

TOWNSHIP OF ELIZABETH

Financial Statements and
Required Supplementary and
Supplementary Information

Year Ended December 31, 2016 with
Independent Auditor's Report

TOWNSHIP OF ELIZABETH

YEAR ENDED DECEMBER 31, 2016

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TOWNSHIP OF ELIZABETH

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

Board of Commissioners
Township of Elizabeth

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Elizabeth (Township), Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the 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 opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Qualified
Governmental Fund – General Fund	Unmodified
Enterprise Fund – Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Business-Type Activities and Enterprise Fund

Management has not adopted a methodology to systematically assess construction-in-progress and determine if the construction-in-progress is properly valued as viable costs with long-lived value that have not yet been placed into service; such consideration would extend to capitalized interest. We were unable to obtain sufficient audit evidence that the construction-in-progress was properly valued; any resulting adjustments to construction-in-progress would impact the assets, net position, and changes in net position of the Township's enterprise fund (and correspondingly its business-type activity) could not be determined. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Qualified Opinion on Business-Type Activities and Enterprise Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and Enterprise Fund of the Township as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded capital assets related to governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets (which would include buildings, plant and systems, vehicles and equipment and infrastructure) be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Township, as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension and other post-employment benefit information on page 42 through 43, and pages 44 through 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Horner, Wible & Terek, PC

Horner, Wible & Terek, PC
August 10, 2017

TOWNSHIP OF ELIZABETH
STATEMENT OF NET POSITION
December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 4,217,116	\$ 1,761,998	\$ 5,979,114
Restricted Cash and Cash Equivalents	0	12,896,616	12,896,616
Receivable, Net	888,802	1,158,011	2,046,813
Note Receivable	22,000	0	22,000
Net Pension Asset		49,639	49,639
Construction in Progress	0	8,793,147	8,793,147
Land and Site Improvements	0	340,188	340,188
Building and Building Improvements	0	187,550	187,550
Plant and System	0	17,055,300	17,055,300
Furniture and Equipment	0	554,698	554,698
Less: Accumulated Depreciation	0	(7,004,641)	(7,004,641)
TOTAL ASSETS	<u>5,127,918</u>	<u>35,792,506</u>	<u>40,920,424</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts from Pension Liability	1,048,320	102,489	1,150,809
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,048,320</u>	<u>102,489</u>	<u>1,150,809</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	277,762	174,831	452,593
Long-Term Liabilities Due Within One Year			
Capital Leases Payable	108,411	13,084	121,495
Bonds and Notes Payable	107,140	760,000	867,140
Long-Term Liabilities Due in More than One Year			
Net Other Post Employment Benefit Liability	245,096	0	245,096
Capital Leases Payable	228,890	51,636	280,526
Bonds and Notes Payable, Net of Discount of \$283,501	1,774,818	26,991,499	28,766,317
Compensated Absences	66,797	0	66,797
Net Pension Liability	189,050		189,050
TOTAL LIABILITIES	<u>2,997,964</u>	<u>27,991,050</u>	<u>30,799,964</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts from Pension Liability	71,663	0	71,663
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>71,663</u>	<u>0</u>	<u>71,663</u>
NET POSITION			
Net Investment in Capital Assets	(2,219,259)	3,985,735	1,766,476
Restricted for			
Net Pension Asset	0	49,639	49,639
Liquid Fuels Tax Projects	37,289	0	37,289
Fire Protection	342,001	0	342,001
Capital Projects	1,545,171	0	1,545,171
Debt Service		1,020,904	1,020,904
Unrestricted	<u>3,401,409</u>	<u>2,847,667</u>	<u>6,249,076</u>
TOTAL NET POSITION	<u>\$ 3,106,611</u>	<u>\$ 7,903,945</u>	<u>\$ 11,010,556</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	TOTAL
<i>Governmental Activities</i>							
General Government	\$ 870,096	\$ 18,348	\$ 723,408	\$ 0	\$ (128,340)	\$ 0	\$ (128,340)
Public Safety	2,563,942	132,106	0	0	(2,431,836)	0	(2,431,836)
Public Works	2,644,155	0	0	0	(2,644,155)	0	(2,644,155)
Culture and Recreation	95,545	22,495	25,125	0	(47,925)	0	(47,925)
Interest on Long-Term Debt	80,115	0	0	0	(80,115)	0	(80,115)
<i>Total Governmental Activities</i>	<u>6,253,853</u>	<u>172,949</u>	<u>748,533</u>	<u>0</u>	<u>(5,332,371)</u>	<u>0</u>	<u>(5,332,371)</u>
<i>Business-Type Activities</i>							
Sewer System Operations	<u>4,066,031</u>	<u>4,249,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>183,477</u>	<u>183,477</u>
<i>Total Business Type Activities</i>	<u>4,066,031</u>	<u>4,249,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>183,477</u>	<u>183,477</u>
Total	\$ <u>10,319,884</u>	\$ <u>4,422,457</u>	\$ <u>748,533</u>	\$ <u>0</u>	<u>(5,332,371)</u>	<u>183,477</u>	<u>(5,148,894)</u>
General Revenues							
Taxes							
Real Estate					2,369,778	0	2,369,778
Earned Income					1,566,304	0	1,566,304
Local Services					15,513	0	15,513
Sales Taxes from Regional Asset District					299,258	0	299,258
Other					153,240	0	153,240
Franchise Fees, License and Permits					281,219	0	281,219
Interest, Rents and Royalties					3,113	24,636	27,749
Refunds, net					44,412	0	44,412
Gain on Sale of Assets					22,020	0	22,020
Miscellaneous Income					150,770	0	150,770
Transfers					<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenues and Transfers					<u>4,905,627</u>	<u>24,636</u>	<u>4,930,263</u>
Change in Net Position					(426,744)	208,113	(218,631)
Net Position - Beginning					<u>3,533,355</u>	<u>7,695,832</u>	<u>11,229,187</u>
Net Position - Ending					\$ <u>3,106,611</u>	\$ <u>7,903,945</u>	\$ <u>11,010,556</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,329,252	\$ 1,887,864	\$ 4,217,116
Receivables			
Taxes Receivable	760,161	0	760,161
Other Receivables	128,641	0	128,641
Notes Receivable	22,000	0	22,000
Due from Other Funds	0	36,597	36,597
TOTAL ASSETS	<u>\$ 3,240,054</u>	<u>\$ 1,924,461</u>	<u>\$ 5,164,515</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 137,702	\$ 0	\$ 137,702
Accrued Liabilities	115,879	0	115,879
Due to Other Funds	36,597	0	36,597
Other Current Liabilities	24,181	0	24,181
TOTAL LIABILITIES	<u>314,359</u>	<u>0</u>	<u>314,359</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	<u>738,083</u>	<u>0</u>	<u>738,083</u>
GOVERNMENTAL FUND BALANCES			
Restricted For			
Liquid Fuels Tax Projects	0	37,289	37,289
Fire Protection	0	342,001	342,001
Capital Projects	0	1,545,171	1,545,171
Committed For			
Capital Projects	1,251,405	0	1,251,405
Unassigned	936,207	0	936,207
TOTAL GOVERNMENTAL FUND BALANCES	<u>2,187,612</u>	<u>1,924,461</u>	<u>4,112,073</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 3,240,054</u>	<u>\$ 1,924,461</u>	<u>\$ 5,164,515</u>
TOTAL GOVERNMENTAL FUND BALANCES			\$ 4,112,073
Amounts reported for governmental activities in the statement of net position are different because:			
Notes receivable and real estate taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable in the funds.			738,083
The net pension and other post-employment benefits asset (liability) and the deferred inflows and outflows of resources for pensions are not reflected on the fund financial statements.			475,714
Long-term liabilities are not due and payable in the current period and, therefore, are not required as liabilities in the funds.			(2,219,259)
TOTAL NET POSITION OF GOVERNMENTAL FUNDS			<u>\$ 3,106,611</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 4,180,785	\$ 307,236	\$ 4,488,021
Licenses and Permits	265,275	0	265,275
Fines and Forfeits	15,944	0	15,944
Interest, Rent and Royalties	1,258	1,855	3,113
Intergovernmental	281,301	442,107	723,408
Charges for Services	172,949	0	172,949
Miscellaneous	175,895	0	175,895
TOTAL REVENUES	<u>5,093,407</u>	<u>751,198</u>	<u>5,844,605</u>
EXPENDITURES			
Current			
General Government	805,336	0	805,336
Public Safety	1,985,285	321,958	2,307,243
Public Works	2,001,653	472,532	2,474,185
Culture and Recreation	95,545	0	95,545
Capital Outlay	32,300	0	32,300
Debt Service			
Principal	211,927	0	211,927
Interest	77,686	0	77,686
TOTAL EXPENDITURES	<u>5,209,732</u>	<u>794,490</u>	<u>6,004,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,325)</u>	<u>(43,292)</u>	<u>(159,617)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Capital Asset Disposition	22,020	0	22,020
Capital Lease	106,871	0	106,871
Refund of Prior Year Expenditures	50,935	0	50,935
Refund of Prior Year Revenues	(6,523)	0	(6,523)
Transfers In	328,570	286,640	615,210
Transfers Out	(286,640)	(328,570)	(615,210)
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,233</u>	<u>(41,930)</u>	<u>173,303</u>
NET CHANGE IN FUND BALANCES	98,908	(85,222)	13,686
FUND BALANCE - BEGINNING OF YEAR	<u>2,088,704</u>	<u>2,009,683</u>	<u>4,098,387</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,187,612</u>	<u>\$ 1,924,461</u>	<u>\$ 4,112,073</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
GOVERNMENTAL FUNDS STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Governmental Funds	\$ 13,686
Amounts reported for governmental activities are difference because:	
Current year long-term debt proceeds reported as other financing sources in the governmental fund financial statements are shown as increases in the long- term debt liability in the government-wide financial statements.	(107,000)
Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in the debt in the government-wide financial statements.	209,627
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues, excluding those from grants, increased by this amount during the year.	(83,928)
Some expenses (i.e., changes in compensated absences and pension and OPEB liabilities) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(459,129)</u>
Change in Net Position of Governmental Activities	\$ <u>(426,744)</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>SEWER FUND</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,761,998
Accounts Receivable - User Fees	1,029,176
Accounts Receivable - Nonuser Fees	128,835
TOTAL CURRENT ASSETS	<u>2,920,009</u>
RESTRICTED ASSETS	
Cash and Cash Equivalents	
Debt Service	1,787,330
Capital Projects	11,109,286
TOTAL RESTRICTED ASSETS	<u>12,896,616</u>
CAPITAL ASSETS	
Subject to Depreciation	
Capital Assets	17,797,548
Accumulated Depreciation	(7,004,641)
Non-Depreciable Capital Assets	9,133,335
TOTAL CAPITAL ASSETS	<u>19,926,242</u>
OTHER ASSETS	
Net Pension Asset	49,639
TOTAL ASSETS	<u>35,792,506</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts from Pension Liability	102,489
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>102,489</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	174,831
Current Portion of Capital Lease	13,084
Current Portion of Bonds Payable	760,000
TOTAL CURRENT LIABILITIES	<u>947,915</u>
LONG-TERM LIABILITIES	
Capital Lease Payable	51,636
Bonds Payable, Net of Discount of \$283,501	26,991,499
TOTAL NONCURRENT LIABILITIES	<u>27,043,135</u>
TOTAL LIABILITIES	<u>27,991,050</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Difference Between Expected and Actual	
Experience for Pension Plans	<u>0</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	3,219,309
Restricted Net Position	1,836,969
Unrestricted	2,847,667
TOTAL NET POSITION	<u>\$ 7,903,945</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>SEWER FUND</u>
OPERATING REVENUES	
Sewer Revenue	\$ <u>4,249,508</u>
OPERATING EXPENSES	
Sewer System Operations	2,605,555
Depreciation and Amortization	201,559
General and Administrative	<u>229,652</u>
TOTAL OPERATING EXPENSES	<u>3,036,766</u>
OPERATING INCOME (LOSS)	<u>1,212,742</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Earned	24,636
Interest Expense	<u>(1,029,265)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,004,629)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	208,113
Capital Contributions	0
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET POSITION	208,113
TOTAL NET POSITION - BEGINNING	<u>7,695,832</u>
TOTAL NET POSITION - ENDING	\$ <u><u>7,903,945</u></u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 4,251,676
Cash Payments for Operating Expenses	<u>(2,750,405)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,501,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Debt	(1,010,658)
Interest Received on Restricted Bond Funds	4,459
Capital Assets and Related Purchases	(169,832)
Proceeds from Long-Term Debt	51,636
Payment on Bond Principal	<u>(753,368)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	(1,877,763)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>20,177</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(356,315)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>15,014,929</u>
CASH AND CASH EQUIVALENTS AT YEAR END	<u>\$ 14,658,614</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,761,998
Cash and Cash Equivalents - Restricted	<u>12,896,616</u>
	<u>\$ 14,658,614</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	\$ 1,212,742
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR)	
Depreciation and Net Amortization	\$ 201,559
Changes In	
Accounts Receivable	2,168
Pension Asset	130,686
Accounts Payable	59,489
Deferred Amount on Pension	<u>(105,373)</u>
TOTAL ADJUSTMENTS	288,529
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,501,271</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2016

