receivable	89,012		29,588	118,600
Prepaid expenses			264	264
Due from other governments		8,216		8,216
Total assets	<u>\$ 2,207,671</u>	<u>\$ 262,165</u>	<u>\$ 1,115,831</u>	<u>\$ 3,585,667</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 43,089	\$ 321,677	\$ 17,621	\$ 382,387
Accrued salaries and benefits	67,841		763	68,604
Deferred revenues	96,332		8,909	105,241
Total liabilities	<u>207,262</u>	<u>321,677</u>	<u>27,293</u>	<u>556,232</u>
<b>FUND BALANCES</b>				
Nonspendable			264	264
Restricted		(59,512)	1,088,274	1,028,762
Unassigned	2,000,409			2,000,409
Total fund balances	<u>2,000,409</u>	<u>(59,512)</u>	<u>1,088,538</u>	<u>3,029,435</u>
Total liabilities and fund balances	<u>\$ 2,207,671</u>	<u>\$ 262,165</u>	<u>\$ 1,115,831</u>	<u>\$ 3,585,667</u>

**CALN TOWNSHIP**  
**Reconciliation of Total Governmental Fund**  
**Balances to Net Position of Governmental Activities**  
**December 31, 2016**

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<b>Total fund balances - governmental funds</b>	<b>\$ 3,029,435</b>
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 \$36,042,038 and the accumulated depreciation and amortization is \$16,127,212.	19,914,826
Some revenue and receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	603,055
Internal service funds are used by management to charge the costs of unemployment claims and other post-employment benefits to the governmental activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position	139,208
Some of the Township's operating expenses are reported when paid on the funds statements and are reported when the liability occurs on the government-wide statements	(25,048)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year end consist of:	
Net Pension Liability	\$ (4,556,165)
Deferred Outflows - Deferred pension	1,025,563
Deferred Inflows - Deferred pension	(167,535)
Bonds payable	(4,325,000)
Capital lease payable	(435,645)
OPEB	(64,092)
	<u>(8,522,874)</u>
<b>Total net position - governmental activities</b>	<b>\$ <u>15,138,602</u></b>

**CALN TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances--Governmental Funds**  
**For the Year Ended December 31, 2016**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 5,016,469	\$ 0	\$ 388,054	\$ 5,404,523
Licenses and permits	390,281			390,281
Fines and forfeits	59,500			59,500
Interest earned	7,367	439	4,212	12,018
Intergovernmental revenues	395,617	1,585,178	415,153	2,395,948
Charges for services	470,796		51,466	522,262
Transfer from Cain Municipal Authority	246,278			246,278
Miscellaneous revenues	237,673	13,868	80,203	331,744
Total revenues	<u>6,823,981</u>	<u>1,599,485</u>	<u>939,088</u>	<u>9,362,554</u>
<b>EXPENDITURES</b>				
General government	22,895	80,601	0	103,496
Operating expenses	1,040,750		47,811	1,088,561
Public safety	2,797,118	10,615	278,047	3,085,780
Codes	358,233			358,233
Public works - highways	873,440	1,715,416	764,160	3,353,016
Culture and recreation	130,455	15,081		145,536
Pension	756,745			756,745
Debt service (principal & interest)	329,994			329,994
Miscellaneous expenditures	218,551			218,551
Total expenditures	<u>6,528,181</u>	<u>1,821,713</u>	<u>1,090,018</u>	<u>9,439,912</u>
Excess (deficiency) of revenues over expenditures	<u>295,800</u>	<u>(222,228)</u>	<u>(150,930)</u>	<u>(77,358)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	(51,376)	0	109,000	57,624
Proceeds from sale of fixed assets			96,084	96,084
Total other financing sources (uses)	<u>(51,376)</u>	<u>0</u>	<u>205,084</u>	<u>153,708</u>
Net change in fund balances	244,424	(222,228)	54,154	76,350
Fund balance—January 1, 2016	<u>1,755,985</u>	<u>162,716</u>	<u>1,034,384</u>	<u>2,953,085</u>
Fund balance—December 31, 2016	<u>\$ 2,000,409</u>	<u>\$ (59,512)</u>	<u>\$ 1,088,538</u>	<u>\$ 3,029,435</u>

**CALN TOWNSHIP**

**Reconciliation of Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016**

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**Total net change in fund balances - governmental funds** \$ 76,350

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

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

Capital outlays	\$ 3,560,308	
Depreciation expense	<u>(996,098)</u>	2,564,210

Change in net position of the internal service fund reported in the governmental activities. (12,067)

Pension expenses in the statement of activities differs from the amount reported in the governmental funds because the pension expense is recognized based on the liability to the plans, whereas pension expenditures in the governmental funds are based on the amount actually paid. (5,984)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (277,553)

Expenditures in the statement of activities that do not provide current financial uses are not reported as expenditures in the funds. 53,357

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 225,000

Change in net position of governmental activities. \$ 2,623,313

**CALN TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance--Budget and Actual--General Fund**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,913,192	\$ 4,913,192	\$ 5,016,469	\$ 103,277
Licenses and permits	390,000	390,000	390,281	281
Fines and forfeits	70,000	70,000	59,500	(10,500)
Interest earned	3,500	3,500	7,367	3,867
Intergovernmental revenues	372,400	372,400	395,617	23,217
Charges for services	385,339	385,339	470,796	85,457
Transfer from Authority	250,000	250,000	246,278	(3,722)
Miscellaneous revenues	196,270	196,270	237,673	41,403
Total revenues	<u>6,580,701</u>	<u>6,580,701</u>	<u>6,823,981</u>	<u>243,280</u>
<b>EXPENDITURES</b>				
General government	21,894	21,894	22,895	(1,001)
Operating expenses	1,002,315	1,002,315	1,040,750	(38,435)
Public safety	2,878,655	2,878,655	2,797,118	81,537
Codes	339,944	339,944	358,233	(18,289)
Public works - highways	937,588	937,588	873,440	64,148
Culture and recreation	150,190	150,190	130,455	19,735
Pension	756,745	756,745	756,745	0
Debt service (principal & interest)	329,994	329,994	329,994	0
Miscellaneous expenditures	237,000	237,000	218,551	18,449
Total expenditures	<u>6,654,325</u>	<u>6,654,325</u>	<u>6,528,181</u>	<u>126,144</u>
Excess (deficiency) of revenues over expenditures	<u>(73,624)</u>	<u>(73,624)</u>	<u>295,800</u>	<u>369,424</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	<u>73,624</u>	<u>73,624</u>	<u>(51,376)</u>	<u>(125,000)</u>
Total other financing sources (uses)	<u>73,624</u>	<u>73,624</u>	<u>(51,376)</u>	<u>(125,000)</u>
Net change in fund balances	0	0	244,424	244,424
Fund balance—January 1, 2016	<u>1,755,985</u>	<u>1,755,985</u>	<u>1,755,985</u>	<u>0</u>
Fund balance—December 31, 2016	<u>\$ 1,755,985</u>	<u>\$ 1,755,985</u>	<u>\$ 2,000,409</u>	<u>\$ 244,424</u>

**CALN TOWNSHIP**  
**Statement of Net Position--Proprietary Fund**  
**December 31, 2016**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal Service</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 0	\$ 469,686	\$ 469,686	\$ 143,801
Accounts receivable		366,102	366,102	
Prepaid expenses	18,873		18,873	
Inventories	13,706		13,706	
Total current assets	<u>32,579</u>	<u>835,788</u>	<u>868,367</u>	<u>143,801</u>
<b>Noncurrent assets</b>				
Land	1,000,000		1,000,000	
Buildings and improvements (net)	987,393		987,393	
Machinery & equipment (net)	143,136	106,867	250,003	
Total noncurrent assets	<u>2,130,529</u>	<u>106,867</u>	<u>2,237,396</u>	
<b>Deferred Outflow of Resources</b>				
Deferred pension contribution	35,295	7,597	42,892	
Total assets	<u>\$ 2,198,403</u>	<u>\$ 950,252</u>	<u>\$ 3,148,655</u>	<u>\$ 143,801</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Cash overdraft	\$ 203,629	\$	\$ 203,629	\$
Accounts payable	4,781	6,666	11,447	4,592
Interest payable	11,014		11,014	
Accrued salaries and benefits	4,262	1,240	5,502	
Deferred revenue	18,045		18,045	
Current portion of capital lease payable	27,588		27,588	
Current portion of bonds payable	105,000		105,000	
Total current liabilities	<u>374,319</u>	<u>7,906</u>	<u>382,225</u>	<u>4,592</u>
<b>Noncurrent liabilities</b>				
Capital lease payable	37,624		37,624	
Bonds payable	1,795,000		1,795,000	
Net pension liability	90,740	19,530	110,270	
Total noncurrent liabilities	<u>1,923,364</u>	<u>19,530</u>	<u>1,942,894</u>	
Total liabilities	<u>2,297,683</u>	<u>27,436</u>	<u>2,325,119</u>	<u>4,592</u>
<b>NET POSITION</b>				
Invested in capital assets net of related debt	165,317	106,867	272,184	
Unrestricted	(264,597)	815,949	551,352	139,209
Total net position	<u>(99,280)</u>	<u>922,816</u>	<u>823,536</u>	<u>139,209</u>
Total liabilities and net position	<u>\$ 2,198,403</u>	<u>\$ 950,252</u>	<u>\$ 3,148,655</u>	<u>\$ 143,801</u>

**CALN TOWNSHIP**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position--Proprietary Fund**  
**For the Year Ended December 31, 2016**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal Service</u>
<b>OPERATING REVENUES</b>				
Fees and charges	\$ 644,266	\$ 1,241,419	\$ 1,885,685	\$ 13,000
Transfers		(9,624)	(9,624)	
Total operating revenues	<u>644,266</u>	<u>1,231,795</u>	<u>1,876,061</u>	<u>13,000</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	276,898	60,344	337,242	
Employee benefits	59,777	31,589	91,366	25,560
Contractor expense		663,400	663,400	
Fees		270,888	270,888	
Supplies	132,040		132,040	
Maintenance	35,187		35,187	
Utilities	15,952		15,952	
Administrative and general	25,792	93,042	118,834	
Pension expense	8,295	762	9,057	
Depreciation	88,628	53,435	142,063	
Total operating expenses	<u>642,569</u>	<u>1,173,460</u>	<u>1,816,029</u>	<u>25,560</u>
Net operating revenue (expenses)	<u>1,697</u>	<u>58,335</u>	<u>60,032</u>	<u>(12,560)</u>
<b>NON-OPERATING REVENUES/EXPENSES</b>				
Interest income		5,488	5,488	493
Interest expense	(48,139)		(48,139)	
Net non-operating revenue (expenses)	<u>(48,139)</u>	<u>5,488</u>	<u>(42,651)</u>	<u>493</u>
Change in net position	(46,442)	63,823	17,381	(12,067)
Total net position - January 1, 2016	<u>(52,838)</u>	<u>858,993</u>	<u>806,155</u>	<u>151,276</u>
Total net position - December 31, 2016	<u>\$ (99,280)</u>	<u>\$ 922,816</u>	<u>\$ 823,536</u>	<u>\$ 139,209</u>

**CALN TOWNSHIP**  
**Statement of Cash Flows--Proprietary Fund**  
**For the Year Ended December 31, 2016**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Internal Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from users	\$ 647,100	\$ 1,230,554	\$ 13,000
Cash payments to employees for services	(337,816)	(91,704)	
Cash payments to suppliers for goods and services	<u>(107,875)</u>	<u>(1,040,251)</u>	<u>(21,603)</u>
Net cash provided (used for) by operating activities	<u>201,409</u>	<u>98,599</u>	<u>(8,603)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash paid for purchase of equipment	(14,400)	0	0
Principal paid on capital lease	(38,870)		
Principal paid on bond	(100,000)		
Interest paid	<u>(48,139)</u>		
Net cash used for capital and related financing activities	<u>(201,409)</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>0</u>	<u>5,488</u>	<u>493</u>
Net cash provided by investing activities	<u>0</u>	<u>5,488</u>	<u>493</u>
Net increase (decrease) in cash and cash equivalents	0	104,087	(8,110)
Cash and cash equivalents beginning of year	<u>0</u>	<u>365,599</u>	<u>151,911</u>
Cash and cash equivalents at year end	<u>\$ 0</u>	<u>\$ 469,686</u>	<u>\$ 143,801</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 1,697	\$ 58,335	\$ (12,560)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	88,628	53,435	
Increase in accounts receivable		(10,865)	
Increase in prepaid expenses	(18,873)		
Decrease in inventory	4,593		
Deferred pension outflows	(23,396)	(4,779)	
Increase in bank overdraft	111,215		
Increase (decrease) in accounts payable	1,881	(3,297)	3,957
Increase in accrued salaries benefits	1,141	230	
Increase in deferred revenue	2,834		
Increase in net pension liability	<u>31,689</u>	<u>5,540</u>	
Total adjustments	<u>199,712</u>	<u>40,264</u>	<u>3,957</u>
Net cash provided by (used for) operating activities	<u>\$ 201,409</u>	<u>\$ 98,599</u>	<u>\$ (8,603)</u>

**CALN TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**December 31, 2016**

	Police Pension Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 394,113	\$ 541,632
Accounts receivable	17,203	
Investments	<u>6,310,077</u>	
Total assets	<u>\$ 6,721,393</u>	<u>\$ 541,632</u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>0</u>	\$ <u>541,632</u>
Total liabilities	<u>0</u>	<u>541,632</u>
<b>NET POSITION</b>		
Net position held in-trust for pension benefits	<u>6,721,393</u>	<u>0</u>
Total net position	<u>6,721,393</u>	<u>0</u>
Total liabilities and net position	<u>\$ 6,721,393</u>	<u>\$ 541,632</u>

**CALN TOWNSHIP**  
**Statement of Changes in Net Position-Fiduciary Funds**  
**For the Year Ended December 31, 2016**

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	Police Pension Trust
<b>ADDITIONS</b>	
Contributions	
State aid	\$ 157,487
Municipal	388,901
Member	<u>93,087</u>
Total contributions	<u>639,475</u>
Investment and other income	
Investment income	<u>488,678</u>
Total additions	<u>1,128,153</u>
<b>DEDUCTIONS</b>	
Benefits paid directly to participants	314,207
Administrative expenses	<u>10,026</u>
Total deductions	<u>324,233</u>
Net changes in fund balance	803,920
Net position available for benefits—beginning of year	<u>5,917,473</u>
Net position available for benefits—end of year	<u>\$ <u>6,721,393</u></u>

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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**1. Summary of Significant Accounting Policies**

The accounting policies of Caln Township (the Township) conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. Organization**

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in the Township of Caln. The Township receives funding from local, county, and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Township commissioners are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Township has a corresponding Municipal Authority. The Authority is a component unit because the Township appoints the governing body of the Authority. The Authority is also considered a component unit because the Authority has the potential to provide financial benefits to, or impose financial burden on, the Township.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and for the two business-type activities of the Township. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

**Fund Financial Statements**

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund and the capital project funds are the Township's major governmental funds.

