



**Ferguson**  
Township  
*Pennsylvania*

# Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2017



**2017**  
***FERGUSON TOWNSHIP***  
CENTRE COUNTY, PENNSYLVANIA

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***  
***For the Calendar Year Ended December 31, 2017***

Prepared by the Township Department of Finance  
Eric Endresen, Director



# **Township of Ferguson, Pennsylvania**

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# **Township of Ferguson, Pennsylvania**

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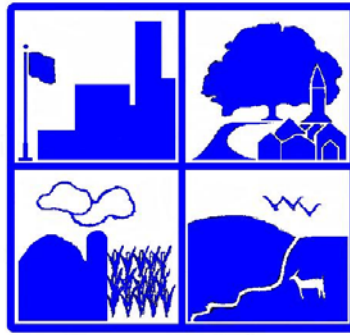
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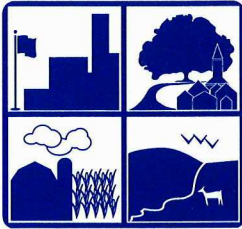
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## Introductory Section





## TOWNSHIP OF FERGUSON

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Telephone: 814-238-4651 • Fax: 814-238-3454  
[www.twp.ferguson.pa.us](http://www.twp.ferguson.pa.us)

June 25, 2018

To the Citizens of Ferguson Township, Centre County, Pennsylvania

The Township Manager and Finance Director are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Township of Ferguson, Centre County, Pennsylvania for the year ended December 31, 2017.

This CAFR is prepared to inform the Board of Supervisors, Township staff, our citizens, bondholders and other interested parties, detailed information concerning the financial condition of the Township government. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with Township management. To provide the basis for making these representations, the management of the Township has established a comprehensive internal control framework that is designed both to protect the Township's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Township's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR was prepared by the Township Finance Department and the financial statements were audited by the firm Baker Tilly Virchow Krause, LLP, State College, PA.

The Management Discussion and Analysis ("MD&A") is a narrative introduction, overview and analysis of the accompanying basic financial statements. The MD&A can be found immediately following the report of the independent auditors.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all funds except the employee benefit, internal services, pension trust, and agency funds. The appropriated budgets are prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

Although not legally obligated to do so, for management control purposes, the Board of Supervisors reviews and approves interdepartmental budget transfers. All annual appropriations lapse at calendar year end. The Supervisors may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Supervisors may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof.

To the best of our knowledge and belief, the data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and the results of operations of the Township as measured by the financial activity of the various funds. We believe that all disclosures necessary to enable the reader to gain a reasonable understanding of the Township's financial affairs have been included.

## **Ferguson Township Profile**

Ferguson Township is one of 36 municipalities in Centre County. In terms of population, the Township is the second largest municipality in the County behind the State College Borough.

The Centre Region is comprised of six municipalities: The Borough of State College, and the Townships of College, Ferguson, Halfmoon, Harris, and Patton. These municipalities have an estimated population of 94,655 (2016) approximating 60 percent of the total County population (161,463) living within their boundaries and is considered the urban area of the County. Within the Centre Region, Ferguson Township is the second largest municipality in terms of population (2016 estimate 18,585) and the largest in terms of land area (47.65 square miles). Ferguson has an estimated population density of 390 persons per square mile (2016).

Ferguson Township is a home rule municipality. On January 1, 1976, the electorate, by referendum, adopted a home rule charter that institutes a council-manager form of government. The Board of Supervisors as the governing body is comprised of five elected officials: two are elected at large and three are elected by ward. The Board of Supervisors is the policy-making body and is responsible for setting tax rates, approving an annual budget, and enacting ordinances to carry out policy. The Board of Supervisors represents the Township as members of the Centre Region Council of Governments ("COG"). Each board member serves in various capacities on committees of the COG dealing with regional issues such as transportation, code enforcement, public services, finance and personnel. The Board of Supervisors appoints the Township Solicitor, Auditor and Township Manager.

Housing units have continued to grow in the current decade. According to the American Community Survey Estimates (2012-2016), there were 7,935 housing units in the Township (2016). This compares to the 2010 estimate of 7,246 units, an increase of 689 units or 9.5% in seven years.