NOTE (1) REPORTING ENTITY

The Township of Elizabeth, Pennsylvania (Township) was settled in the 1790's and was established as a Township in 1869 and is recognized as a First Class Township under the Commonwealth of Pennsylvania. The Township operates under the Board of Commissioners (Commissioners) and provides the following services: public safety, streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Financial Reporting Entity

The criteria used by the Township to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal Township entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria:

The Township is financially accountable for:

1. 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 primary government.
 - a. 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.
 - b. Financial Benefit or Burden – Exists if the Township (1) is entitled to the organization's resources, (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.
2. Legally separate organizations that are fiscally dependent on the Township and a financial benefit or burden relationship are present. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the Township.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate entities for which the Township is financially accountable or for which there is a significant relationship (component units). Some component units, despite being legally separate from the Township government, are so intertwined with the Township government, whether through sharing common governing boards with the Township or through providing services solely to the Township that they are, in substance, the same as the Township government and are reported as part of the Township government. There are no component units included in the accompanying financial statements. The Township has not identified any entities that should be subject to evaluation for inclusion for the Township reporting entity.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township has chosen to present financial statements in conformance with generally accepted accounting principles for the year ended December 31, 2016 except for governmental activities capital assets.

The basic financial statements of the Township are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) 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*.

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

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION “Continued”

transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property taxes, earned income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The proprietary funds are reported using the economic resources measurement focus and the *accrual basis of accounting*.

C. BASIS OF PRESENTATION

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Township only uses governmental funds and proprietary funds for the sewer operations.

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34. The non-major funds are combined in a column in the fund financial statements.

Governmental Funds

Governmental funds are those through which most governmental functions typically 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 purpose for which they will be paid. The difference between the governmental fund assets, and liabilities, and deferred outflows of resources is reported as fund balance.

The Township reports the following major governmental fund:

The *General Fund* is the Township’s primary operating fund. It accounts for all financial resources except those accounted for in another fund.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

C. BASIS OF PRESENTATION “Continued”

Additionally, the Township reports the following other governmental funds:

The *Liquid Fuels Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting, and maintaining roads and bridges within the Township.

The *Fire Tax Fund* accounts for 0.50 mills of the property tax levy used to support fire services in the community.

The *Project Fund* is used to account for the expenditures of debt proceeds related to the Township’s 2012 bond issuance for the acquisition, construction, or improvement of major capital facilities and infrastructure.