**General Fund**

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

**Special Revenue Funds**

Special Revenue Funds generally account for the expenditure of revenues that have been restricted to specific programs or projects.

Liquid Fuels Fund – The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

Street Light Fund – The Street Light Fund is used to account for the revenues received from the residents on several streets in the Township that have dedicated street lights.

**Capital Reserve Funds**

Capital Reserve Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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**Internal Service Funds**

Internal Service Funds are used to account for goods or services provided by a central service department or agency to other departments or agencies of the governmental unit, usually on a cost recovery basis.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the Township's proprietary funds:

**Solid Waste Fund**

The Solid Waste Fund is used to account for the operations of the solid waste collection operations in the Township. The solid waste collection system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

**Golf Fund**

The Golf Fund is used to account for the operations of the Township's golf course. The golf course is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered through user charges.

**Fiduciary Funds**

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals. Fiduciary Funds are custodial in nature and do not involve measurement of results of operations.

**D. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred regardless of the timing of the related cash flows. All assets and all liabilities associated with the operation of the Township are included on the statement of net position while excluding fiduciary activities.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using the flow of economic resources measurement focus.

**E. Basis of Accounting**

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues—Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Township receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, and interest.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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**Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2016, but will be collected after March 1, 2017, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds. When an expenditure is incurred for purposes for which both restricted and unrestricted balances are available, the Township considers restricted funds to have been spent first.

**F. Budgets**

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Commissioners is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance by the Board of Commissioners.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Commissioners. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and are reflected in the official minutes of the Board. Appropriations lapse at year end.

**G. Cash and Cash Equivalents and Investments**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months at the time they are issued are reported as investments.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**I. Interfund Receivables/Payables**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-type activities are eliminated on the government-wide statement of net position.

**J. Property Tax**

Property taxes are attached as an enforceable lien on property as of December 31. Taxes are levied on following periods:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

**K. Compensated Absences**

The Township has no benefits which qualify as compensated absences.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15-40 years
Buildings and Building Improvements	15-40 years
Infrastructure	40-50 years
Furniture and Fixtures	5-20 years
Vehicles	5-15 years
Equipment	5-20 years

**M. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**N. Net Position/Fund Balances**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township, or through external restrictions imposed by creditors, grantors, and laws and regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the Township not restricted for any project or other purpose.

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The Township has implemented 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 the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Directors and do not lapse at year-end. To be 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 Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The details of the fund balances are included in the Governmental Funds balance sheet (page 6). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes, but does not meet the criteria to be classified as restricted or committed.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are from the sewer fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

**CALN TOWNSHIP**  
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**Q. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Fund Balance Reserves**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**S. Inventory**

Inventory consists of retail merchandise at the golf course. Inventory is stated at the lower of cost or market using the first-in, first-out method.

**2. Fixed Assets**

Fixed asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 3,203,853	\$ 7,794	\$ 0	\$ 3,211,647
Construction in Progress	29,109	1,556,102		1,585,211
Total capital assets not being depreciated	<u>3,232,962</u>	<u>1,563,896</u>	<u>0</u>	<u>4,796,858</u>
Capital assets being depreciated:				
Buildings & Improvements	2,379,873	21,600		2,401,473
Infrastructure	22,847,555	1,588,949		24,436,504
Vehicles	3,450,168	334,691	165,265	3,619,594
Machinery & equipment	754,827	51,172	18,390	787,609
Total capital assets being depreciated	<u>29,432,423</u>	<u>1,996,412</u>	<u>183,655</u>	<u>31,245,180</u>
Total capital assets	<u>32,665,385</u>	<u>3,560,308</u>	<u>183,655</u>	<u>36,042,038</u>
Accumulated depreciation for:				
Buildings & improvements	1,367,458	73,343		1,440,801
Infrastructure	11,111,964	682,795		11,794,759
Vehicles	2,335,705	188,933	165,265	2,359,373
Machinery & equipment	499,642	51,027	18,390	532,279
Total accumulated depreciation	<u>15,314,769</u>	<u>996,098</u>	<u>183,655</u>	<u>16,127,212</u>
Net capital assets for Governmental activities	<u>\$ 17,350,616</u>	<u>\$ 2,564,210</u>	<u>\$ 0</u>	<u>\$ 19,914,826</u>

**CALN TOWNSHIP**  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Total capital assets not being depreciated	1,000,000	0	0	1,000,000
Capital assets being depreciated:				
Buildings & improvements	1,359,049	14,400		1,373,449
Machinery & equipment	890,024	35,055		925,079
Total capital assets being depreciated	2,249,073	49,455	0	2,298,528
Total capital assets	3,249,073	49,455	0	3,298,528
Accumulated depreciation for:				
Buildings & improvements	346,730	39,326	0	386,056
Machinery & equipment	572,338	102,738		675,076
Total accumulated depreciation	919,068	142,064	0	1,061,132
Net capital assets for business-type activities	\$ 2,330,005	\$ (92,609)	\$ 0	\$ 2,237,396

**3. Interfund Receivables/Payables and Transfers**

At December 31, 2016, there were no short-term receivables or payables.

Interfund transfers for the year ending December 31, 2016, are as follows:

	Transfers In	Transfers Out
General Fund	\$ 94,624	\$ 146,000
Light Fund	9,000	
Solid Waste Fund		129,624
Open Space Program		25,000
Sewer Equipment Fund	60,000	
Equipment Replacement Fund	125,000	
Fire Fund		55,000
Fire Equipment Fund	55,000	
Internal Service Fund	12,000	
Totals	\$ 355,624	\$ 355,624

The transfers in and transfers out were in accordance with the transfers approved in the budget process.

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**4. Employee Pension Plans**

The Township's employee retirement plans are defined benefit plans covering substantially all full-time employees of the Township. The Township has two separate plans covering the police and the non-uniformed employees. The Township administers the Police Pension Plan. The Pennsylvania Municipal Retirement System (PMRS) manages the Non-Uniformed Pension Plan.

As of December 31, 2016, retirement plan membership consisted of:

	<u>Police</u>	<u>Non-Uniform Employees</u>
Retirees	10	11
Terminated employees entitled to, but not receiving, benefits		2
Current employees: vested and non-vested	<u>20</u>	<u>31</u>
Total membership	<u>30</u>	<u>44</u>
2016 covered payroll	\$ <u>1,721,282</u>	\$ <u>1,648,354</u>
Ratio of UAL to annual covered payroll	<u>1.99</u>	<u>1.34</u>

The police pension plan financial results are presented in the fiduciary section of this report. The Non-Uniform Plan results are included in the report of Pennsylvania Municipal Retirement System.

All employees are eligible to participate in the plans after six months of employment. As of December 31, 2016, all police and non-uniformed employees were participating in their respective plans. The plans are authorized and enacted under authority of Act 205 of Pennsylvania and local ordinances. Retirement benefits are as follows:

**Police**—retirement at age 52 with 25 years of service with monthly benefits of 50% of the average monthly compensation. There are death, disability, and surviving spouse benefits. Mandatory contributions are five percent of salary. The participants are eligible for 100% vesting upon completion of 12 years of service.

**Non-Uniformed employees**—retirement at age 60 with monthly benefits of years of service times the final salary times 2%, limited to 50% of final salary (average of final 5 years salary). There are early retirement provisions with reduced benefits. There are limited death benefits. The plan vests after 12 years of service.

Funding Status, Progress, and Policy are as follows:

The amount shown as "Total actuarial present value of accumulated plan benefits" is a disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure for the plans is the actuarial accrued liability produced by the Entry Age Normal Actuarial Cost Method. This method is used for plan funding and is allowed, in lieu of the standardized measure, for smaller municipalities. It is intended

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to help users assess the Pension Plan's funding status on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among Pennsylvania Municipal Retirement System (PMRS).

Accumulated Plan Benefits are those future periodic payments including lump-sum distributions that are attributable under the plan's provisions to the services employees have rendered. Significant actuarial assumptions utilized in the determination of accumulated plan benefits are as follows:

**Police** (January 1, 2016, actuarial valuation date):

- Actuarial cost method—Entry age normal
- Amortization method—Level dollar, closed
- Remaining amortization period—11 years (aggregate)
- Asset valuation method—4-year smoothing
- Inflation—3.0%
- Salary increases—5.0% including inflation
- Investment rate of return—7.0% net of investment expenses
- Mortality table—RP2000 Combined Healthy Mortality Table

**Non-Uniformed employees** (January 1, 2016, actuarial valuation date):

- Actuarial cost method—Entry age normal
- Amortization method—Level dollar, closed
- Remaining amortization period—12.55 years
- Asset valuation method—Fair value
- Actuarial assumptions:
  - Investment rate of return—5.5%
  - Projected salary increases—6.4%

The actuarial present value of accumulated plan benefits and the net assets available for benefits are as follows:

	Police Pension Fund December 31, 2016	Non-Uniformed Pension Fund January 1, 2015
	<u>                    </u>	<u>                    </u>
Actuarial accrued liability	\$ 10,153,685	\$ 5,963,914
Net assets available for benefits	\$ 6,721,393	\$ 4,729,770
Unfunded actuarial accrued liability	\$ 3,432,292	\$ 1,234,144

Investments are shown at market value. Ten-year historical trend information is not available.

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The Township funds the plans with the actuarially determined normal costs plus the amortized unfunded liability each year. In 2016, they were as follows:

	<u>Normal Costs</u>	<u>Contributions Made</u>
Police Plan	\$ 546,380	\$ 546,380
Non-uniformed employees	\$ 210,357	\$ 210,357

**Non-Uniformed Employees** - At December 31, 2016, Caln Township reported a liability of \$1,234,144 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of December 31, 2014 and December 31, 2015.

For the year ended December 31, 2016, the Township recognized pension expense of \$210,357. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 38,619	\$ 0
Change in assessment	37,626	
Difference between employer contributions and proportionate share of total contributions	<u>403,804</u>	
Total	\$ <u>480,049</u>	\$ <u>0</u>

Deferred outflows of resources were reported as \$480,049, resulting from the Township's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
Year 2016	\$ 119,845
Year 2017	\$ 119,845
Year 2018	\$ 119,845
Year 2019	\$ 91,517
Year 2020	\$ 11,812
Thereafter	\$ 17,185

\*PMRS measures deferred outflows of resources one year in arrears.

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The discount used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Caln Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (4.50%), or one percent higher (6.50%) than the current rate.

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net Pension Liability	\$ <u>1,989,788</u>	\$ <u>1,234,144</u>	\$ <u>595,325</u>

**Police Pension** - At December 31, 2016, Caln Township reported a liability of \$3,432,292 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of December 31, 2015.

For the year ended December 31, 2016, the Township recognized pension expense of \$546,388. At December 31, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Differences between expected and actual experience	\$ 0	\$ 77,361
Change in assumptions	385,815	
Net difference between projected and actual earnings on pension plans investments	<u>202,591</u>	<u>90,174</u>
Total	\$ <u>588,406</u>	\$ <u>167,535</u>

\*Deferred outflows and inflows of resources are measured on the current year

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Amounts reported as deferred outflows of resources (+) and deferred inflows (-) of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>		
Year 2016	\$	100,068
Year 2017	\$	100,068
Year 2018	\$	100,066
Year 2019	\$	32,535
Year 2020	\$	55,080
Thereafter	\$	33,054

The discount used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Caln Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00%), or one percent higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ <u>4,794,133</u>	\$ <u>3,432,292</u>	\$ <u>2,296,575</u>

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
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**5. Excess of Expenditures Over Appropriations**

The general fund incurred expenditures over appropriations in the following amounts for the year ended December 31, 2016:

General government	\$ 1,001
Operating expenses	\$38,435
Codes	\$18,289

The excess expenditures were covered by savings in other appropriations.

**6. Fund Balance**

**Restricted**

The Township has set aside \$1,028,762 for future capital expenditures such as repairs, additions to municipal buildings, highway construction, etc. and for open space. As of December 31, 2016, the Township has set aside \$885,265 for capital expenditures and \$143,497 for open space programs.

**7. Deposits and Investments**

**Deposits**

**Custodial credit risk**—Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned to it. At year end, the total carrying amount of the Township's checking, savings, money market deposits was \$4,387,496; and the corresponding bank balances were \$4,133,617. Of the bank balance, \$500,000 was covered by Federal Depository Insurance, and the balance was collateralized under Act 72 through pools of securities held by the respective depository institutions. There is no custodial credit risk.

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**Notes to Financial Statements**  
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**Investments**

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts, institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

**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 no investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk**—The Township places no limit on the amount the Township may invest in any one issuer.

**The Police Pension Plan** is managed by an investment advisor and is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

**Interest Rate Risk**— This is the risk that a change in interest rates will adversely affect fair value of an investment. The Plan has no investment policy for interest rate risk. The maturities of the plan's debt investments are:

Investment Type	<u>Investment Maturities in Years</u>				
	Fair Value	Less than 1	1-5.99	6-10	More than 10
U.S. Agency Securities	\$ 24,610	\$ 0	\$ 0	\$ 0	\$ 24,610
Corporate debt	910,847	55,026	627,439	228,382	
Total	\$ 935,457	\$ 55,026	\$ 627,439	\$ 228,382	\$ 24,610

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**Credit Risk**—This is the risk that an issuer will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are:

Investment Type	Fair Value	Credit Rating
Money Funds	\$ 100,897	Not rated
U.S. Agency Securities	\$ 24,609	Not rated
Corporate debt	\$ 78,690	AAA
Corporate debt	\$ 319,030	AA
Corporate debt	\$ 349,341	A
Corporate debt	\$ 163,786	BBB
Total	\$ 1,036,353	

**Concentration of Credit Risk**—This is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2016, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represents 5% or more of Fiduciary Net Position.