Proprietary Fund

The Township reports the following major proprietary fund:

The *Sewer Fund* is used to account for the resources derived from sewer billings to Township residents and related disbursements.

D. DEPOSITS

The Township’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds.”

F. CAPITAL ASSETS

Governmental Activities

The Township has chosen to omit the presentation of capital assets for its governmental activities, which is not in conformity with accounting principles generally accepted in the United States of America.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

F. CAPITAL ASSETS “Continued”

Business-type Activities – Sewer Enterprise Fund

Acquisitions of property and equipment, and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired, and any resulting gain or loss is included in the statement of activities in the period of disposal. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Buildings	40 years
Plant and System	15-100 years
Vehicles and equipment	5-20 years

G. COMPENSATED ABSENCES

A liability for compensated absences is determined by the payments which would be available to employees if they would leave or retire from the Township. These amounts are reflected as long-term liabilities in the government-wide statements unless retirements are likely within the upcoming fiscal year. Costs associated with retirements in the immediate succeeding year are reflected as current liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

H. LONG-TERM OBLIGATIONS “Continued”

In the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period costs in both the government-wide and fund financial statements.

I. FUND BALANCE

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraints placed upon the funds. The levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors. At December 31, 2016, the Township had restrictions through grant agreements, government ordinance, and debt covenants.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by elected commissioners by budget ordinance. Such a commitment is made via a Township resolution and must be made prior to the end of the fiscal year. Removal of this commitment also requires a Township resolution. As of December 31, 2016, committed funds include funds for future capital projects.
- Assigned – This category represents intentions of the Township to use the funds for specific purposes. The authority to make assignments of fund balance may be made by the Township Commissioners and remains in place until released. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. As of December 31, 2016, the Township had no assigned funds.
- Unassigned – This category includes the residual classification for the Township’s General Fund and includes all spendable amounts not contained in other classifications.

The Township’s policy is to use funds in the order of the most restricted to the least restricted.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

J. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Township’s deferred outflows of resources include deferred outflows of resources related to pensions. See discussion below regarding the Township’s deferred outflows of resources related to pensions.

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’s deferred inflows of resources include deferred inflows related to pensions reported on the statement of net position and deferred inflows that arise under a modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and a note receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See discussion below regarding the Township’s deferred inflows of resources related to pensions.

K. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS

In conjunction with pension accounting requirements, the differences between expected and actual experience for pension plans, the difference between expected and actual investment earnings, and payments made to the Pension Plans subsequent to the measurement date are recorded as a deferred inflows or outflows of resources related to pensions on the statement of net position. These amounts are determined based on the actuarial valuations performed for the Pension Plans. Note 7 presents additional information about the Pension Plans.

L. INTERFUND TRANSACTIONS

The Township conducts a variety of transactions between the funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, appropriate interfund receivables and payables have been established.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Amounts are transferred between funds of the Township to fund certain operations and to reimburse for expenditures. These transfers are reported as other financing sources and uses on the fund financial statements with no eliminations occurring.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

The government-wide financial statements report the residual amount of transfers between the governmental activities column and the business-type activities columns.

M. CLASSIFICATION OF NET POSITION

Accounting standards require the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position should consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. As the Township has chosen not to present governmental activities capital assets, only the related debt is presented.
- Restricted – This component of net position consists of constraints placed on assets through external restrictions, reduced by liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

N. ESTIMATES

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

O. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget was adopted for the General Fund on the cash basis as described above. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements:

- A proposed operating budget for the fiscal year commencing the following January is submitted to the Commissioners in November.
- The budget is advertised, giving notice that the budget is available for public inspection.
- The Commissioners legally adopt the budget prior to December 31 each year.

Capital expenditures for the General Fund are shown within the department in which the funds are expended.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

O. BUDGETS AND BUDGETARY ACCOUNTING “Continued”

Appropriations may be transferred between accounts if approved by a Commissioner's resolution. The Commissioners also have the authority to enact supplemental appropriations and emergency appropriations. The level of control for the budget (the level at which disbursements cannot legally exceed budget appropriations) is the department level. The Liquid Fuels, Fire Tax, and Sewer Funds are managed by the Commissioners without a formal budget. The Project Fund is budgeted on a flexible project basis.

The Township had several negative variances in the General Fund where the amount spent exceeded the budget by department. The excess was covered by expenditures under appropriations in other line items and excess revenue over budgeted revenue.

P. ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The requirements of the following GASB Statements were adopted for the Township's 2016 financial statements:

GASB Statement No. 72, “*Fair Value Measurement and Application.*” The adoption of this statement resulted in additional footnote disclosures (Note 3).

GASB Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*” The adoption of this statement had no effect on previously reported amounts.

GASB Statement No. 76, “*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” The adoption of this statement had no effect on previously reported amounts.

GASB Statement No. 77, “*Tax Abatement Disclosures.*” The adoption of this statement had no effect on previously reported amounts.

GASB Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” The adoption of this statement had no effect on previously reported amounts.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

Q. PENDING CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB has issued the following statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Township’s financial statements.

In June 2015, the GASB issued Statement No. 74, “*Financial Reporting for Postemployment Benefits Plans Other than Pension Plans.*” The Township is required to adopt Statement No. 74 for its December 31, 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” The Township is required to adopt Statement No. 75 for its December 31, 2018 financial statements.

In January 2016, the GASB issued Statement No. 80, “*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*” The Township is required to adopt Statement No. 80 for its December 31, 2017 financial statements.

In March, 2016, the GASB issued Statement No. 81, “*Irrevocable Split-Interest Agreements.*” The Township is required to adopt Statement No. 81 for its December 31, 2017 financial statements.

In March, 2016, the GASB issued Statement No. 82, “*Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73.*” The Township is required to adopt Statement No. 82 for its December 31, 2017 financial statements.

In November, 2016, the GASB issued Statement No. 83, “*Certain Asset Retirement Obligations.*” The Township is required to adopt Statement No. 83 for its December 31, 2019 financial statements.

In January, 2017, the GASB issued Statement No. 84, “*Fiduciary Activities.*” The Township is required to adopt Statement No. 84 for its December 31, 2019 financial statements.

In March, 2017, the GASB issued Statement No. 85, “*Omnibus 2017*” The Township is required to adopt Statement No. 85 for its December 31, 2018 financial statements.

In March, 2017, the GASB issued Statement No. 86, “*Certain Debt Extinguishment Issues.*” The Township is required to adopt Statement No. 86 for its December 31, 2018 financial statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (3) DEPOSIT AND INVESTMENT RISK

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are maintained in demand deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

Deposits

The following is a description of the Township's deposit risks:

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. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2016, \$16,736,804 of the Township's bank balance of \$17,236,804 was exposed to custodial credit risk, as that amount is not covered by FDIC insurance. However, all of the Township's bank balances are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$4,217,116 in the governmental funds and \$12,885,327 in the proprietary fund as of December 31, 2016.

Investments

As of December 31, 2016, the Township had the following short-term investments in cash equivalents in the proprietary fund: Shares in the Goldman Sachs Financial Square Government Institutional Fund have characteristics of a mutual fund and are not bank deposits or obligations of, or guaranteed, endorsed or otherwise supported by, U.S. Bank or its parent company or any of its affiliates. Shares of Goldman Sachs Financial Square Government Institutional Fund are not insured or guaranteed by the U.S. Government, FDIC, or any governmental agency or state. Due to this fact, these funds would not be reported as to risk category in accordance with GASB Statement No. 40. The total value in these funds as of December 31, 2016 was \$1,787,329.

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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2016, all of the Township's investments were categorized as Level 1 inputs.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (4) FIRE COMPANY LOAN

On August 19, 2011, the Township entered into an agreement to loan \$30,000 the Greenock Volunteer Fire Company (GVFC). The loan is to be repaid in 15 equal annual installments of at least \$2,000 and bears an interest rate of 0.00%. The loan is collateralized with a security interest in a certificate of deposit and a ladder truck owned by the GVFC. The balance due to the Township as of December 31, 2016 was \$22,000.

NOTE (5) CAPITAL ASSETS

A summary of current year changes in capital assets for the Sewer Fund is as follows:

	January 1, 2016	Additions	Deletions	December 31, 2016
Capital Assets, Not Being Depreciated				
Construction in Progress *	\$ 8,688,601	\$ 104,546	\$ 0	\$ 8,793,147
Lands and Rights of Way	<u>340,188</u>	<u>0</u>	<u>0</u>	<u>340,188</u>
Total Capital Assets, Not Being Depreciated	<u>9,028,789</u>	<u>104,546</u>	<u>0</u>	<u>9,133,335</u>
Capital Assts Being Depreciated				
Building and Improvements	187,550	0	0	187,550
Plant and System	17,055,300	0	0	17,055,300
Vehicles and Equipment	<u>486,223</u>	<u>68,475</u>	<u>0</u>	<u>554,698</u>
Capital Assets, Being Depreciated	17,729,073	68,475	0	17,797,548
Less: Accumulated Depreciation	<u>(6,803,081)</u>	<u>(201,560)</u>	<u>0</u>	<u>(7,004,641)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,925,992</u>	<u>(133,085)</u>	<u>0</u>	<u>10,792,907</u>
Total Capital Assets, Net	<u>\$ 19,954,781</u>	<u>\$ (28,539)</u>	<u>\$ 0</u>	<u>\$ 19,926,242</u>

*The independent auditors were unable to ascertain the fairness of presentation of the construction in progress balance reported above and qualified their opinion accordingly. Please see the independent auditor's report.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (6) LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2016 was as follows:

	January 1, 2016	Acquisition of Debt	Retirements	December 31, 2016	Due Within One Year
Governmental Activities					
General Obligation Bonds 2011	\$ 1,880,000	\$ 0	\$ (90,000)	\$ 1,790,000	\$ 90,000
Capital Lease - Dump Trucks	296,229	0	(70,665)	225,564	72,880
Capital Lease - Police Vehicles	145,657	0	(33,920)	111,737	35,531
Note Payable - Equipment	0	107,000	(15,042)	91,958	17,140
Total Governmental Activities	<u>\$ 2,321,886</u>	<u>\$ 107,000</u>	<u>\$ (209,627)</u>	<u>\$ 2,219,259</u>	<u>\$ 215,551</u>
Business-Type Activities					
Capital Lease - Equipment	\$ 0	\$ 68,088	\$ (3,368)	\$ 64,720	\$ 13,084
Sewer Revenue Bonds, Series 2009	7,090,000	0	(165,000)	6,925,000	165,000
Sewer Revenue Bonds, Series 2011	7,535,000	0	(120,000)	7,415,000	120,000
Sewer Revenue Bonds, Series 2012	14,160,000	0	(465,000)	13,695,000	475,000
Total Business-Type Activities	<u>\$ 28,785,000</u>	<u>\$ 68,088</u>	<u>\$ (753,368)</u>	<u>\$ 28,099,720</u>	<u>\$ 773,084</u>

General Obligation Bonds 2011

On December 28, 2011, the Township issued \$2,130,000 in General Obligation Bonds Series of 2011 with interest rates from 1.00% to 4.00%. The 2011 bonds are due serially through December 2032. Payments are made semi-annually on June 1 and December 3. The proceeds of \$2,005,188, after issue costs of \$124,812, were used to fund capital projects including the construction of a salt shed, a police station garage, and a Chapel Drive recreation complex. At December 31, 2016, the outstanding balance of the 2011 Bonds payable was \$1,790,000.

Sewer Revenue Bonds

In December 2013, the Township assumed all of the outstanding bonds (Sewer Bonds) of the Elizabeth Township Sanitary Authority (Authority). The Authority sold, and assigned to the Township, all of the assets of the Authority and the Township assumed all liabilities, obligations, and indebtedness of the Authority, including, but not limited to, all outstanding bonds. The Sewer Bonds reported are not general obligations of the Township, but are limited obligations, payable solely from the pledged revenues of the Elizabeth Township Authority, the new sanitary authority. There is no other recourse against the Township or claim upon the taxing power or tax revenues of the Township. The Township has not pledged its credit or taxing power with respect to its obligation under or in respect of the Sewer Bonds or the Trust Indenture. Payments on these bonds are made by the Elizabeth Township Authority as the Authority is responsible for collection of the revenue to pay these bonds. The Sewer Bonds bear interest at rates ranging from 2.15% to 4.625%. Interest is payable in semiannual installments on June 15 and December 15 until maturity. The Sewer Bonds have a final maturity on December 15, 2041. At December 31, 2016, the outstanding balance of the Sewer Bonds payable was \$28,035,000.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (6) LONG-TERM DEBT “Continued”

As of December 31, 2016, the Authority was not in compliance with rate covenants included with the bond indenture. In addition, the audit disclosed potential uses of bond proceeds for purposes other than those outlined in the bond indenture. Management has represented that it will evaluate the consequences of these compliance matters and adjust for any financial effects.

Capital Lease – Dump Trucks

On December 1, 2014, the Township entered into a lease agreement for three dump trucks in the amount of \$370,311 with interest at the rate of 3.1%. The lease is payable in 5 annual payments of \$79,950, beginning June 1, 2015 and maturing on June 1, 2019. At December 31, 2016, the outstanding balance of the capital lease was \$225,564.

Capital Lease – Police Vehicles

On March 23, 2015, the Township entered into a lease agreement for four police vehicles in the amount of \$186,071 with interest at the rate of 4.75%. The lease is payable in 5 annual payments of \$40,839, beginning on March 23, 2015 and maturing on March 23, 2019. At December 31, 2016, the outstanding balance of the capital lease was \$111,737.

Capital Lease – Equipment

On May 19, 2016, the Township entered into a lease agreement for a John Deere tractor and boom cradle in the amount of \$107,000 with interest at the rate of 2.92%. The lease is payable in 60 monthly payments of \$1,921, beginning on June 19, 2016 and maturing on May 19, 2021. At December 31, 2016, the outstanding balance of the capital lease was \$91,958.

The following schedule summarizes the future debt service and capital lease requirements of the Township as of December 31, 2015:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 215,551	\$ 74,490	\$ 290,041	\$ 773,084	\$ 1,019,086	\$ 1,792,170
2018	223,505	68,758	292,263	788,337	1,002,490	1,790,827
2019	233,263	62,200	295,463	803,731	986,604	1,790,335
2020	117,406	55,130	172,536	824,138	967,534	1,791,672
2021	109,534	52,181	161,715	835,430	947,227	1,782,657
2022-2026	535,000	210,880	745,880	4,530,000	4,356,777	8,886,777
2027-2031	640,000	106,490	746,490	5,325,000	3,552,520	8,877,520
2032-2036	145,000	5,800	150,800	6,405,000	2,478,314	8,883,314
2037-2041	0	0	0	7,815,000	1,067,198	8,882,198
Total	\$ 2,219,259	\$ 635,929	\$ 2,855,188	\$ 28,099,720	\$ 16,377,750	\$ 44,477,470

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS

Plan Descriptions

The Township administers three agent multiple-employer defined benefit pension plans covering full-time employees: the Police Pension Plan, Non-Uniformed Pension Plan, and Sanitary Authority Plan (Plans). The Plans are affiliated with the Pennsylvania Municipal Retirement System (PMRS). Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, grants the authority to establish and amend the benefit terms to the Authority’s Board of Commissioners.