The Police Pension Plan's investments consist of:

Cash and money market funds	\$ 102,450
Certificates of deposit	374,793
Corporate bonds	910,847
Mortgage pools	24,610
Equities	3,579,787
Options	(58,617)
Other assets	<u>1,478,657</u>
Total	<u>\$ 6,412,527</u>

**CALN TOWNSHIP**  
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Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2016
Cash and money market funds	\$ 102,450	\$ 0	\$ 0	\$ 102,450
Certificates of deposit		374,793		374,793
Corporate bonds		910,847		910,847
Mortgage pools		24,610		24,610
Equities	3,579,787			3,579,787
Options		(58,617)		(58,617)
Other assets			1,478,657	1,478,657
<b>Totals</b>	<b>\$ 3,682,237</b>	<b>\$ 1,251,633</b>	<b>\$ 1,478,657</b>	<b>\$ 6,412,527</b>

**8. Statement of Borrowing Base**

The borrowing base of the Township is calculated as follows:

<u>Total Net Revenues (gross revenues less exclusions)</u>	
Year 2014	\$ 6,769,329
Year 2015	7,383,529
Year 2016	<u>7,884,257</u>
Total net revenues (last 3 years)	<u>22,037,115</u>
Average net revenues	7,345,705
Base percent per Act 185	<u>X 250%</u>
Total non-electoral debt allowance	<u>\$ 18,364,263</u>

**9. Unemployment Compensation**

The Township has elected the reimbursement method of paying unemployment compensation benefits. This method requires the Township to reimburse the State Unemployment Compensation Fund on a dollar-for-dollar basis for all claims and other charges made to its account. Repayments are made quarterly for claims paid by the state. The Township has incurred \$15,812 of claims for the year-ended December 31, 2016.

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**10. Bonds Payable**

	Balance <u>1/1/16</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/16</u>
Series 2013 \$7,480,000 originally issued with interest rates from 0.25% - 3.05%				
Government Obligations	\$ 4,550,000	\$ 0	\$ 225,000	\$ 4,325,000
Golf Fund Obligations	<u>2,000,000</u>		<u>100,000</u>	<u>1,900,000</u>
Totals	\$ <u>6,550,000</u>	\$ <u>0</u>	\$ <u>325,000</u>	\$ <u>6,225,000</u>

The Township has pledged its full faith, credit, and taxing powers as collateral for the note.

The following table shows the maturities and interest requirements for the Governmental Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 230,000	\$ 100,194	\$ 330,194
2018	240,000	95,594	335,594
2019	240,000	90,794	330,794
2020	240,000	85,994	325,994
2021	250,000	81,193	331,193
2022-2026	1,325,000	329,069	1,654,069
2027-2031	1,475,000	175,662	1,650,662
2032	<u>325,000</u>	<u>9,750</u>	<u>334,750</u>
Total	\$ <u>4,325,000</u>	\$ <u>968,250</u>	\$ <u>5,293,250</u>

The following table shows the maturities and interest requirements for the Golf Fund:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 105,000	\$ 44,056	\$ 149,056
2018	100,000	41,956	141,956
2019	105,000	39,956	144,956
2020	110,000	37,856	147,856
2021	110,000	35,656	145,656
2022-2026	575,000	144,883	719,883
2027-2031	655,000	77,675	732,675
2032	<u>140,000</u>	<u>4,200</u>	<u>144,200</u>
Total	\$ <u>1,900,000</u>	\$ <u>426,238</u>	\$ <u>2,326,238</u>

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The following is a summary of bond maturities and interest requirements:

Year Ending December 31,	Principal	Interest	Total Requirements
2017	\$ 335,000	\$ 144,250	\$ 479,250
2018	340,000	137,550	477,550
2019	345,000	130,750	475,750
2020	350,000	123,850	473,850
2021	360,000	116,849	476,849
2022-2026	1,900,000	473,952	2,373,952
2027-2031	2,130,000	253,337	2,383,337
2032	465,000	13,950	478,950
Total	\$ <u>6,225,000</u>	\$ <u>1,394,488</u>	\$ <u>7,619,488</u>

**11. Capitalized Leases Payable**

The Township had capitalized lease obligations related to equipment purchases of:

	Cost	Accumulated Depreciation	Book Value
Governmental activities	\$ 713,207	\$ 177,064	\$ 536,143
Business type activities	<u>157,680</u>	<u>44,422</u>	<u>113,258</u>
Total	\$ <u>870,887</u>	\$ <u>221,486</u>	\$ <u>649,401</u>

These amounts are included in the property and equipment account on the balance sheet. Amortization of the capitalized cost of the equipment is charged to depreciation expense.

**CALN TOWNSHIP**  
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Future minimum payments under capitalized lease obligations are due as follows:

Year Ending December 31,	Governmental Funds	Proprietary Funds	Total Requirements
2017	\$ 124,792	\$ 33,671	\$ 158,463
2018	124,792	33,672	158,464
2019	86,691		86,691
2020	76,078		76,078
2021	55,528		55,528
Total	467,881	67,343	535,224
Less interest	32,236	2,131	34,367
Outstanding principal	435,645	65,212	500,857
Less current portion	111,904	27,588	139,492
Long-term portion	\$ 323,741	\$ 37,624	\$ 361,365

**12. Commitments and Contingencies**

The Township received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Township as of December 31, 2016.

Caln Township has received Federal and State highway construction grants totaling \$1,948,800 for the construction of a bridge in the Township. The Township has awarded contracts totaling \$1,618,459 of which \$1,556,102 was expended in 2016.

**13. Deficit Net Position**

The Township's proprietary funds include the operations of the Ingleside Golf Course. For 2016, the golf course expenditures exceeded revenues. The resulting deficit fund balance is \$99,280 at December 31, 2016. The Township has implemented plans to eliminate the deficit which include increasing usage of the course with additional marketing, improving the course, and restructuring the fees.

**14. Caln Township Municipal Authority – A Component Unit**

The Authority is a municipal authority formed for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construct, finance, improve, maintain, operate, own, and lease the sewer system within Caln Township. The Authority receives funding through user fees, grants, borrowings, and other sources. All of the funds collected go towards programs of the Authority. The Authority is governed by a five-member Board. The Township has determined that the Authority is a component unit of Caln Township.

The Authority is presented in these financial statements as a discretely presented component unit. The Authority's financial information may be obtained at the Authority's office.

**15. Post-Employment Healthcare Plan**

The Township adheres to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits provided by the Township. This statement generally provides for prospective implementation, (e.g., that employers set the beginning net Other Post-employment Benefits (OPEB) obligation at zero as of the beginning of the initial years). Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits at the date of transition.

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The plan does not issue a financial report and is not included in the financials of any public employee retirement system or other entity.

*The plan has been terminated.* Only employees eligible for benefits before termination of the plan are able to receive benefits. The benefits for the two remaining eligible retirees are to receive a maximum benefit of \$500 per month until the retiree reaches age 65.

**Funding Policy**

The contribution requirements of plan members are established by, and may be amended by, the Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to be prefunded as determined annually by the Commissioners. As of December 31, 2016, the Township has not designated any funds specifically for these benefits.

**Annual OPEB Cost and Net OPEB Obligation**

The Township's annual other post-employment benefit cost (expense) is calculated in accordance with GASB Statement No. 45 for a small plan. The plan provides a maximum benefit of \$500 per month for health care costs until the participant reaches age 65. The plan was terminated upon the renegotiation of the police contract effective for 2015. Retirees in the plan upon termination of the plan will continue to receive benefits. No new participants will be allowed.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2016**

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The Township's calculation of the maximum benefit cost to the Township is \$64,092 based on a discount rate of 2%. If the discount rate is changed to 1.0% or 3%, the maximum benefit cost to the township would be \$66,846 or \$61,338, respectively.

**16. Excess of Expenditures Over Appropriations**

The general fund incurred expenditures in excess of appropriations in the following amount for the year ended December 31, 2016:

General Government	\$ 1,001
Operating Expenses	38,435
Codes	18,289

The excess expenditures were covered by savings in other budgeted line items.

**17. Subsequent Event**

The Township has evaluated all events subsequent to the financial statement date of December 31, 2016, through October 12, 2017, which is the date these financial statements were available to be issued.

**18. Going Concern-Golf Course**

The Golf Course has suffered recurring losses from operations and has a net position deficiency that raises substantial doubts about its ability to continue as a going concern. Management is reviewing the operations of the golf course including the revenue stream and the expenses along with other options to improve the financial performance of the golf course and maintain its operations. The township has no plans to discontinue the operations of the golf course.

**19. Implementation of GASB Statement**

During the year ended December 31, 2016, the Township implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No.72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as, improving disclosures related to all fair value measurements. This statement did not significantly impact the Township's financial statements, but did result in enhanced disclosure of the fair valuation of the Township's investments.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**CALN TOWNSHIP**  
**Required Supplemental Information**  
**December 31, 2016**

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SCHEDULE OF FUNDING PROGRESS  
POLICE PENSION PLAN

Historical trend information about the plan is presented herewith as required supplemental information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is below. The three most recent valuations are required. The Township is required to have an actuarial valuation done once every two years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
01-01-11	4,064,598	6,253,446	2,188,848	65.0%	1,413,192	154.9%
01-01-13	4,371,581	7,152,025	2,780,444	61.1%	1,607,976	172.9%
01-01-15	5,478,678	8,835,665	3,356,987	62.0%	1,721,282	195.0%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

**CALN TOWNSHIP**  
**Required Supplemental Information**  
**December 31, 2016**

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SCHEDULE OF INVESTMENT RETURNS  
POLICE PENSION PLAN

Annual money-weighted rate of return, net of investment expenses that are not funded through the MMO.

2014	5.99%
2015	0.91%
2016	8.95%

**CALN TOWNSHIP**  
**Required Supplemental Information**  
**December 31, 2016**

---

SCHEDULE OF FUNDING PROGRESS  
NON-UNIFORM PENSION PLAN

Historical trend information about the plan is presented herewith as required supplemental information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is below. The three most recent valuations are required. The Township is required to have an actuarial valuation done once every two years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
01-01-11	4,066,813	4,291,959	225,146	94.8%	1,732,637	13.0%
01-01-13	4,583,765	5,057,934	474,169	90.6%	1,587,411	29.9%
01-01-15	5,000,771	5,963,914	963,143	83.9%	1,648,354	58.4%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

**CALN TOWNSHIP**  
**Required Supplemental Information**  
**December 31, 2016**

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SCHEDULE OF INVESTMENT RETURNS  
NON-UNIFORM PENSION PLAN

Annual money-weighted rate of return, net of investment expenses that are not funded through the MMO.

2013	5.04%
2014	2.50%
2015	-2.60%

**CALN TOWNSHIP**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Revenue 12/31/2015	Federal Grant Receipts	Federal Grant Expenditures	Accrued (Unearned) Revenue 12/31/2016	Passed Through to Subrecipients
<b>INDIRECT:</b>								
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>								
Passed through the Commonwealth of Pennsylvania Department of Transportation								
Highway Planning and Construction (Federal-Aid Highway)	I	20.205	68239	\$ 0	\$ 1,237,963	\$ 1,244,882	\$ 6,919	\$ 0
Total CFDA #20.205				0	1,237,963	1,244,882	6,919	0
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>				<b>0</b>	<b>1,237,963</b>	<b>1,244,882</b>	<b>6,919</b>	<b>0</b>
<b>TOTAL FEDERAL AWARDS</b>				<b>\$ 0</b>	<b>\$ 1,237,963</b>	<b>\$ 1,244,882</b>	<b>\$ 6,919</b>	<b>\$ 0</b>

Source Codes:

- D - Direct Funding
- I - Indirect Funding

**Notes to Schedule of Expenditures of Federal Awards**

**Federal Expenditures**

The Schedule of Expenditures of Federal Awards reflects the activity of all federal award programs of the Township received directly from federal agencies as well as those passed through other governmental agencies.

**Basis of Accounting**

The Township uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

**Indirect Cost Rate**

The Township did not use the federal de minimis indirect cost rate of 10 percent on their federal grants for the year ended December 31, 2016.

27 South High Street  
West Chester, PA 19382-3224

voice: 610-692-0910  
fax: 610-692-7260  
e-mail: mcl@maulo.com

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Commissioners  
Caln Township, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparison information, and the aggregate remaining fund information of Caln Township, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Caln Township's basic financial statements and have issued our report thereon dated October 12, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses—Finding numbers 2016-002 and 2016-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency—Finding number 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Caln Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

### **Caln Township's Response to Findings**

Caln Township's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Caln Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



October 12, 2017  
West Chester, Pennsylvania

27 South High Street  
West Chester, PA 19382-3224

voice: 610-692-0910  
fax: 610-692-7260  
e-mail: mcl@maulo.com

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

To the Board of Commissioners  
Caln Township, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Caln Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Caln Township's major federal program for the year ended December 31, 2016. Caln Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Caln Township's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caln Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Caln Township's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Caln Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2016.

## **Report on Internal Control over Compliance**

Management of Caln Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Caln Township's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Caln Township's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items, that we consider to be material weaknesses.

Caln Township's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Caln Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mauls & Company Ltd.*

October 12, 2017  
West Chester, Pennsylvania

**CALN TOWNSHIP**  
**Schedule of Findings and Recommendations**  
**December 31, 2016**

---

Part A - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> No
Noncompliance material to financial stated noted?	<u> </u> Yes	<u> X </u> No

*Federal Awards*

Internal controls over major programs

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No

Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

<u> </u> Yes	<u> X </u> No
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Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between Type A and Type B programs.

\$750,000

Auditee qualified as low-risk auditee?