The Police Pension Plan, established on September 9, 1957, covers full-time police officers of the Township. Employees are eligible to participate in the Plan after six months of continuous service. The Plan pays benefits in the event of disability, death, or retirement of participants who meet the eligibility requirements. Eligibility for the normal retirement benefit is age fifty if the employee has at least twelve years of credited service. An employee may retire early if the employee leaves with at least twenty-five years of credited service. Vesting is 100% after twelve years of service. The pension benefit formula is based upon 2% per year of service of the Final Average Salary (FAS – average salary for last three years). The maximum benefit is limited to 50% of FAS. There is no Social Security offset. A service increment for credited service in excess of 25 years provides a maximum benefit of \$100 per month for the service increment. A member may select a reduced joint annuitant benefit at retirement. Survivor benefits include 50% of member’s benefit if eligible for retirement or retired at time of death. Otherwise, present value of the accrued benefit will be paid to the beneficiary if an active member is eligible for retirement at the time of death. A disability benefit is provided in the Plan. If the disability is service related, the benefit is 50% of FAS. For non-service related disability with ten years of service, the benefit is 30% of FAS.

The Non-Uniformed Pension Plan, established on April 1, 1968, covers full-time non-uniformed employees of the Township. Employees are eligible to participate in the Plan after six months of continuous service. Eligibility for the normal retirement benefit is age sixty-two. An employee who is involuntarily terminated with eight or more years of credited service may retire early. Vesting is 100% after five years of service. If an employee voluntarily leaves employment, he or she may retire early if this individual has at least twenty-four years of credited service or fifteen years of credited service if age fifty-five or older. The Plan pays benefits in the event of disability, death, or retirement of participants who meet the eligibility requirements. The pension benefit formula is based upon 2% per year of service of the Final Average Salary (FAS – average salary for last three years). The maximum benefit is limited to 70% of FAS. There is no Social Security offset. A member may select a reduced joint annuitant benefit at retirement. Otherwise, present value of the accrued benefit will be paid to the beneficiary if an active member is eligible for retirement at the time of death. A disability benefit is provided in the Plan. If the disability is service related, the benefit is 50% of FAS. For non-service related disability with ten years of service, the benefit is 30% of FAS.

The Sanitary Authority Plan is frozen to new participants and has 4 beneficiaries.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (7) PENSION PLANS "Continued"

Plan provisions are established by ordinance with the authority for Township contributions required by Act 205 of the Commonwealth of Pennsylvania (Act 205). Neither Plan issues stand-alone financial statements as part of PMRS. PMRS issues a publicly available financing report that includes financial statements and required supplementary information. That report can be obtained by writing PMRS at P.O. Box 1429, Harrisburg, PA, 17105.

At December 31, 2016, membership consisted of the following:

	Police Plan	Non- Uniformed Plan	Sanitary Authority Plan
Inactive employees or beneficiaries			
currently receiving benefits	13	28	4
Inactive employees entitled to			
but not yet receiving benefits	1	4	0
Active plan members	10	14	0
Total	<u>24</u>	<u>46</u>	<u>4</u>

Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the minimum municipal obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirements established by the MMO, which exceed the Commonwealth of Pennsylvania allocation, must be funded by the Township (and could include employee contributions).

Non-uniformed employees are required to make mandatory contributions to the Plan of 3% of their annual gross wages. During 2016, police plan participants were not required to make contributions to the Plan. The MMO for the Police, Non-Uniformed, and Sanitary Authority Plans in 2016 were \$58,744, \$29,336, and \$0, respectively.

Net Pension Liability (Asset)

The components of the net pension liability/(asset) of the Plans at December 31, 2016 were as follows:

	Police Plan	Non- Uniformed Plan	Sanitary Authority Plan
Total pension liability	\$ 8,693,148	\$ 4,509,168	\$ 670,157
Plan fiduciary net position	<u>8,773,965</u>	<u>4,239,301</u>	<u>719,796</u>
Net pension liability	<u>\$ (80,817)</u>	<u>\$ 269,867</u>	<u>\$ (49,639)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>100.93%</u>	<u>94.02%</u>	<u>107.41%</u>

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (7) PENSION PLANS "Continued"

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Police Plan at December 31, 2016 were as follows:

Change in Net Pension Liability (Asset) - Police Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 12/31/15	\$ 8,578,976	\$ 9,442,560	\$ (863,584)
Adjustments	(1,182)	0	(1,182)
Changes for the year:			
Service cost	197,078	0	197,078
Interest	469,496	0	469,496
Changes of benefits	0	0	0
Changes of assumptions*	(67,574)	0	(67,574)
Differences between expected and actual experience	0	0	0
Contributions - employer	0	30,904	(30,904)
Contributions - PMRS assessment	0	60	(60)
Contributions - member	0	0	0
PMRS investment income	0	513,587	(513,587)
Market value investment income**	0	(707,510)	707,510
Transfers	0	0	0
Benefit payments	(483,646)	(483,646)	0
PMRS administrative expense	0	(580)	580
Additional Administrative expense	0	(21,410)	21,410
Net Changes	114,172	(668,595)	782,767
Balances at 12/31/16	\$ 8,693,148	\$ 8,773,965	\$ (80,817)
Covered Employee Payroll			874,908
Net Pension Liability as a Percentage of Covered-Employee Payroll			-9.24%

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**Reflects the net investment income/(loss) of (\$537,424) and the income/(loss) due to the difference between expected and actual asset values of \$(170,086), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS “Continued”

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Non-Uniformed Plan at December 31, 2016 were as follows:

Change in Net Pension Liability (Asset) - Non-Uniformed Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 12/31/15	\$ 4,449,655	\$ 4,608,596	\$ (158,941)
Adjustments	(4,486)	0	(4,486)
Changes for the year:			
Service cost	90,812	0	90,812
Interest	242,722	0	242,722
Changes of benefits	0	0	0
Changes of assumptions*	(20,500)	0	(20,500)
Differences between expected and actual experience	0	0	0
Contributions - employer	0	30,908	(30,908)
Contributions - member	0	22,776	(22,776)
PMRS investment income	0	251,054	(251,054)
Market value investment income**	0	(413,592)	413,592
Transfers	0	0	0
Benefit payments	(249,035)	(249,035)	0
PMRS administrative expense	0	(940)	940
Additional Administrative expense	0	(10,466)	10,466
Net Changes	59,513	(369,295)	428,808
Balances at 12/31/16	\$ <u>4,509,168</u>	\$ <u>4,239,301</u>	\$ <u>269,867</u>
Covered Employee Payroll			759,205
Net Pension Liability as a Percentage of Covered-Employee Payroll			35.55%

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**Reflects the net investment income/(loss) of (\$262,706) and the income/(loss) due to the difference between expected and actual asset values of \$(150,886), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (7) PENSION PLANS "Continued"

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Sanitary Authority Plan at December 31, 2016 were as follows:

Change in Net Pension Liability (Asset) - Sanitary Authority Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 12/31/15	\$ 685,518	\$ 865,843	\$ (180,325)
Adjustments	0	0	0
Changes for the year:			
Service cost	0	0	0
Interest	36,101	0	36,101
Changes of benefits	0	0	0
Changes of assumptions	7,606	0	7,606
Differences between expected and actual experience	0	0	0
Contributions - employer	0	0	0
Contributions - member	0	0	0
PMRS investment income	0	46,684	(46,684)
Market value investment income*	0	(131,717)	131,717
Transfers	0	0	0
Benefit payments	(59,068)	(59,068)	0
PMRS administrative expense	0	0	0
Additional Administrative expense	0	(1,946)	1,946
Net Changes	(15,361)	(146,047)	130,686
Balances at 12/31/16	\$ 670,157	\$ 719,796	\$ (49,639)
Covered Employee Payroll			0
Net Pension Liability as a Percentage of Covered-Employee Payroll			NA

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**Reflects the net investment income/(loss) of (\$48,850) and the income/(loss) due to the difference between expected and actual asset values of \$(82,867), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS “Continued”

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2016, with liabilities measured at December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age Normal
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Investment Rate of Return: 5.50%
- Inflation: 2.8%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 2.8% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000, Females – RP 2000 with a 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

Changes in Actuarial Assumptions – The demographic and economic assumptions were reviewed by the PMRS Board as required every four years at the July 2015 Board meeting. The Board approved updated actuarial assumptions including mortality rates, termination rates, retirement rates, and the salary scale effective January 1, 2016.