<u> </u> Yes	<u> X </u> No
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**CALN TOWNSHIP**  
**Schedule of Findings and Recommendations**  
**December 31, 2016**

---

**Part B – Findings Related to the Financial Statements**

**Status of Prior Year Findings**

None

**Current Year Findings and Recommendations**

**2016-01 Fire Company Reporting – Significant Deficiency**

**Condition:** During the review of contributions to other agencies, we noted that the fire company is not providing the Township with the level or reporting required by the revised First-Class Township Code.

**Criteria:** The First-Class Township Code requires that the fire company provide the Township with an accounting of how the Township's contribution to the fire company is used.

**Effect:** The lack of adequate reporting of how the Township's funds are used raises questions about whether the funds are being used as expected.

**Recommendation:** We recommend that the Township require the fire company to provide reports to the Township that show how the Township's funds are being used and the they are being used properly.

**Management Response:** The Township is entering into a revised agreement with the Thorndale Volunteer Fire Company which requires that an annual audit be performed and submitted to the Township.

**2016-02 Segregation of Duties – Material Weakness**

**Condition:** During the audit, we noted that there was a lack of segregation of duties and a lack of cross training in the finance office. With a limited staff, employees perform overlapping tasks which reduces internal controls. Employees were not cross trained on the tasks performed by other employees. The result was that when one employee was absent, that employee's tasks were not performed. The lack of cross training reduces internal controls.

**Criteria:** There should be adequate segregation of duties in place to reduce the risks that should accounting errors and fraud occur, they would be found quickly and corrected.

**Effect:** The lack of segregation of duties increases the risks that accounting errors and fraud may not be found and corrected timely.

**Recommendation:** We recommend that the current staff and their duties be reviewed to determine if duties can be reassigned to improve internal controls. We also recommend that staffing levels in the business office be reviewed to determine whether the staffing is adequate to provide the services assigned to the finance office and to provide adequate internal controls.

**Management Response:** A new full-time Finance Director was hired and an additional accounting clerk was added in mid-2016. This provided the staff to reassign certain duties in order to achieve proper segregation and to enhance internal controls. Duties are being reassigned and staff are being crossed-trained.

**CALN TOWNSHIP**  
**Schedule of Findings and Recommendations**  
**December 31, 2016**

---

**2016-03 Internal Controls – Material Weakness**

**Condition:** During the review of cash receipts, cash disbursements, and payroll procedures, we noted that during the year, the control systems and processes were changed numerous times due to turnover of personnel (finance office staff, finance officers, and township managers). This resulted in the business office staff following procedures different from what management expected. We also noted that the procedures were not in writing.

**Criteria:** Internal controls over cash receipts, cash disbursements, and payroll procedures are crucial to insure accurate financial reporting. Also, because of the federal funds flowing through the township, the Uniform Guidance requires that the procedures and controls be written.

**Effect:** The continual change in procedures and controls resulted in a significant reduction of internal controls during the year.

**Recommendation:** We recommend that procedures and controls should be in writing as required by Uniform Guidance; and the written guidance should be revised as the procedures change. Further management should implement processes to ensure that the employees understand, and are following, the revised procedures and controls.

**Management Response:** A new full-time Finance Director was hired in mid-2016 and a new Township Manager was hired in late 2016 resulting in changes to some procedures and processes to improve internal controls. The documentation of procedures and processes is underway. Staff will be properly trained as future changes are made.

**Part C – Findings Related to the Federal Awards**

**Status of Prior Year Findings**

None

**Current Year Findings and Recommendations**

**2016-03 Internal Controls – Material Weakness**

**Condition:** During the review of cash receipts, cash disbursements, and payroll procedures, we noted that during the year, the control systems and processes were changed numerous times due to turnover of personnel (finance office staff, finance officers, and township managers). The result was that, what management understood the finance office procedures and internal controls to be, different from what the finance office personnel understood they were to do. We also noted that the procedures were not in writing.

**Criteria:** Internal controls over cash receipts, cash disbursements, and payroll procedures are crucial to insure accurate financial reporting. Also, because of the federal funds flowing through the township, the Uniform Guidance requires that the procedures and controls be written.

**Effect:** The continual change in procedures and controls resulted in a significant reduction of internal controls during the year.

**CALN TOWNSHIP**  
**Schedule of Findings and Recommendations**  
**December 31, 2016**

---

**Recommendation:** We recommend that procedures and controls should be in writing as required by Uniform Guidance; and the written guidance should be revised as the procedures change. Further management should implement processes to ensure that the employees understand, and are following, the revised procedures and controls.

**Management Response:** A new full-time Finance Director was hired in mid-2016 and a new Township Manager was hired in late 2016 resulting in changes to some procedures and processes to improve internal controls. The documentation of procedures and processes is underway. Staff will be properly trained as future changes are made.



**Caln Township**  
**Corrective Action Plan**  
**Year Ended December 31, 2016**

**Part B – Findings Related to the Financial Statements**

**Status of Prior Year Findings**

None

**Current Year Findings and Recommendations**

**2016-001 Fire Company Reporting – Significant Deficiency**

**Condition:** During the review of contributions to other agencies, we noted that the fire company is not providing the Township with the level or reporting required by the revised First-Class Township Code.

**Criteria:** The First-Class Township Code requires that the fire company provide the Township with an accounting of how the Township's contribution to the fire company is used.

**Effect:** The lack of adequate reporting of how the Township's funds are used raises questions about whether the funds are being used as expected.

**Recommendation:** We recommend that the Township require the fire company to provide reports to the Township that show how the Township's funds are being used and that they are being used properly.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action planned in response to finding:** The Township is entering into a revised agreement with the Thorndale Volunteer Fire Company which requires that an annual audit be performed and submitted to the Township.

**Name of the contact person responsible for corrective action:**

H. Charles Wilson, III, Finance Director

**Planned completion date for the corrective action plan:** December 31, 2017.

## **2016-002 Segregation of Duties – Material Weakness**

**Condition:** During the audit, we noted that there was a lack of segregation of duties and a lack of cross training in the finance office. With a limited staff, employees perform overlapping tasks which reduces internal controls. Employees were not cross trained on the tasks performed by other employees. The result was that when one employee was absent, that employee's tasks were not performed. The lack of cross training reduces internal controls.

**Criteria:** There should be adequate segregation of duties in place to reduce the risks that should accounting errors and fraud occur, they would be found quickly and corrected.

**Effect:** The lack of segregation of duties increases the risks that accounting errors and fraud may not be found and corrected timely.

**Recommendation:** We recommend that the current staff and their duties be reviewed to determine if duties can be reassigned to improve internal controls. We also recommend that staffing levels in the business office be reviewed to determine whether the staffing is adequate to provide the services assigned to the finance office and to provide adequate internal controls.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action planned in response to finding:** A new full-time Finance Director was hired, and an additional accounting clerk was added in mid-2016. This provided the staffing to reassign certain duties in order to achieve proper segregation and to enhance internal controls. Duties were reassigned, and staff are being cross-trained.

**Name of the contact person responsible for corrective action:**  
H. Charles Wilson, III, Finance Director

**Planned completion date for the corrective action plan:** Segregation of duties completed September 30, 2016, cross training to be complete by December 31, 2017.

## **2016-003 Internal Controls – Material Weakness**

**Condition:** During the review of cash receipts, cash disbursements, and payroll procedures, we noted that during the year, the control systems and processes were changed numerous times due to turnover of personnel (finance office staff, finance officers, and township managers). This resulted in the business office staff following procedures different from what management expected. We also noted that the procedures were not in writing.

**Criteria:** Internal controls over cash receipts, cash disbursements, and payroll procedures are crucial to insure accurate financial reporting. Also, because of the federal funds flowing through the township, the Uniform Guidance requires that the procedures and controls be written.

**Effect:** The continual change in procedures and controls resulted in a significant reduction of internal controls during the year.

**Recommendation:** We recommend that procedures and controls should be in writing as required by Uniform Guidance; and the written guidance should be revised as the

procedures change. Further management should implement processes to ensure that the employees understand, and are following, the revised procedures and controls.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action planned in response to finding:** A new full-time Finance Director was hired in mid-2016 and a new Township Manager was hired in late 2016 resulting in changes to some procedures and processes to improve internal controls. The documentation of procedures and processes is underway. Staff will be properly trained as future changes are made.

**Name of the contact person responsible for corrective action:**

H. Charles Wilson, III, Finance Director

**Planned completion date for the corrective action plan:** March 31, 2018.

### **Part C – Findings Related to the Federal Awards**

#### **Status of Prior Year Findings**

None

#### **Current Year Findings and Recommendations**

##### **2016-003 Internal Controls – Material Weakness**

**Condition:** During the review of cash receipts, cash disbursements, and payroll procedures, we noted that during the year, the control systems and processes were changed numerous times due to turnover of personnel (finance office staff, finance officers, and township managers). This resulted in the business office staff following procedures different from what management expected. We also noted that the procedures were not in writing.

**Criteria:** Internal controls over cash receipts, cash disbursements, and payroll procedures are crucial to insure accurate financial reporting. Also, because of the federal funds flowing through the township, the Uniform Guidance requires that the procedures and controls be written.

**Effect:** The continual change in procedures and controls resulted in a significant reduction of internal controls during the year.

**Recommendation:** We recommend that procedures and controls should be in writing as required by Uniform Guidance; and the written guidance should be revised as the procedures change. Further management should implement processes to ensure that the employees understand, and are following, the revised procedures and controls.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action planned in response to finding:** A new full-time Finance Director was hired in mid-2016 and a new Township Manager was hired in late 2016 resulting in changes to some procedures and processes to improve internal controls. The documentation of

procedures and processes is underway. Staff will be properly trained as future changes are made.

**Name of the contact person responsible for corrective action:**

H. Charles Wilson, III, Finance Director

**Planned completion date for the corrective action plan:** March 31, 2018.

If the Department of Transportation has questions regarding this plan, please call H. Charles Wilson, III at 610-384-0600, Ext.115.

**CALN TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

# CALN TOWNSHIP

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# **Maulo & Company, Ltd.**

*Certified Public Accountants*

27 South High Street  
West Chester, PA 19382-3224

voice: (610) 692-0910  
fax: (610) 692-7260  
e-mail: mcl@maulo.com

## **Independent Auditor's Report**

To the Board of Commissioners  
Caln Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison information, and the aggregate remaining fund information of Caln Township as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Caln Township's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***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, budgetary comparison information and the aggregate remaining fund information of Caln Township as of December 31, 2015, and the respective changes in

financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Emphasis of Matter***

As described in Notes 1 and 18 to the financial statement, Caln Township has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the Township's pensions. As a result, the beginning governmental activities net position have been restated. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MD&A 1 through MD&A 10 and budgetary comparison information on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Mauck & Company, Ltd.*

West Chester, Pennsylvania  
November 10, 2016

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**

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This discussion and analysis of Caln Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements, and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

**FINANCIAL HIGHLIGHTS**

Revenue for the General Fund totaled \$6,589,703 compared to the \$6,284,067 received in 2014. The increase in revenue of \$305,636 was primarily due to an increase in tax revenue partially offset by decreases in licenses and permits and in charges for services due to the decline in revenue from the contract with Valley Township for consulting services. Miscellaneous revenue was also up in 2015. We expect that revenue streams will be consistent for 2016.

Expenditures for the General Fund totaled \$6,472,669, compared to the \$6,261,528 in 2014. Operating expenditures increased by \$211,141 primarily due to increased pension costs, police department expenditures and volunteer fire company support. These increases were partially offset by slightly lower operating expenses due to vacant positions in the latter part of the year offset by increases in medical insurance costs.

As of the end of 2015, the Township's General Fund reported an ending balance of \$1,755,985 an increase of \$117,034 as compared to 2014.

**OVERVIEW OF FINANCIAL STATEMENTS**

The accompanying financial statements 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, respectively.

**Government-Wide Financial Statements**

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net Position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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To assess the overall health of the Township, you need to also consider additional non-financial factors, such as changes in the Township's property tax base and the adequacy of Township services.

The government-wide financial statements of the Township are divided into three categories:

- Governmental Activities – All of the Township's basic services are included here, such as public safety, public works, and administration. Property taxes, state grants, and charges for services finance most of these activities.
- Business-type Activities – The Township runs a golf course and charges fees to players to cover the costs of operations.
- Component Unit – The Township has a related Municipal Authority that operates a sewer system and charges fees to customers for operational expenses and tapping fees from new construction for capital related costs.

**Fund Level Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds' statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others.

- Governmental Funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.
- Proprietary Funds – These funds are used to account for Township activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides – whether to outside customers or to other units in the Township – these services are generally reported in proprietary funds. The Golf Course and Solid Waste operations are the Township's proprietary funds and are the same as the business-type activities we report in the government-wide statements.
- Fiduciary Funds – The Township is the trustee, or fiduciary, for the pension plans and escrow funds. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**FINANCIAL ANALYSIS OF THE TOWNSHIP – GOVERNMENT-WIDE STATEMENTS**

The Township's net position decreased from \$16,692,563 in 2014 to \$13,303,567 in 2015. The total assets increased by \$112,511 primarily due to the investment of \$2,173,537 in capital projects and equipment offset by depreciation and the reduction in cash due to the capital expenditures. Total liabilities increased by \$3,501,507 primarily due to the recording of \$3,704,121 in unfunded pension liabilities as required by GASB Statement No. 68.