Long-Term Expected Rate of Return – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to the method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board’s opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are presented in the chart labeled “System Nominal and Real Rates of Return by Asset Class.”.
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%. The chart labeled “Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS “Continued”

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2016:

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25 %	9.9 %	6.9 %
Domestic Equities (small capitalized firms)	15 %	9.8 %	6.8 %
International Equities (international developed markets)	15 %	7.0 %	4.0 %
International Equities (emerging markets)	10 %	10.6 %	7.6 %
Real Estate	20 %	10.1 %	7.1 %
Fixed Income	15 %	5.4 %	2.4 %
Total Portfolio	100 %	8.9 %	5.9 %

Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.5%.

Discount Rate – The discount rate used to measure the total pension liability for the Plans was 5.5%. The PMRS Board establishes the regular interest rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of Plan participants, municipalities, and Plan retirees each year.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans’ net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net Pension (Asset) Liability -			
Police Plan	\$ 955,755	\$ (80,817)	\$ (948,369)
Non-Uniformed Plan	736,183	269,867	(131,578)
Sanitary Authority Plan	\$ 5,891	\$ (49,639)	\$ (97,953)

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS “Continued”

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the Plans recognized pension expense of approximately \$180,000 and \$25,300 in the governmental activities and business-type activities, respectively. At December 31, 2016, the Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan	Non- Uniformed Plan	Sanitary Authority Plan
<u>Deferred Outflows of Resources</u>			
Difference between expected and actual experience	\$ 45,370	\$ 7,006	\$ 0
Changes in assumptions	0	0	0
Net difference between projected and actual investment earnings	565,018	313,893	102,489
Contributions subsequent to the measurement date	73,220	43,813	0
	<u>\$ 683,608</u>	<u>\$ 364,712</u>	<u>\$ 102,489</u>
<u>Deferred Inflows of Resources</u>			
Difference between expected and actual experience	\$ 946	\$ 2,991	\$ 0
Changes in assumptions	54,059	13,667	0
Net difference between projected and actual investment earnings	0	0	0
	<u>\$ 55,005</u>	<u>\$ 16,658</u>	<u>\$ 0</u>

\$117,033 reported as deferred outflows of resources resulting from the Township’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business- Type Activites
Year ended December 31	Police	Non- Uniformed	Sanitary Authority
2016	\$ 142,545	\$ 75,736	\$ 25,382
2017	142,545	68,728	25,382
2018	142,543	77,057	25,380
2019	127,750	82,720	26,345
2020	0	0	0
Thereafter	0	0	0
	<u>\$ 555,383</u>	<u>\$ 304,241</u>	<u>\$ 102,489</u>

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (7) PENSION PLANS “Continued”

Pension Plan Fiduciary Net Position

Detailed information about PMRS’ fiduciary net position is available in PMRS’ Comprehensive Annual Financial Report which is available on the PMRS Website or a copy may be obtained by contacting the PMRS accounting office. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS’s separately issued CAFR.

NOTE (8) REAL ESTATE TAXES

The tax of real estate for the Township for the year ended December 31, 2016 was 3.926 mills (\$3.926 per \$1,000 of assessed valuation). One-half mill was designated for the Fire Tax Fund; the other millage was all for general purposes. Total assessed value was \$565,775,977, at 100% market value in 2016.

April 1	Levy date
April 1 – May 31	2% discount period
June 1 – July 31	Face payment period
August 1	10% penalty period

Taxpayers may pay at penalty for a period of two years. Unpaid taxes after two years are liened.

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

In addition to providing pension benefits under contractual obligations, the Township provides certain health care and life insurance benefits for certain retired employees who are covered under employment contracts. The Township does not have a formal plan document for the OPEB plan, but it operates as a single-employer defined benefit plan that is not accounted for as a trust fund. An irrevocable trust has not been established, the OPEB plan does not issue a separate report, and activity of the OPEB plan is reported in the Township’s General Fund.

The Township incurs a portion of the cost of certain healthcare benefits for retired police and public works employees from the time of retirement until Medicare comes into effect. The Township also incurs the cost of certain healthcare benefits for the retiree’s spouse for a period not to exceed five years. The Township only pays for half of the spouse’s healthcare coverage. Effective January 1, 2009, any police officers hired after this date will not be eligible to receive post-retirement healthcare benefits. The benefits are provided in accordance with labor agreements. Post-retirement benefits consisting of medical, dental,

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB
"Continued"

and vision benefits and life insurance for police officers and road department employees and medical, dental, and vision for two retired administrative/clerical employees. The cost of retiree healthcare benefits is recognized as an expenditure at the time the premium is paid.

As of January 1, 2015, there were 17 active employees in the plan and seven retirees met the eligibility requirements to receive OPEB.

Funding Policy

The contribution requirements of OPEB plan members and the Township are established and may be amended by the Township. The OPEB plan is not funded. The employer's contributions are financed on a pay-as-you-go basis. In 2016, the Township paid \$63,391 in OPEB premiums, net of reimbursement.

The Township's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an 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 the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the component of the Township's annual OPEB cost for the year, the amount actually contributed, and changes in the Township's net OPEB obligation:

Annual required contribution	\$	194,022
Interest on net OPEB obligation		5,269
Adjustment to annual required contribution		(7,902)
Annual OPEB cost		<u>191,389</u>
Contributions made (includes implicit rate subsidy)		<u>(63,391)</u>
Increase in net OPEB (asset) obligation		127,998
Net OPEB (asset) obligation - beginning of year		<u>117,098</u>
Net OPEB (asset) obligation - end of year	\$	<u><u>245,096</u></u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2016	191,389	33.12%	245,096
December 31, 2015	194,022	39.65%	117,098
December 31, 2014	-	0	-

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
"Continued"

The ARC for the current year was computed as of the latest actuarial valuation using the following actuarial assumptions:

Actuarial valuation date: 1/1/2015
Actuarial cost method: Entry Age Normal
Amortization method: Level Dollar Open
Amortization period: 25 years
Asset valuation method: N/A - the OPEB plan is unfunded
Actuarial assumptions:
Investment rate of return: 4.50%
Assumed retirement age:
Police: earlier of 25 years of service or age 50 with 12 of service
Road Department: earlier of 24 years of service or age 62
Healthcare cost trends:
Year 1: 6.75%
Thereafter: .25 % decrease annually
Dental/Vision: 3% annually

The schedule of funding progress as of January 1, 2015 for the postemployment medical and life insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UALL)	Funded Rate	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2015	0	2,152,979	(2,152,979)	0.0%	NA	NA

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 medical care costs. Amounts determined regarding the funded status 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements "Continued"
Year Ended December 31, 2016

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
"Continued"

Compensated Absences

Township employees accumulate sick days. All employees earn ten sick days each year. Employees have the option to be paid for sick days once they accumulate a hundred days. Administration and Police are paid for sick days at a rate of fifty percent of their current rate. Road department employees are paid \$40 for each sick day. Accrued compensated absences as of December 31, 2016 total \$66,797.

NOTE (10) COMMITMENTS AND CONTINGENCIES

In 2002, the Allegheny County Health Department (ACHD) ordered communities tributary to the Allegheny County Sanitary Authority, whose sanitary sewers had been identified as being subject to possible wet weather overflows, to implement a comprehensive assessment, flow monitoring, and planning program. In fiscal year 2008, a consent decree related to this issue was signed by ACHD and the Township. The Township is subject to a civil penalty for untimely completion of each term or provision of the consent decree. A revised consent decree was signed in May 2016. The Township has paid \$76,000 in civil penalties for the year ended December 31, 2016.

The Township is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for employee benefits and worker's compensation. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant changes in insurance coverage during the year.