**Schedule of Net Position**  
**December 31, 2014 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>ASSETS</b>						
Current assets	\$ 5,321,510	\$ 3,481,471	\$ 373,311	\$ 739,135	\$ 5,694,821	\$ 4,220,606
Capital assets, net	16,262,084	17,848,429	2,329,623	2,330,004	18,591,707	20,178,433
Total assets	<u>21,583,594</u>	<u>21,329,900</u>	<u>2,702,934</u>	<u>3,069,139</u>	<u>24,286,528</u>	<u>24,399,039</u>
<b>LIABILITIES</b>						
Current liabilities	558,433	567,012	247,823	339,422	806,256	906,434
Noncurrent liabilities	4,769,712	8,247,599	2,017,997	1,941,439	6,787,709	10,189,038
Total liabilities	<u>5,328,145</u>	<u>8,814,611</u>	<u>2,265,820</u>	<u>2,280,861</u>	<u>7,593,965</u>	<u>11,095,472</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	11,306,716	12,619,989	216,626	260,977	11,523,342	12,880,966
Restricted	3,340,488	1,348,376			3,340,488	1,348,376
Unrestricted	1,608,245	(1,453,076)	220,488	527,301	1,828,733	(925,775)
Total net position	<u>\$ 16,255,449</u>	<u>\$ 12,515,289</u>	<u>\$ 437,114</u>	<u>\$ 788,278</u>	<u>\$ 16,692,563</u>	<u>\$ 13,303,567</u>

**GOVERNMENTAL FUNDS**

Most of the Township's activities are reported in Governmental Funds. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Liquid Fuels Fund, Street Light Fund, Solid Waste Fund, Solid Waste Equipment Fund, Sewer Reserve Fund, Capital Reserve Fund, Open Space Fund, Equipment Reserve Fund, Capital Bond Fund, Fire Equipment Fund, and Internal Service Fund. By far, the most prominent fund is the General Fund.

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES**

The results of this year's operations for all funds as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Township's activities that are supported by other Township general revenues. The largest revenues are property taxes, earned income taxes, local service taxes

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

and the real estate transfer tax. The Township also collects a trash fee, which is reflected in the Solid Waste Fund, which was \$240 per year per household. Other activity charges include building permit and subdivision application fees, as well as, police citations, grants, and monies collected under the Street Light Fund; Golf Fund and Solid Waste Fund. The following table presents condensed financial information for the Statement of Activities in a different format, so that you can see our total revenues for the year.

**Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2015**

	Governmental Activities		Business-type Activities		Totals	
	2014	2015	2014	2015	2014	2015
<b>REVENUES</b>						
Program services:						
Charges for services	\$ 507,281	\$ 436,066	\$ 1,840,440	\$ 2,012,833	\$ 2,347,721	\$ 2,448,899
Operating grants and contributions	395,785	412,058	49,008	237,044	444,793	649,102
Capital grants and contributions	326,858	503,184			326,858	503,184
General revenues:						
Property taxes	2,235,436	2,409,532			2,235,436	2,409,532
Other taxes	2,418,022	2,649,358			2,418,022	2,649,358
Grants, subsidies, and contributions not restricted	9,316	8,675			9,316	8,675
Other revenue	936,205	1,699,641	359	362	936,564	1,700,003
Total revenue	<u>6,828,903</u>	<u>8,118,514</u>	<u>1,889,807</u>	<u>2,250,239</u>	<u>8,718,710</u>	<u>10,368,753</u>
<b>EXPENSES</b>						
General government	22,472	20,782	0	0	22,472	20,782
Operating expenses	899,840	860,207			899,840	860,207
Public safety	2,770,535	2,890,577			2,770,535	2,890,577
Codes	331,041	329,812			331,041	329,812
Public works – highways	1,252,078	1,436,821			1,252,078	1,436,821
Culture and recreation	161,811	146,984			161,811	146,984
Interest on long-term debt	84,395	108,369	36,778	0	121,173	108,369
Miscellaneous expenses	815,109	1,302,301			815,109	1,302,301
Unallocated depreciation	989,291	944,936			989,291	944,936
Solid waste			1,151,233	1,204,571	1,151,233	1,204,571
Golf course			633,954	694,504	633,954	694,504
Transfers			0	0	0	0
Total expenses	<u>7,326,572</u>	<u>8,040,789</u>	<u>1,821,965</u>	<u>1,899,075</u>	<u>9,148,537</u>	<u>9,939,864</u>
Change in net position	\$ <u>(497,669)</u>	\$ <u>77,725</u>	\$ <u>67,842</u>	\$ <u>351,164</u>	\$ <u>(429,827)</u>	\$ <u>428,889</u>

**CALN TOWNSHIP  
 Management's Discussion and Analysis  
 December 31, 2015  
 (Continued)**

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**General Fund**

Revenue for the General Fund totaled \$6,589,703 compared to the \$6,284,067 received in 2014. The increase in revenue of \$305,636 was primarily due to an increase in tax revenue partially offset by decreases in licenses and permits and in charges for services due to the decline in revenue from the contract with Valley Township for consulting services. Miscellaneous revenue was also up in 2015.

Expenditures for the General Fund totaled \$6,472,669, compared to the \$6,261,528 in 2014. Operating expenditures increased by \$211,141 primarily due to increased pension costs, police department expenditures and volunteer fire company support. These increases were partially offset by slightly lower operating expenditures due to vacant positions in the latter part of the year offset by increases in medical insurance costs.

The overall effect on Fund Balance in 2015 was an increase of \$117,034, leaving a balance of \$1,755,985 going forward into 2016.

The following table summarizes the past seven years of earned income tax revenues. This revenue category has remained stable over the past seven years.

**Earned Income Tax Revenues  
2009 - 2015**

2009	\$ 1,813,939
2010	\$ 1,902,885
2011	\$ 2,106,972
2012	\$ 2,171,836
2013	\$ 2,142,248
2014	\$ 2,076,455
2015	\$ 2,334,080

**Ingleside Golf Club**

On March 15, 2007, Caln Township purchased the Ingleside Golf Club on North Bailey Road. Ingleside Golf Club is 116 acres in size and contains 18 holes, a driving range, and a pro shop, as well as, a number of maintenance buildings. For 2015, operating revenue of \$795,968 exceeded operating expenses of \$645,618 by \$150,350. When interest expense and depreciation is factored in, the Golf Club had a change in net position of \$101,464. The golf fund had an accumulated deficit of \$5,688 at the end of the year. It is expected that, as the Township gains more experience in operating a golf course and it analyzes and adjusts its fee schedule, the Ingleside Golf Club will become self-sufficient.

**Solid Waste Fund**

In 2010, the solid waste operations of the Township became self-sustaining and were reclassified from a special revenue fund to an enterprise fund under business-type activities. For 2015, operating revenue of \$1,453,909 exceeded operating expenses of \$1,129,571 by \$324,338.

In 2010, the Fund had acquired 4,500 recycling bins which are shown as assets. Since the 2010 implementation of larger recycling carts, the recycling rate has increased from 13% to 28% in 2015. In 2014, the Fund acquired 5,028 trash carts for \$267,173 for all of its residents.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

In 2014, the Township implemented a new contract with Eagle Disposal which lowered its contracting fees by \$136,612. The Township has also contracted with a company to pick up yard waste for all of its residents which will also reduce its overall landfill fees going forward.

In 2015, \$75,000 was transferred to a Solid Waste Equipment Fund to provide for the future replacement of carts and equipment.

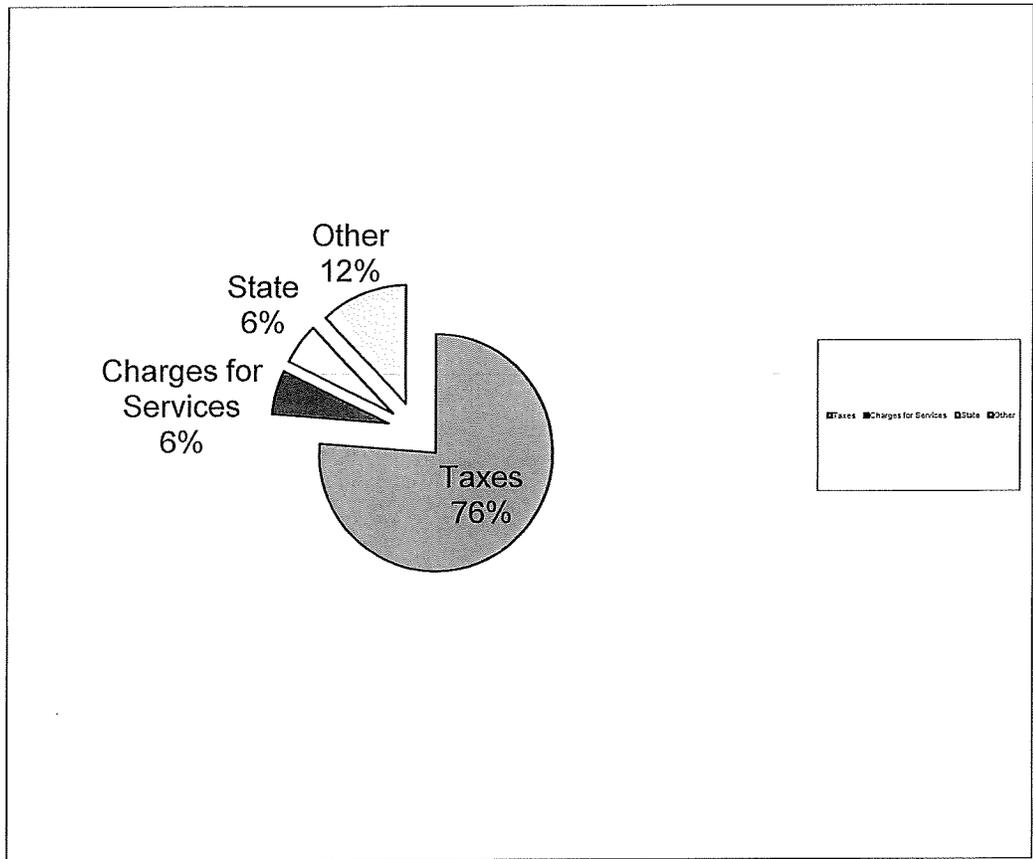
The overall effect on Fund Balance in 2015 was an increase of \$249,699, leaving a balance of \$793,965 going forward into 2016.

**GENERAL FUND 2014–2015**

	<u>2014</u>	<u>2015</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 4,676,305	\$ 5,026,426	\$ 350,121
Licenses and permits	359,772	321,143	(38,629)
Fines and forfeits	65,252	69,000	3,748
Interest earned	3,700	3,546	(154)
Intergovernmental revenues	367,601	372,390	4,789
Charges for services	441,993	396,073	(45,920)
Transfer from Caln Municipal Authority	156,610	158,638	2,028
Miscellaneous revenues	<u>212,834</u>	<u>242,487</u>	<u>29,653</u>
Total revenues	<u>6,284,067</u>	<u>6,589,703</u>	<u>305,636</u>
<b>EXPENDITURES</b>			
General government	22,472	20,782	(1,690)
Operating expenses	899,840	860,207	(39,633)
Public safety	2,757,541	2,850,542	93,001
Codes	325,765	329,812	4,047
Public works - highways	939,830	943,952	4,122
Culture and recreation	113,100	136,063	22,963
Miscellaneous expenditures	815,666	963,817	148,151
Debt service (principal & interest)	333,894	334,494	600
Other financing uses	<u>53,420</u>	<u>33,000</u>	<u>(20,420)</u>
Total expenditures	<u>6,261,528</u>	<u>6,472,669</u>	<u>\$ 211,141</u>
Net change in fund balance	22,539	117,034	
Net position—beginning	<u>1,616,414</u>	<u>1,638,951</u>	
Net position—ending	<u>\$ 1,638,953</u>	<u>\$ 1,755,985</u>	

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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The graph above shows the General Fund revenues broken down into four major revenue sources: Taxes cover 74% of the General Fund revenues and are from the Real Estate Tax, Earned Income Tax, and the Realty Transfer Tax; approximately 7% of the funds are generated by charges for services including building permits, fees, and other charges; 6% of the funds came from the Commonwealth of Pennsylvania; and the remaining 13% came from other sources including licenses, fines and forfeits, interest earnings, transfer from the Authority, and miscellaneous sources. The year 2015 did not have an increase in the tax millage rate which remains at 2.808 mils. The tax rate has not increased since 2004.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**2015 Summary of Governmental Funds**

	<u>General Fund</u>	<u>Capital Bond Fund</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 1,222,660	\$ 511,418	\$ 914,936
Investments			30,000
Taxes receivable (Net)	615,174		
Other receivables	110,938		20,838
Prepaid expenses			195
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	\$ <u>1,948,772</u>	\$ <u>511,418</u>	\$ <u>965,969</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	53,650	4,083	123,101
Due to other funds			
Accrued salaries and benefits	55,362		
Deferred revenues	83,775		1,827
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>192,787</u>	<u>4,083</u>	<u>124,928</u>
<b>Net Position</b>			
Restricted for			
Capital Projects Fund		507,335	588,355
Internal Service Fund			151,276
Special Revenue Fund			101,410
Unrestricted	<u>1,755,985</u>		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position	<u>1,755,985</u>	<u>507,335</u>	<u>841,041</u>
Total liabilities and Net position	\$ <u>1,948,772</u>	\$ <u>511,418</u>	\$ <u>965,969</u>

In the previous table, other Governmental Funds include the Highway Fund, Capital Reserve Fund, Open Space Fund, Equipment Fund, Sewer Reserve Fund, Fire Equipment Fund, Internal Service Fund, and Street Light Fund.

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**CAPITAL ASSETS**

At December 31, 2015, the Township had \$19,680,621 invested in a broad range of capital assets, including land, buildings & improvements, infrastructure, vehicles and machinery & equipment. This amount represents a net increase (including additions, disposals, and depreciation) of 6% from last year. For governmental activities: buildings and improvements increased by \$73,467 for a pole barn, police showers and an evidence pad; infrastructure increased by \$1,241,030 for roadway, bridge, traffic signal and storm water improvements; vehicles increased by \$540,476 for a fire pumper truck and a police SUV; machinery and equipment increased by \$188,176 for a chipper, police in-car cameras, leaf box, server upgrade and building generators. For business-type activities: building and improvements increased by \$7,763 for a retaining wall; machinery and equipment increased \$122,625 for 45 golf carts. The following schedule depicts the capital assets for the period ending December 31, 2015.

<b>GOVERNMENTAL ACTIVITIES</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Land	\$ 3,203,853	\$ 0	\$ 0	\$ 3,203,853
Buildings & improvements	2,306,406	73,467		2,379,873
Infrastructure	21,635,634	1,241,030		22,876,664
Vehicles	3,114,979	540,476	205,287	3,450,168
Machinery & equipment	566,651	188,176		754,827
Total capital assets	<u>30,827,523</u>	<u>2,043,149</u>	<u>205,287</u>	<u>32,665,385</u>
Accumulated depreciation for:				
Buildings & improvements	1,293,994	73,464		1,367,458
Infrastructure	10,447,406	664,558		11,111,964
Vehicles	2,370,942	160,369	195,606	2,335,705
Machinery & equipment	453,097	46,545		499,642
Total accumulated depreciation	<u>14,565,439</u>	<u>944,936</u>	<u>195,606</u>	<u>15,314,769</u>
Net capital assets for Governmental activities	\$ <u>16,262,084</u>	\$ <u>1,098,213</u>	\$ <u>9,681</u>	\$ <u>17,350,616</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets:				
Land	\$ 1,000,000	\$	\$	\$ 1,000,000
Buildings & improvements	1,351,286	7,763		1,359,049
Machinery & equipment	767,399	122,625		890,024
Total capital assets	<u>3,118,685</u>	<u>130,388</u>	<u>0</u>	<u>3,249,073</u>
Accumulated depreciation for:				
Buildings & improvements	307,740	38,990		346,730
Machinery & equipment	481,322	91,016		572,338
Total accumulated depreciation	<u>789,062</u>	<u>130,006</u>	<u>0</u>	<u>919,068</u>
Net capital assets for Business-type activities	\$ <u>2,329,623</u>	\$ <u>382</u>	\$ <u>0</u>	\$ <u>2,330,005</u>

**CALN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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**DEBT ADMINISTRATION**

As of December 31, 2015, the Township's governmental and business-type operations had a total outstanding bond principal of \$6,550,000. The 2013 Bond Issue included \$3,995,000 for the refinancing of the original debt at a lower interest rate, \$2,275,000 refinancing debt for the Ingleside Golf Course at a lower interest rate, and \$1,200,000 of new debt to undertake capital projects. The total debt amount represents 38% of the debt limit as determined by the formula included in the Local Government Unit Act. The total debt limit for the Township at December 31, 2015, is \$17,132,930. Other obligations include capital lease obligations, and post-employment benefits of the Township. In 2014, Standard and Poor's completed their review of the Township's bond and informed Caln Township that its debt rating remains strong at a rating of AA. More detailed information about the Township's long-term liabilities is included in the Notes to the Financial Statements.

**THE TOWNSHIP'S FUTURE**

During the past few years, Caln Township and other municipalities have weathered an economic recession which affected revenues and demanded cautious budgeting. In spite of these difficulties the Township has preserved and even increased fund balances. Going forward, future budgets should be cautious pending an economic turnaround. The following are a number of important issues for future budgeting:

- Monitoring economic trends and potential softening of revenue streams
- Consistency of revenue streams for all funds
- Capital Project and equipment funding and an acceptable debt service strategy
- Further development of funding sources other than the local real estate taxes

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Manager.

**CALN TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2015**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,679,014	\$ 365,599	\$ 3,044,613	\$ 2,304,851
Taxes receivable, net	615,174		615,174	
Other receivables	131,776	355,237	487,013	620,363
Due from Authority - current	55,312		55,312	
Prepaid expenses	195	0	195	83,952
Inventories		18,299	18,299	
<b>Total current assets</b>	<b>3,481,471</b>	<b>739,135</b>	<b>4,220,606</b>	<b>3,009,166</b>
<b>Noncurrent assets</b>				
Land	3,203,853	1,000,000	4,203,853	
Building & building improvements	1,012,415	1,012,318	2,024,733	888,573
Furniture & equipment	1,369,647	317,686	1,687,333	190,488
Infrastructure assets	11,764,701		11,764,701	4,069,313
Due from Authority - long term	497,813		497,813	
EDU's held for resale				553,125
Construction in progress				295,878
<b>Total noncurrent assets</b>	<b>17,848,429</b>	<b>2,330,004</b>	<b>20,178,433</b>	<b>5,997,377</b>
<b>Total assets</b>	<b>\$ 21,329,900</b>	<b>\$ 3,069,139</b>	<b>\$ 24,399,039</b>	<b>\$ 9,006,543</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	\$ 0	\$ 91,715	\$ 91,715	\$ 0
Accounts payable	180,834	89,062	269,896	61,823
Current portion of long-term debt	304,643	127,588	432,231	
Interest payable	26,173	11,514	37,687	
Accrued salaries and benefits	55,362	4,131	59,493	
Due to township	0		0	55,312
Unearned revenue		15,412	15,412	
<b>Total current liabilities</b>	<b>567,012</b>	<b>339,422</b>	<b>906,434</b>	<b>117,135</b>
<b>Noncurrent liabilities</b>				
Bonds payable	4,325,000	1,900,000	6,225,000	
Notes and capital leases payable	100,984	41,439	142,423	
Due to township			0	497,813
Net pension liability	3,704,121		3,704,121	
OPEB	117,494		117,494	
<b>Total noncurrent liabilities</b>	<b>8,247,599</b>	<b>1,941,439</b>	<b>10,189,038</b>	<b>497,813</b>
<b>Total liabilities</b>	<b>8,814,611</b>	<b>2,280,861</b>	<b>11,095,472</b>	<b>614,948</b>
<b>NET POSITION</b>				
Invested in capital assets net of related debt	12,619,989	260,977	12,880,966	5,444,252
Restricted for:				
Capital projects	1,095,690		1,095,690	1,391,519
Self-insurance	151,276		151,276	
Special revenue	101,410		101,410	
Unrestricted (deficit)	(1,453,076)	527,301	(925,775)	1,555,824
<b>Total net position</b>	<b>12,515,289</b>	<b>788,278</b>	<b>13,303,567</b>	<b>8,391,595</b>
<b>Total liabilities and net position</b>	<b>\$ 21,329,900</b>	<b>\$ 3,069,139</b>	<b>\$ 24,399,039</b>	<b>\$ 9,006,543</b>

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

**CALN TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit
		Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>									
General government	\$ 20,782	\$ 0	\$ 0	\$ 0	\$ 0	\$ (20,782)	\$ 0	\$ (20,782)	\$ 0
Operating expenses	860,207					(816,622)		(816,622)	
Public safety	2,890,577		43,585			(2,729,608)		(2,729,608)	
Codes	329,812		62,144	98,825		495		495	
Public works - sanitation/sewer	0		330,307			0		0	130,629
Public works - highways	1,436,821				503,184	(933,637)		(933,637)	
Culture and recreation	146,984					(96,954)		(96,954)	
Interest on long-term debt	108,369		30	50,000		(108,369)		(108,369)	
Miscellaneous expenses	553,301					(553,301)		(553,301)	
Other financing uses	143,000					(143,000)		(143,000)	
Unallocated pension expense	606,000			263,233		(342,767)		(342,767)	
Unallocated depreciation and amortization expense	944,936					(944,936)		(944,936)	
Total governmental activities	8,040,789	0	436,066	412,058	503,184	(6,689,481)		(6,689,481)	130,629
<b>BUSINESS-TYPE ACTIVITIES</b>									
Golf course	694,504		795,968				101,464	101,464	
Solid waste	1,204,571		1,216,865	237,044			249,338	249,338	
Total primary government	\$ 9,939,864	\$ 0	\$ 2,448,899	\$ 649,102	\$ 503,184	(6,689,481)	\$ 350,802	(6,338,679)	\$ 130,629
<b>General revenues</b>									
Taxes									
Property taxes, net, levied for general purposes									
Taxes levied for specific purposes									
Grants, subsidies and contributions not restricted									
Licenses, permits, and fees									
Investment earnings									
Miscellaneous income									
Gain on disposal of assets									
Interfund transfers									
Transfer from component unit									
Total general revenues, special items, extraordinary items, and transfers									
						2,409,532		2,409,532	
						2,649,358		2,649,358	
						8,675		8,675	1,886,264
						354,852		354,852	
						6,563		6,925	2,723
						559,144	362	559,144	
						543,444		543,444	
						68,000		68,000	
						167,638		167,638	
Change in net position						6,767,206	362	6,767,568	1,888,987
Net Position—beginning						77,725	351,164	428,889	2,019,616
Prior period adjustment						12,437,564	437,114	12,874,678	6,371,979
Net Position—ending						\$ 12,515,289	\$ 788,278	\$ 13,303,567	\$ 8,391,595

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

**CALN TOWNSHIP**  
**Balance Sheet--Governmental Funds**  
**December 31, 2015**

	General Fund	Capital Bond Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash & cash equivalents	\$ 1,222,660	\$ 511,418	\$ 914,936	\$ 2,649,014
Investments			30,000	30,000
Taxes receivable (net)	615,174			615,174
Accounts receivable	110,938		20,838	131,776
Prepaid expenses			195	195
Total assets	<u>\$ 1,948,772</u>	<u>\$ 511,418</u>	<u>\$ 965,969</u>	<u>\$ 3,426,159</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 53,650	\$ 4,083	\$ 123,101	\$ 180,834
Accrued salaries and benefits	55,362		0	55,362
Deferred revenues	83,775		1,827	85,602
Total liabilities	<u>192,787</u>	<u>4,083</u>	<u>124,928</u>	<u>321,798</u>
<b>FUND BALANCES</b>				
Restricted for:				
Capital Projects		507,335	588,355	1,095,690
Self Insurance			151,276	151,276
Highways and Streets			101,410	101,410
Unassigned	1,755,985			1,755,985
Total fund balances	<u>1,755,985</u>	<u>507,335</u>	<u>841,041</u>	<u>3,104,361</u>
Total liabilities and fund balances	<u>\$ 1,948,772</u>	<u>\$ 511,418</u>	<u>\$ 965,969</u>	<u>\$ 3,426,159</u>

**CALN TOWNSHIP**  
**Reconciliation of Total Governmental Fund**  
**Balances to Net Position of Governmental Activities**  
**December 31, 2015**

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**Total fund balances - governmental funds** \$ 3,104,361

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 \$30,827,523 and the accumulated depreciation and amortization is \$14,565,439. 17,350,616

Property taxes, earned income taxes and other revenue receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 638,727

Some of the Township's operating expenses are reported when paid on the funds statements and are reported when the liability occurs on the government-wide statements. (26,173)

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

Net Pension Liability		(3,704,121)	
Bonds payable	\$	(4,550,000)	
Capital lease payable		(180,627)	
OPEB		<u>(117,494)</u>	<u>(8,552,242)</u>

Total net position - governmental activities \$ 12,515,289

**CALN TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances--Governmental Funds**  
**For the Year Ended December 31, 2015**

	General Fund	Capital Bond Fund	Other Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 5,026,426	\$ 0	\$ 43,923	\$ 5,070,349
Licenses and permits	321,143			321,143
Fines and forfeits	69,000			69,000
Interest earned	3,546	1,403	1,614	6,563
Intergovernmental revenues	372,390		541,355	913,745
Charges for services	396,073			396,073
Transfer from Caln	158,638		9,000	167,638
Miscellaneous revenues	242,487		196,531	439,018
Total revenues	<u>6,589,703</u>	<u>1,403</u>	<u>792,423</u>	<u>7,383,529</u>
<b>EXPENDITURES</b>				
General government	20,782	0	0	20,782
Operating expenses	860,207			860,207
Public safety	2,850,542		628,198	3,478,740
Codes	329,812		0	329,812
Public works - highways	943,952	1,131,427	703,337	2,778,716
Culture and recreation	136,063		10,921	146,984
Transfer to Caln Municipal Authority			327,000	327,000
Miscellaneous expenditures	963,817		78,054	1,041,871
Debt service (principal & interest)	334,494			334,494
Total expenditures	<u>6,439,669</u>	<u>1,131,427</u>	<u>1,747,510</u>	<u>9,318,606</u>
Excess (deficiency) of revenues over expenditures	<u>150,034</u>	<u>(1,130,024)</u>	<u>(955,087)</u>	<u>(1,935,077)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	<u>(33,000)</u>		<u>93,000</u>	<u>60,000</u>
Total other financing sources (uses)	<u>(33,000)</u>	<u>0</u>	<u>93,000</u>	<u>60,000</u>
Net change in fund balances	117,034	(1,130,024)	(862,087)	(1,875,077)
Fund balance—January 1, 2015	<u>1,638,951</u>	<u>1,637,359</u>	<u>1,703,128</u>	<u>4,979,438</u>
Fund balance—December 31, 2015	<u>\$ 1,755,985</u>	<u>\$ 507,335</u>	<u>\$ 841,041</u>	<u>\$ 3,104,361</u>

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

**CALN TOWNSHIP**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2015**

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<b>Total net change in fund balances - governmental funds</b>		\$ (1,875,077)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	\$ 2,043,149	
Depreciation expense	<u>(944,936)</u>	1,098,213
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		906,650
Expenditures in the statement of activities that do not provide current financial uses are not reported as expenditures in the funds.		(277,061)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		<u>225,000</u>
Change in net position of governmental activities.		<u>\$ 77,725</u>

**CALN TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance--Budget and Actual--General Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,738,669	\$ 4,738,669	\$ 5,026,426	\$ 287,757
Licenses and permits	360,000	360,000	321,143	(38,857)
Fines and forfeits	95,000	95,000	69,000	(26,000)
Interest earned	4,800	4,800	3,546	(1,254)
Intergovernmental revenues	366,400	366,400	372,390	5,990
Charges for services	406,300	406,300	396,073	(10,227)
Transfer from Caln Municipal Authority	195,000	195,000	158,638	(36,362)
Miscellaneous revenues	142,110	142,110	242,487	100,377
Total revenues	<u>6,308,279</u>	<u>6,308,279</u>	<u>6,589,703</u>	<u>281,424</u>
<b>EXPENDITURES</b>				
General government	21,894	21,894	20,782	1,112
Operating expenses	926,483	926,483	860,207	66,276
Public safety	2,948,882	2,948,882	2,850,542	98,340
Codes	378,909	378,909	329,812	49,097
Public works - highways	931,556	931,556	943,952	(12,396)
Culture and recreation	129,400	129,400	136,063	(6,663)
Debt service	334,694	334,694	334,494	200
Miscellaneous expenditures	1,000,762	1,000,762	963,817	36,945
Total expenditures	<u>6,672,580</u>	<u>6,672,580</u>	<u>6,439,669</u>	<u>232,911</u>
Excess (deficiency) of revenues over expenditures	<u>(364,301)</u>	<u>(364,301)</u>	<u>150,034</u>	<u>514,335</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	<u>80,000</u>	<u>80,000</u>	<u>(33,000)</u>	<u>(113,000)</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>(33,000)</u>	<u>(113,000)</u>
Net change in fund balances	(284,301)	(284,301)	117,034	401,335
Fund balance—January 1, 2015	<u>1,638,951</u>	<u>1,638,951</u>	<u>1,638,951</u>	<u>0</u>
Fund balance—December 31, 2015	<u>\$ 1,354,650</u>	<u>\$ 1,354,650</u>	<u>\$ 1,755,985</u>	<u>\$ 401,335</u>