Pending or threatened litigation, claims and assessments involve two (2) employee claims of being subjected to discrimination, workplace harassment, and retaliation by Township officials. In the first claim, the EEOC dismissed the original discrimination claim, but had a finding with regard to the claim of retaliation. Both claims are being handled by insurance carrier legal counsel.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2016

NOTE (11) MUNICIPAL EMPLOYERS INSURANCE TRUST

The Township participates as a member in Municipal Employers Insurance Trust (d/b/a Municipal Benefit Services (MBS)), a public entity risk pool. MBS provides certain benefits including, but not limited to, the following coverages: health benefits, short-term accident and sickness disability benefits, long-term accident and sickness disability benefits, dental benefits, vision care, prescription drugs, and life insurance for those eligible employers. All participants of MBS may be subject to supplemental premiums based on the overall experience of the participating members. Reserves generated by MBS for self-insured health premiums paid by members exceeding claims and expenses are held by MBS for the benefit of all participating members. During 2014, a portion of the excess reserves was deposited in eligible clients’ Rate Mitigation Accounts (RMA) as determined by MBS’s actuary. RMA funds are held by MBS and are available to the Township to reduce future costs associated with participating coverage. RMA funds are forfeited if the member terminates participation in the MBS medical insurance program. As of December 31, 2016, the Township had \$13,783 in the RMA account.

NOTE (12) RISK MANAGEMENT

For its workers’ compensation insurance coverage, the Township participates in the Municipal Risk Management Worker’s Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 200 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers’ Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days’ notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments, but has no claim on any other assets of the Trust.

NOTE (13) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

TOWNSHIP OF ELIZABETH
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
NON-GAAP - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis
REVENUES			
Taxes	\$ 4,180,785	\$ 0	\$ 4,180,785
Licenses and Permits	265,275	0	265,275
Fines and Forfeits	15,944	0	15,944
Interest, Rent and Royalties	1,258	0	1,258
Intergovernmental	281,301	0	281,301
Charges for Services	172,949	0	172,949
Miscellaneous	175,895	0	175,895
TOTAL REVENUES	<u>5,093,407</u>	<u>0</u>	<u>5,093,407</u>
EXPENDITURES			
Current			
General Government	805,336	(173,987)	631,349
Public Safety	1,985,285	(193,759)	1,791,526
Public Works	2,001,653	(74,518)	1,927,135
Culture and Recreation	95,545	0	95,545
Insurance	0	261,840	261,840
Benefits - Pension	0	117,033	117,033
Benefits - Retirees	0	63,391	63,391
Capital Outlay	32,300	0	32,300
Debt Service			
Principal	211,927	0	211,927
Interest	77,686	0	77,686
TOTAL EXPENDITURES	<u>5,209,732</u>	<u>0</u>	<u>5,209,732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,325)</u>	<u>0</u>	<u>(116,325)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Capital Asset Disposition	22,020	0	22,020
Capital Lease	106,871	0	106,871
Refund of Prior Year Expenditures	50,935	0	50,935
Refund of Prior Year Revenues	(6,523)	0	(6,523)
Transfers In	328,570	0	328,570
Transfers Out	(286,640)	0	(286,640)
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,233</u>	<u>0</u>	<u>215,233</u>
NET CHANGE IN FUND BALANCES	<u>98,908</u>	<u>0</u>	<u>98,908</u>

(Continued)

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
NON-GAAP - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Actual on Budgetary Basis	Budgeted Amounts		Variance with Final Budget
		Original	Final	
REVENUES				
Taxes	\$ 4,180,785	\$ 4,130,000	\$ 4,130,000	\$ 50,785
Licenses and Permits	265,275	254,700	254,700	10,575
Fines and Forfeits	15,944	17,000	17,000	(1,056)
Interest, Rent and Royalties	1,258	2,525	2,525	(1,267)
Intergovernmental	281,301	184,600	184,600	96,701
Charges for Services	172,949	145,450	145,450	27,499
Miscellaneous	175,895	120,500	120,500	55,395
TOTAL REVENUES	<u>5,093,407</u>	<u>4,854,775</u>	<u>4,854,775</u>	<u>238,632</u>
EXPENDITURES				
Current				
General Government	631,349	646,097	646,097	14,748
Public Safety	1,791,526	1,815,063	1,815,063	23,537
Public Works	1,927,135	1,787,157	1,787,157	(139,978)
Culture and Recreation	95,545	125,600	125,600	30,055
Insurance	261,840	275,000	275,000	13,160
Benefits - Pension	117,033	60,000	60,000	(57,033)
Benefits - Retirees	63,391	74,800	74,800	11,409
Capital Outlay	32,300	0	0	(32,300)
Debt Service				
Principal	211,927	100,750	100,750	(111,177)
Interest	77,686	48,000	48,000	(29,686)
TOTAL EXPENDITURES	<u>5,209,732</u>	<u>4,932,467</u>	<u>4,932,467</u>	<u>(277,265)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,325)</u>	<u>(77,692)</u>	<u>(77,692)</u>	<u>(38,633)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Capital Asset Disposition	22,020	0	0	22,020
Capital Lease Proceeds	106,871	0	0	106,871
Refund of Prior Year Expenditures	50,935	0	0	50,935
Refund of Prior Year Revenues	(6,523)	(7,500)	(7,500)	977
Transfers In	328,570	110,000	110,000	218,570
Transfers Out	(286,640)	0	0	(286,640)
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,233</u>	<u>102,500</u>	<u>102,500</u>	<u>112,733</u>
NET CHANGE IN FUND BALANCES	<u>\$ 98,908</u>	<u>\$ 24,808</u>	<u>\$ 24,808</u>	<u>\$ 74,100</u>

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN NET
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years **

POLICE PENSION PLAN

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service cost	\$ 197,078	\$ 182,927
Interest	469,496	456,581
Changes of benefits	0	0
Changes of assumptions*	(67,574)	0
Differences between expected and actual experience	0	75,618
Benefit payments, including refunds of member contributions	(483,646)	(502,676)
Other - Adjustments	(1,181)	0
Net Change in Total Pension Liability	<u>114,173</u>	<u>212,450</u>
Total Pension Liability - Beginning	<u>8,578,975</u>	<u>8,366,525</u>
Total Pension Liability - Ending	<u>8,693,148</u>	<u>8,578,975</u>
Plan Fiduciary Net Position:		
Contributions - employer	30,904	31,439
Contributions - PMRS assessment	60	0
Contributions - member	0	0
PMRS investment income	513,587	509,688
Market value investment income**	(707,510)	1,650
Benefit payments, including refunds of member contributions	(483,646)	(502,675)
Administrative expense	(21,990)	(20,087)
Other	0	0
Net Change in Plan Fiduciary Net Position	<u>(668,595)</u>	<u>20,015</u>
Plan Fiduciary Net Position - Beginning	<u>9,442,560</u>	<u>9,422,545</u>
Plan Fiduciary Net Position - Ending	<u>8,773,965</u>	<u>9,442,560</u>
Net Pension Liability	\$ <u>(80,817)</u>	\$ <u>(863,585)</u>
Covered Employee Payroll	874,908	820,279
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-9.24%	-105.28%

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**This schedule is intended to illustrative information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plan

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN NET
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years **

NON-UNIFORMED PENSION PLAN

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service cost	\$ 90,812	\$ 77,435
Interest	242,722	238,830
Changes of benefits	0	0
Changes of assumptions*	(20,500)	0
Differences between expected and actual experience	0	21,016
Transfers	0	(34,392)
Benefit payments, including refunds of member contributions	(249,035)	(266,672)
Other - Adjustments	(4,486)	0
Net Change in Total Pension Liability	<u>59,513</u>	<u>36,217</u>
Total Pension Liability - Beginning	<u>4,449,655</u>	<u>4,413,438</u>
Total Pension Liability - Ending	<u>4,509,168</u>	<u>4,449,655</u>
Plan Fiduciary Net Position:		
Contributions - employer	30,908	29,810
Contributions - PMRS assessment	0	0
Contributions - member	22,776	20,695
PMRS investment income	251,054	247,479
Market value investment income**	(413,592)	28,301
Transfers	0	(34,392)
Benefit payments, including refunds of member contributions	(249,035)	(266,672)
Administrative expense	(11,406)	(10,491)
Other	0	0
Net Change in Plan Fiduciary Net Position	<u>(369,295)</u>	<u>14,730</u>
Plan Fiduciary Net Position - Beginning	<u>4,608,596</u>	<u>4,593,866</u>
Plan Fiduciary Net Position - Ending	<u>4,239,301</u>	<u>4,608,596</u>
Net Pension Liability	\$ <u>269,867</u>	\$ <u>(158,941)</u>
Covered Employee Payroll	759,205	639,028
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	35.55%	24.87%

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

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See accompanying note to required supplementary information - pension plan

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN NET
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years **

SANITARY AUTHORITY PENSION PLAN

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service cost	\$ 0	\$ 17,678
Interest	36,101	41,222
Changes of benefits	0	0
Changes of assumptions*	7,606	0
Differences between expected and actual experience	0	(72,372)
Transfers	0	0
Benefit payments, including refunds of member contributions	(59,068)	(64,790)
Other - Adjustments	0	0
Net Change in Total Pension Liability	<u>(15,361)</u>	<u>(78,262)</u>
Total Pension Liability - Beginning	685,518	763,780
Total Pension Liability - Ending	<u>670,157</u>	<u>685,518</u>
Plan Fiduciary Net Position:		
Contributions - employer	0	221
Contributions - PMRS assessment	0	0
Contributions - member	0	0
PMRS investment income	46,684	47,083
Market value investment income**	(131,717)	4,807
Transfers	0	0
Benefit payments, including refunds of member contributions	(59,068)	(64,790)
Administrative expense	(1,946)	(1,946)
Other	0	0
Net Change in Plan Fiduciary Net Position	<u>(146,047)</u>	<u>(14,625)</u>
Plan Fiduciary Net Position - Beginning	865,843	880,468
Plan Fiduciary Net Position - Ending	<u>719,796</u>	<u>865,843</u>
Net Pension Liability	\$ <u>(49,639)</u>	\$ <u>(180,325)</u>
Covered Employee Payroll	NA	125,512
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	NA	143.67%

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**This schedule is intended to illustrative information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plan

TOWNSHIP OF ELIZABETH
SCHEDULES OF REQUIRED SUPPLEMENTAR INFORMATION
PENSION PLAN
YEARS ENDED DECEMBER 31

SCHEDULES OF TOWNSHIP'S CONTRIBUTIONS **

	<u>2016</u>	<u>2015</u>
POLICE PENSION PLAN		
Actuarially determined contributions	\$ 16,703	\$ 6,819
Contributions in relation to the actuarially determined contribution	<u>30,964</u>	<u>31,439</u>
Contributions deficiency (excess)	<u>\$ (14,261)</u>	<u>\$ (24,620)</u>
 Covered employee payroll	 <u>\$ 874,908</u>	 <u>\$ 820,279</u>
 Contributions as a percentage of covered payroll	 <u>3.54%</u>	 <u>3.83%</u>
NON-UNIFORMED PENSION PLAN		
Actuarially determined contributions	\$ 24,024	\$ 28,498
Contributions in relation to the actuarially determined contribution	<u>30,908</u>	<u>29,810</u>
Contributions deficiency (excess)	<u>\$ (6,884)</u>	<u>\$ (1,312)</u>
 Covered employee payroll	 <u>\$ 759,205</u>	 <u>\$ 639,028</u>
 Contributions as a percentage of covered payroll	 <u>4.07%</u>	 <u>4.66%</u>
SANITARY AUTHORITY PENSION PLAN		
Actuarially determined contributions	\$ 0	\$ 0
Contributions in relation to the actuarially determined contribution	<u>0</u>	<u>221</u>
Contributions deficiency (excess)	<u>\$ 0</u>	<u>\$ (221)</u>
 Covered employee payroll	 <u>\$ 0</u>	 <u>\$ 125,512</u>
 Contributions as a percentage of covered payroll	 <u>NA</u>	 <u>0.18%</u>

**This schedule is intended to illustrative information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

TOWNSHIP OF ELIZABETH
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION PLAN
YEAR ENDED DECEMBER 31, 2016

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2016, with liabilities measured at December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age Normal
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Investment Rate of Return: 5.50%
- Inflation: 2.8%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 2.8% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000, Females – RP 2000 with a 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

Changes in Actuarial Assumptions – The demographic and economic assumptions were reviewed by the PMRS Board as required every four years at the July 2015 Board meeting. The Board approved updated actuarial assumptions including mortality rates, termination rates, retirement rates, and the salary scale effective January 1, 2016.

TOWNSHIP OF ELIZABETH
SCHEDULE OF FUNDING PROGRESS - OPEB
YEAR ENDED DECEMBER 31, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess (Deficiency) as a Percentage of Covered Payroll</u>
1/1/2015	\$ -	\$ 2,152,979	\$ (2,152,979)	0.00%	n/a	n/a

Note 1: Valuation as of January 1, 2015 represents the initial valuation for the plan, as the year ended December 31, 2015 was the first year of presenting OPEB information.

TOWNSHIP OF ELIZABETH
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF ELIZABETH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	SPECIAL REVENUE FUNDS		CAPITAL	TOTAL
	LIQUID	FIRE TAX	PROJECTS	NONMAJOR
	FUELS	FUND	FUND	GOVERNMENTAL
	FUND			FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 37,289	\$ 305,404	\$ 1,545,171	\$ 1,887,864
Due from Other Funds	0	36,597	0	36,597
TOTAL ASSETS	<u>\$ 37,289</u>	<u>\$ 342,001</u>	<u>\$ 1,545,171</u>	<u>\$ 1,924,461</u>
LIABILITIES AND FUND BALANCES				
TOTAL LIABILITIES	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
FUND BALANCES				
Restricted For				
Liquid Fuels Tax Projects	37,289	0	0	37,289
Fire Protection	0	342,001	0	342,001
Capital Projects	0	0	1,545,171	1,545,171
TOTAL FUND BALANCES	<u>37,289</u>	<u>342,001</u>	<u>1,545,171</u>	<u>1,924,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,289</u>	<u>\$ 342,001</u>	<u>1,545,171</u>	<u>\$ 1,924,461</u>

TOWNSHIP OF ELIZABETH
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LIQUID FUELS FUND	FIRE TAX FUND		
REVENUES				
Taxes	\$ 0	\$ 307,236	\$ 0	\$ 307,236
Interest, Rent & Royalties	207	239	1,409	1,855
Intergovernmental	442,107	0	0	442,107
TOTAL REVENUES	<u>442,314</u>	<u>307,475</u>	<u>1,409</u>	<u>751,198</u>
EXPENDITURES				
Public Safety	0	321,958	0	321,958
Public Works	472,532	0	0	472,532
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	<u>472,532</u>	<u>321,958</u>	<u>0</u>	<u>794,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,218)</u>	<u>(14,483)</u>	<u>1,409</u>	<u>(43,292)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	286,640	286,640
Transfers Out	(328,570)	0	0	(328,570)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(328,570)</u>	<u>0</u>	<u>286,640</u>	<u>(41,930)</u>
NET CHANGE IN FUND BALANCES	(358,788)	(14,483)	288,049	(85,222)
FUND BALANCE - BEGINNING OF YEAR	<u>396,077</u>	<u>356,484</u>	<u>1,257,122</u>	<u>2,009,683</u>
FUND BALANCE - END OF YEAR	\$ <u>37,289</u>	\$ <u>342,001</u>	\$ <u>1,545,171</u>	\$ <u>1,924,461</u>