**CALN TOWNSHIP**  
**Statement of Net Position--Proprietary Fund**  
**December 31, 2015**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 0	\$ 365,599	\$ 365,599
Accounts receivable		355,237	355,237
Prepaid expenses	0		0
Inventories	18,299		18,299
Total current assets	<u>18,299</u>	<u>720,836</u>	<u>739,135</u>
<b>Noncurrent assets</b>			
Land	1,000,000		1,000,000
Buildings and improvements (net)	1,012,318		1,012,318
Machinery & equipment (net)	157,384	160,302	317,686
Total noncurrent assets	<u>2,169,702</u>	<u>160,302</u>	<u>2,330,004</u>
Total assets	<u>\$ 2,188,001</u>	<u>\$ 881,138</u>	<u>\$ 3,069,139</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Cash overdraft	\$ 91,715	\$ 0	\$ 91,715
Accounts payable	2,900	9,963	12,863
Interest payable	11,514		11,514
Accrued salaries and benefits	3,121	1,010	4,131
Deferred revenue	15,411		15,411
Current portion of capital lease payable	27,588		27,588
Current portion of bond payable	100,000		100,000
Total current liabilities	<u>252,249</u>	<u>10,973</u>	<u>263,222</u>
<b>Noncurrent liabilities</b>			
Capital lease payable	41,440	0	41,440
Bonds payable	1,900,000		1,900,000
Total noncurrent liabilities	<u>1,941,440</u>	<u>0</u>	<u>1,941,440</u>
Total liabilities	<u>2,193,689</u>	<u>10,973</u>	<u>2,204,662</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	100,674	160,302	260,976
Unrestricted	(106,362)	709,863	603,501
Total net position	<u>(5,688)</u>	<u>870,165</u>	<u>864,477</u>
Total liabilities and net position	<u>\$ 2,188,001</u>	<u>\$ 881,138</u>	<u>\$ 3,069,139</u>

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

**CALN TOWNSHIP**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position--Proprietary Fund**  
**For the Year Ended December 31, 2015**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Fees and charges	\$ 795,968	\$ 1,216,865	\$ 2,012,833
Grants		237,044	237,044
Total operating revenues	<u>795,968</u>	<u>1,453,909</u>	<u>2,249,877</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	289,856	68,705	358,561
Employee benefits	58,928	26,884	85,812
Contractor expense		632,920	632,920
Fees		262,460	262,460
Supplies	28,093		28,093
Maintenance	23,354		23,354
Utilities	16,267		16,267
Administrative and general	152,549	85,167	237,716
Depreciation	76,571	53,435	130,006
Total operating expenses	<u>645,618</u>	<u>1,129,571</u>	<u>1,775,189</u>
Operating income	150,350	324,338	474,688
<b>NONOPERATING REVENUES/EXPENSES</b>			
Interest income	1	361	362
Sale of assets		1,200	1,200
Interest expense	(48,887)		(48,887)
Total nonoperating revenue (expenses)	<u>(48,886)</u>	<u>1,561</u>	<u>(47,325)</u>
Change in net position	101,464	325,899	427,363
Total net position - January 1, 2015	<u>(107,152)</u>	<u>544,266</u>	<u>437,114</u>
Total net position - December 31, 2015	<u>\$ (5,688)</u>	<u>\$ 870,165</u>	<u>\$ 864,477</u>

**CALN TOWNSHIP**  
**Statement of Cash Flows--Proprietary Fund**  
**For the Year Ended December 31, 2015**

	<u>Golf Course</u>	<u>Solid Waste</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from users	\$ 793,114	\$ 1,202,182
Cash received from grant		237,044
Cash payments to employees for services	(342,377)	(97,985)
Cash payments to suppliers for goods and services	<u>(227,020)</u>	<u>(992,727)</u>
Net cash provided by operating activities	<u>223,717</u>	<u>348,514</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash interfund transfer	<u>0</u>	<u>0</u>
Net cash provided by non-capital financing activities	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash paid for purchase of equipment	(48,493)	
Cash received from sale of equipment		1,200
Principal paid on capital lease	(30,863)	
Principal paid on bond	(95,000)	
Interest paid	<u>(49,362)</u>	
Net cash used for capital and related financing activities	<u>(223,718)</u>	<u>1,200</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>1</u>	<u>362</u>
Net cash provided by investing activities	<u>1</u>	<u>362</u>
Net increase (decrease) in cash and cash equivalents	0	350,076
Cash and cash equivalents beginning of year	<u>0</u>	<u>15,523</u>
Cash and cash equivalents at year end	<u>\$ 0</u>	<u>\$ 365,599</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 150,350	\$ 324,338
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	76,571	53,435
Increase in accounts receivable	0	(14,683)
Decrease in prepaid	0	2,000
Increase in inventory	(3,065)	
Increase in bank overdraft	11,637	
Increase in accounts payable	(2,515)	(14,181)
Increase in accrued salaries benefits	(6,407)	(2,395)
Increase in deferred revenue	<u>(2,854)</u>	<u>0</u>
Total adjustments	<u>73,367</u>	<u>24,176</u>
Net cash provided by operating activities	<u>\$ 223,717</u>	<u>\$ 348,514</u>

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

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

	Police Pension Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,198,542	\$ 235,865
Accounts receivable	11,475	
Investments	<u>4,708,990</u>	
Total assets	<u>\$ 5,919,007</u>	<u>\$ 235,865</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,534	\$ 235,865
Total liabilities	<u>1,534</u>	<u>235,865</u>
<b>NET POSITION</b>		
Net position held in-trust for pension benefits	<u>5,917,473</u>	<u>0</u>
Total net position	<u>5,917,473</u>	<u>0</u>
Total liabilities and net position	<u>\$ 5,919,007</u>	<u>\$ 235,865</u>

**CALN TOWNSHIP**  
**Statement of Changes in Net Position-Fiduciary Funds**  
**For the Year Ended December 31, 2015**

	Police Pension Trust
<b>ADDITIONS</b>	
Contributions	
State aid	\$ 47,871
Municipal	492,066
Member	<u>91,959</u>
Total contributions	<u>631,896</u>
Investment and other income	
Investment income	<u>15,100</u>
Total additions	<u>646,996</u>
<b>DEDUCTIONS</b>	
Benefits paid directly to participants	291,435
Administrative expenses	<u>7,935</u>
Total deductions	<u>299,370</u>
Net changes in fund balance	347,626
Net position available for benefits—beginning of year	<u>5,569,847</u>
Net position available for benefits—end of year	<u>\$ 5,917,473</u>

**1. Summary of Significant Accounting Policies**

The accounting policies of Caln Township (the Township) conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting policies:

**A. Organization**

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in the Township of Caln. The Township receives funding from local, county, and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Township commissioners are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Township has a corresponding Municipal Authority. The Authority is a component unit because the Township appoints the governing body of the Authority. The Authority is also considered a component unit because the Authority has the potential to provide financial benefits to, or impose financial burden on, the Township.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and for the two business-type activities of the Township. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

### **Fund Financial Statements**

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### **C. Fund Accounting**

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund and the capital project funds are the Township's only major governmental funds:

#### **General Fund**

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

#### **Special Revenue Fund**

Special Revenue Funds generally account for the expenditure of revenues that have been restricted to specific programs or projects.

Liquid Fuels Fund – The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

Street Light Fund – The Street Light Fund is used to account for the revenues received from the residents on several streets in the Township that have dedicated street lights.

#### **Capital Project Fund**

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

#### **Internal Service Fund**

Internal Service Funds are used to account for goods or services provided by a central service department or agency to other departments or agencies of the governmental unit, usually on a cost recovery basis.

### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the Township's proprietary funds:

#### **Solid Waste Fund**

The Solid Waste Fund is used to account for the operations of the solid waste collection operations in the Township. The solid waste collection system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

#### **Golf Fund**

The Golf Fund is used to account for the operations of the Township's golf course. The golf course is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered through user charges.

### **Fiduciary Funds**

Trust and Agency and Activity Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals. Fiduciary Funds are custodial in nature and do not involve measurement of results of operations.

## **D. Measurement Focus**

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

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred regardless of the timing of the related cash flows. All assets and all liabilities associated with the operation of the Township are included on the statement of net position while excluding fiduciary activities.

### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using the flow of economic resources measurement focus.

**E. Basis of Accounting**

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues—Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Township receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, and interest.

### **Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2015, but will be collected after March 1, 2016, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

### **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## **F. Budgets**

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Commissioners is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance by the Board of Commissioners.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Commissioners. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and are reflected in the official minutes of the Board.

## **G. Cash and Cash Equivalents and Investments**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months are reported as investments.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**I. Interfund Receivables/Payables**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-type activities are eliminated on the government-wide statement of net position.

**J. Property Tax**

Property taxes are attached as an enforceable lien on property as of December 31. Taxes are levied on following periods:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

**K. Compensated Absences**

The Township has no benefits which qualify as compensated absences.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15-40 years
Buildings and Building Improvements	15-40 years
Infrastructure	40-50 years
Furniture and Fixtures	5-20 years
Vehicles	5-15 years
Equipment	5-20 years

**M. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**N. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are from the sewer fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

**Q. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Fund Balance Reserves**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**S. Inventory**

Inventory consists of retail merchandise at the golf course. Inventory is stated at the lower of cost or market using the first-in first-out method.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

**2. Fixed Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets:				
Land	\$ 3,203,853	\$ 0	\$ 0	\$ 3,203,853
Buildings & improvements	2,306,406	73,467		2,379,873
Infrastructure	21,635,634	1,241,030		22,876,664
Vehicles	3,114,979	540,476	205,287	3,450,168
Machinery & equipment	<u>566,651</u>	<u>188,176</u>		<u>754,827</u>
Total capital assets	<u>30,827,523</u>	<u>2,043,149</u>	<u>205,287</u>	<u>32,665,385</u>
Accumulated depreciation for:				
Buildings & improvements	1,293,994	73,464		1,367,458
Infrastructure	10,447,406	664,558		11,111,964
Vehicles	2,370,942	160,369	195,606	2,335,705
Machinery & equipment	<u>453,097</u>	<u>46,545</u>		<u>499,642</u>
Total accumulated depreciation	<u>14,565,439</u>	<u>944,936</u>	<u>195,606</u>	<u>15,314,769</u>
Net capital assets for Governmental activities	<u>\$ 16,262,084</u>	<u>\$ 1,098,213</u>	<u>\$ 9,681</u>	<u>\$ 17,350,616</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets:				
Land	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Buildings & improvements	1,351,286	7,763		1,359,049
Machinery & equipment	<u>767,399</u>	<u>122,625</u>		<u>890,024</u>
Total capital assets	<u>3,118,685</u>	<u>130,388</u>	<u>0</u>	<u>3,249,073</u>
Accumulated depreciation for:				
Buildings & improvements	307,740	38,990	0	346,730
Machinery & equipment	<u>481,322</u>	<u>91,016</u>		<u>572,338</u>
Total accumulated depreciation	<u>789,062</u>	<u>130,006</u>	<u>0</u>	<u>919,068</u>
Net capital assets for business-type activities	<u>\$ 2,329,623</u>	<u>\$ 382</u>	<u>\$ 0</u>	<u>\$ 2,330,005</u>

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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**3. Interfund Receivables/Payables and Transfers**

At December 31, 2015, there were no short-term receivables or payables.

Interfund transfers for the year ending December 31, 2015, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 93,000	\$ 126,000
Light Fund	9,000	
Solid Waste Fund		143,000
Open Space Program		25,000
Sewer Equipment Fund	75,000	
Equipment Replacement Fund	105,000	
Internal Service Fund	12,000	
	<u>294,000</u>	<u>294,000</u>
Totals	\$ <u>294,000</u>	\$ <u>294,000</u>

The transfers in and transfers out were in accordance with the transfers approved in the budget process.

**4. Employee Pension Plans**

The Township's employee retirement plans are defined benefit plans covering substantially all full-time employees of the Township. The Township has two separate plans covering the police and the non-uniformed employees. The Township administers the Police Pension Plan. The Pennsylvania Municipal Retirement System (PMRS) manages the Non-Uniformed Pension Plan.

As of December 31, 2015, retirement plan membership consisted of:

	<u>Police</u>	<u>Non-Uniform Employees</u>
Retirees	10	11
Terminated employees entitled to, but not receiving, benefits		2
Current employees: vested and non-vested	<u>18</u>	<u>31</u>
Total membership	<u>28</u>	<u>44</u>
2015 covered payroll	\$ <u>1,721,282</u>	\$ <u>1,564,222</u>

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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All employees are eligible to participate in the plans after six months of employment. As of December 31, 2015, all police and non-uniformed employees were participating in their respective plans. The plans are authorized and enacted under authority of Act 205 of Pennsylvania and local ordinances. Retirement benefits are as follows:

**Police**—retirement at age 52 with 25 years of service with monthly benefits of 50% of the average monthly compensation. There are death, disability, and surviving spouse benefits. Mandatory contributions are five percent of salary. The participants are eligible for 100% vesting upon completion of 12 years of service.

**Non-Uniformed employees**—retirement at age 60 with monthly benefits of years of service times the final salary times 2%, limited to 50% of final salary (average of final 5 years salary). There are early retirement provisions with reduced benefits. There are limited death benefits. The plan vests after 12 years of service.

Funding Status, Progress, and Policy are as follows:

The amount shown as "Total actuarial present value of accumulated plan benefits" is a disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure for the plans is the actuarial accrued liability produced by the Entry Age Normal Actuarial Cost Method. This method is used for plan funding and is allowed, in lieu of the standardized measure, for smaller municipalities. It is intended to help users assess the Pension Plan's funding status on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among Pennsylvania Municipal Retirement System (PMRS).

Accumulated Plan Benefits are those future periodic payments including lump-sum distributions that are attributable under the plan's provisions to the services employees have rendered. Significant actuarial assumptions utilized in the determination of accumulated plan benefits are as follows:

**Police** (January 1, 2015, actuarial valuation date):

- Actuarial cost method—Entry age normal
- Amortization method—Level dollar, closed
- Remaining amortization period—11 years (aggregate)
- Asset valuation method—4-year smoothing
- Inflation—3.0%
- Salary increases—5.0% including inflation
- Investment rate of return—7.0% net of investment expenses
- Mortality table—RP2000 Combined Healthy Mortality Table

**Non-Uniformed employees** (January 1, 2015, actuarial valuation date):

- Actuarial cost method—Entry age normal
- Amortization method—Level dollar, closed
- Remaining amortization period—12.55 years
- Asset valuation method—Fair value
- Actuarial assumptions:
  - Investment rate of return—5.5%
  - Projected salary increased—2/6.4%

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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The actuarial present value of accumulated plan benefits and the net assets available for benefits are as follows:

	Police Pension Fund December 31, 2015	Non-Uniformed Pension Fund January 1, 2014
Actuarial accrued liability	\$ <u>8,835,665</u>	<u>5,682,285</u>
Net assets available for benefits	\$ <u>5,917,473</u>	<u>4,896,356</u>
Unfunded actuarial accrued liability	\$ <u>2,918,192</u>	<u>785,929</u>

Investments are shown at market value. Ten-year historical trend information is not available.

The Township funds the plans with the actuarially determined normal costs plus the amortized unfunded liability each year. In 2015, they were as follows:

	Normal Cost	Contribution Made
Police Plan	\$ <u>539,937</u>	\$ <u>593,937</u>
Non-uniformed employees	\$ <u>214,825</u>	\$ <u>214,825</u>

**Non-Uniformed Employees** - At December 31, 2015, Caln Township reported a liability of \$785,929 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of December 31, 2013 and December 31, 2014.

For the year ended December 31, 2015, the Township recognized pension expense of \$214,825. At December 31, 2015 the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 45,056	\$ 0
Difference between employer contributions and proportionate share of total contributions	<u>113,320</u>	<u>0</u>
Total	\$ <u>158,376</u>	\$ <u>0</u>

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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Deferred outflows of resources were reported at \$158,376, resulting from the Township's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>		
Year 2015	\$	34,767
Year 2016		34,767
Year 2017		34,767
Year 2018		34,767
Year 2019		6,437
Thereafter		12,871

The discount used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Caln Townships Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage lower (4.50 percent), or one percentage higher (6.50 percent) than the current rate.

	1% Decrease 4.50%	Current Rate Discount Rate 5.50%	1% Increase 6.50%
Total Pension Liability	\$ 6,392,838	\$ 5,682,285	\$ 5,077,625
Plan Fiduciary Net Position	<u>4,896,356</u>	<u>4,896,356</u>	<u>4,896,356</u>
Net Pension Liability	\$ <u>1,496,482</u>	\$ <u>785,929</u>	\$ <u>181,269</u>

**Police Pension** - At December 31, 2015, Caln Township reported a liability of \$3,558,488 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of December 31, 2014.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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For the year ended December 31, 2015, the Township recognized pension expense of \$492,066. At December 31, 2015 the Township reported no deferred outflows of resources and no deferred inflows of resources related to pensions from the following sources:

The discount used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Caln Townships Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage lower (4.50 percent), or one percentage higher (6.50 percent) than the current rate.

	1% Decrease 4.50%	Current Rate Discount Rate 5.50%	1% Increase 6.50%
Net Pension Liability	\$ 4,852,872	\$ 3,558,488	\$ 2,480,786

**5. Component Unit**

The Township has established the Caln Township Municipal Authority for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construct, finance, improve, maintain, and operate, own, and lease the sewer system within Caln Township. The Authority is reported in these financial statements as a discreetly presented component unit because its services are separate from the services provided by the Township. The Authority's financial statements can be obtained from the Authority's office. In the government wide statement of activities, all internal activity is eliminated.

**6. Reserve Accounts**

**Reserve for Capital Expenditures**

The Township has set aside certain funds for future capital expenditures, such as sewer line construction or repairs, additions to municipal buildings, highway construction, etc. As of December 31, 2015, the Township has set aside \$1,095,690.

**Reserve for Self-Insurance**

The Township self-insures its employees for unemployment compensation. The Township also uses this fund to pay post-retirement healthcare costs for eligible retired police officers and for other insurance policies' deductibles. To fund these programs the Township periodically contributes to the reserve funds. As of December 31, 2015, the Township has set aside \$151,275 for self-insurance purposes.

**7. Deposits and Investments**

**Deposits**

**Custodial credit risk**—Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned to it. At year end, the total carrying amount of the Township's checking, savings, and money market deposits was \$6,364,785 and the corresponding bank balances were \$6,810,639. Of the bank balance, \$500,000 was covered by Federal Depository Insurance, and the balance was collateralized under Act 72 through pools of securities held by the respective depository institutions. There is no custodial credit risk.

**Investments**

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds. At December 31, 2015, the Township did not have any investments.

**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 no investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk**—The Township places no limit on the amount the Township may invest in any one issuer. The Township's investments are distributed among Certificates of Deposit.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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**8. Statement of Borrowing Base**

The borrowing base of the Township is calculated as follows:

<u>Total Net Revenues (gross revenues less exclusions)</u>	
Year 2013	\$ 6,419,879
Year 2014	6,756,108
Year 2015	<u>7,383,529</u>
Total net revenues (last 3 years)	<u>20,559,516</u>
Average net revenues	6,853,172
Base percent per Act 185	<u>X 250%</u>
Total non-electoral debt allowance	<u>\$ 17,132,930</u>

**9. Unemployment Compensation**

The Township has elected the reimbursement method of paying unemployment compensation benefits. This method requires the Township to reimburse the State Unemployment Compensation Fund on a dollar-for-dollar basis for all claims and other charges made to its account. Repayments are made quarterly for claims paid by the state. The Township has incurred \$6,209 of claims for the year-ended December 31, 2015.

**10. Bonds Payable**

	Balance <u>1/1/15</u>	Additions	Payments	Balance <u>12/31/15</u>
Series 2013				
\$7,480,000 originally issued with interest rates from 0.25% - 3.05%				
Government Obligations	\$ 4,775,000	\$ 0	\$ 225,000	\$ 4,550,000
Golf Fund Obligations	<u>2,095,000</u>	<u>0</u>	<u>95,000</u>	<u>2,000,000</u>
Totals	<u>\$ 6,870,000</u>	<u>\$ 0</u>	<u>\$ 320,000</u>	<u>\$ 6,550,000</u>

The Township has pledged its full faith, credit, and taxing powers as collateral for the note.

**CALN TOWNSHIP**  
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The following is a summary of bond maturities and interest requirements:

Year Ending December 31,	Governmental Activities	Golf Fund	Total Requirements
2016	329,694	146,056	475,750
2017	330,194	149,056	479,250
2018	335,594	141,956	477,550
2019	330,794	144,956	475,750
2020	325,994	147,856	473,850
2021-2025	1,655,068	721,182	2,376,250
2026-2030	1,651,806	728,632	2,380,438
2031-2032	663,800	292,600	956,400
Total	5,622,944	2,472,294	8,095,238
Less interest	1,072,944	472,294	1,545,238
Outstanding principal	\$ 4,550,000	\$ 2,000,000	\$ 6,550,000

**11. Capitalized Leases Payable**

The Township had capitalized lease obligations totaling \$249,624 at December 31, 2015, related to equipment purchases. Of this amount \$180,597 was for governmental funds and \$69,027 was for proprietary funds. The capitalized cost of the equipment under capital lease is \$525,146 at December 31, 2015, and is included in the property and equipment account on the balance sheet. Of this amount \$376,040 was for governmental funds and \$149,146 was for proprietary funds. Amortization of the capitalized cost of the equipment is charged to depreciation expense.

Future minimum payments under capitalized lease obligations are due as follows:

Year Ending December 31,	Governmental Funds	Proprietary Funds	Total Requirements
2016	\$ 87,178	29,132	\$ 116,310
2017	48,716	21,351	70,067
2018	48,716	21,350	70,066
2019	10,615	1	10,616
Total	195,225	71,834	267,059
Less interest	14,598	2,806	17,404
Outstanding principal	180,627	69,028	249,655
Less current portion	79,643	27,588	107,231
Long-term portion	\$ 100,984	41,440	\$ 142,424

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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**12. Commitments and Contingencies**

The Township received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Township as of December 31, 2015.

**13. Deficit Net Position**

For governmental activities, the unrestricted net deficit amount of \$1,453,076 includes the Unfunded Actuarial Accrued Liability of the Township's two pension plans.

The Township's proprietary fund represents the operations of the Ingleside Golf Course. For 2015, the golf course revenues exceeded expenditures which resulted in a reduction of its deficit fund balance. The remaining deficit fund balance is \$5,688 at December 31, 2015. As the 2015 results show, the Township has implemented plans to eliminate the deficit which include increasing usage of the course by added marketing of the course, improving the course, and increasing some of the fees charged for usage. It is anticipated that it will take several years to eliminate the deficit fund balance.

**14. Caln Township Municipal Authority – A Component Unit**

The Authority is a municipal authority formed for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construct, finance, improve, maintain, operate, own, and lease the sewer system within Caln Township. The Authority receives funding through user fees, grants, borrowings, and other sources. All of the funds collected go towards programs of the Authority. The Authority is governed by a five-member Board. The Township has determined that the Authority is a component unit of Caln Township.

The Authority is presented in these financial statements as a discretely presented component unit. The Authority's financial information may be obtained at the Authority's office.

**15. Post-Employment HealthCare Plan**

The Township adheres to Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits provided by the Township. This statement generally provides for prospective implementation: that is, that employers set the beginning net Other Post-employment Benefits (OPEB) obligation at zero as of the beginning of the initial years. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits at the date of transition.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
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The Township’s post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The plan does not issue a financial report and is not included in the financials of any public employee retirement system or any other entity.

**Funding Policy**

The contribution requirements of plan members are established and may be amended by the Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to be prefunded as determined annually by the Commissioners. As of December 31, 2015, the Township has not designated any funds specifically for these benefits.

**Annual OPEB Cost and Net OPEB Obligation**

The Township’s annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows components of the Township’s OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township’s net OPEB obligation to the plan.

Annual required contribution	\$	25,028
Interest on net OPEB obligation		4,521
Adjustment to annual required contribution		(6,168)
Annual OPEB cost (expense)		<u>23,381</u>
Contributions made		(6,357)
Increase in net OPEB obligation		<u>17,024</u>
Net OPEB obligation – beginning of the year		<u>100,470</u>
Net OPEB obligation – end of the year	\$	<u><u>117,494</u></u>

**Funding Status and Funding Progress**

As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$251,447 and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,447.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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healthcare trends. Amounts determined regarding funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purpose are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of costs. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return and an annual healthcare cost trend rate of 5.5%. The UAAL is being amortized over 30 years based on the level dollar method.

**16. Subsequent Event**

The Township has evaluated all events subsequent to the financial statement date of December 31, 2015, through October 13, 2016, which is the date these financial statements were available to be issued.

**17. Township/Authority Asset Purchase Agreement**

In 2015, the Authority and Caln Township entered into an asset purchase agreement whereby:

The authority purchased the rights to 177 Equivalent Dwelling Units from the Township for \$553,125 to be paid to the Township over 10 years.

The Township transferred title to the Authority the remaining sewer assets.

The Township assigned the South Bailey Road Developers Contribution to the Authority.

The Township transferred to the Authority \$327,000 which was the balance of the Township's Sewer Capital Account.

The Authority relinquished its rights to the balance of the Township's Sewer Reserve Fund of \$520,726.

The Authority has assumed responsibility for the Township's liabilities to Pennsylvania American Water (PAW) under the March 10, 2005, Waste Water Conveyance System Agreement. Under the agreement PAW will increase the capacity of the East End Trunk Lines which connect Caln Township to the PAW sewer plant in Coatesville. The work on the interceptor will be done in two phases. When the first phase one is completed and certified, the Authority will owe PAW an estimated \$400,000.

**CALN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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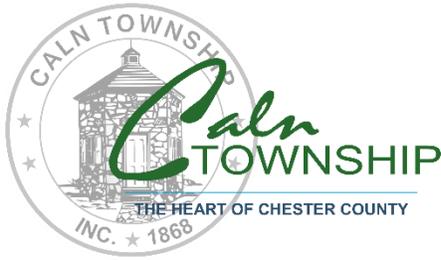
**18. Prior Period Restatement**

The Township has restated its December 31, 2014, net position in its governmental activities to record the net pension liability at December 31, 2014, in accordance with the requirements of GASB Statements No. 68 and No. 71. The net result of this change is a decrease of \$3,613,444 in governmental activities net position.

**19. Implementation of GASB Statements**

During the year ended December 31, 2015, the Township implemented 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." GASB No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government unit recognize a beginning deferred outflow of contributions for its pension contribution made after the measurement date.



April 23, 2019

RE: Right-to-Know Request

Dear Mr. DeYoung,

Thank you for writing to Caln Township with your request for information pursuant to the Pennsylvania Right-to-Know Law (RTKL). On April 15, 2019, you requested a variety of document pertaining to the Ingleside Golf Course.

Pursuant to Section 902(a) of the Right to Know Law, an additional 30 days is required to respond to your request due to staffing limitations.

The Township expects to respond to your request on or before May 15, 2019. You will be contacted when the records have been compiled.

Sincerely,

Abbey Swan  
Community Outreach Specialist  
Right to Know Officer

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CALN TOWNSHIP

253 Municipal Dr, Thorndale, PA 19372 | Phone: 610-384-0600 | Fax: 610-384-0617

info@calntownship.org | www.calntownship.org