The population breakdown, according to the American Community Survey for the range 2012-2016, includes 62% of township residents fall in the 18-59-year-old range, and 19% are age 60 and older. Children under the age of 18 make up 19% of the Township population. This is a 5% decrease in working age residents and 4% increase in children under 18.

Of the top 40 employers in the Centre Region, at least six of these employers have a presence or home in the Township. These include the largest employer Penn State University, as well as Raytheon (defense), Accuweather (meteorology), Skills of Central PA (employment), HRI (construction) and Minitab, Inc. (software). New small and medium size businesses continue to establish their offices in the Township and lost business is being replaced with new employers.

The local economy is highly dependent upon Penn State University and the effect it has on the region. Penn State University has been a strong economic force for the Township and the Centre Region in general for many years in job growth, housing growth and diversity among others.



The Township has worked on or completed several projects during 2017 that have shaped the Township finances. These are:

- ✓ Oversaw the architectural design of renovations to the township administration building
- ✓ Continued outreach initiatives such as coffee and conversation, neighborhood forums, and business engagement
- ✓ Began work on electronic requisitions in the finance office
- ✓ Prepared Comprehensive Annual Financial Report for 2016 and Comprehensive Annual Budget for 2018
- ✓ Partnered with regional municipalities to negotiate new cable franchise agreement
- ✓ Implemented new internet service at 100MB replacing the existing 20MB service previously with reduced operating costs
- ✓ Completed construction of West College Ave Streetscape project
- ✓ Began process of designing new LEED Gold public works maintenance facility
- ✓ Began feasibility study for storm water management fee
- ✓ Completed more than a dozen road and park projects valued at more than \$2.5 million
- ✓ Obtained first police department accreditation by the PA Law Enforcement Accreditation Commission
- ✓ Police conducted over 100 background checks, investigated 45 drug incidents, over 110 cases, more than 280 crashes and processed over 615 items of evidence
- ✓ Completed update to official township zoning map
- ✓ Completed the sign and billboard ordinance
- ✓ Participated in the Pine Hall Town Center Master plan
- ✓ Continued work on Source Water Protection Overlay District
- ✓ Hired and trained a new a second GIS Technician, a Finance Administrative Assistant, two public works employees and two Police Officers;

The Township annual debt service reduces the Township's ability to use the funds for other uses (opportunity cost) remains as long as the debt payments are required. The Township's current direct debt level is zero for the current year end. The township will continue to invest money into the GOA fund for future projects. The Township has a stake in the debt for the regional pools and parks. This regional debt load continues into the 2020 decade. The Township has sufficient financial reserves to complete the current phasing of the regional park projects as proposed.

The long-term financial outlook for the Township is highly dependent on the stability and growth in the employment tax base to provide sufficient resources for police and public works operational needs, capital (road & park) projects and capital equipment. At this time, the outlook for the Township is very strong in the short term and favorable for long-term growth and stability.

## **Award**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Ferguson Township for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

I would like to express my sincere thanks for all the people that have made this report possible. Without the information they provided, support and their efforts, this report would not be realized. I would like to again specifically thank the Board of Supervisors and Mark Kunkle for their support in this project. In no specific order they are:

Board of Supervisors, Ferguson Township

Mark Kunkle, Retired Township Manager, Ferguson Township

David Pribulka, Township Manager, Ferguson Township

Christine Zoerner, John Taylor and Anna Grieco, Baker Tilly Virchow Krause, LLP, CPAs

Ferguson Township Planning and Zoning Department

Diane Conrad, Retired Chief of Police, Ferguson Township

Dave Modricker, Director of Public Works, Ferguson Township

Ron Seybert, Township Engineer, Ferguson Township

Ferguson Township Public Works

Centre Tax Agency

Ferguson Township Police Department

Joe Viglione, Centre Region Council of Governments

If I have omitted anyone, please accept my apologies.

Respectfully Submitted,



Eric R. Endresen, CPA,  
Director of Finance



## VISION STATEMENT

*The Township will strive to appropriate staff and resources to maintain the infrastructure in acceptable condition, provide exemplary service, keep Township operations financially stable and keep pace with technology. As a result, the Township can continue to be a leader and model for the Centre Region and other Home Rule municipalities.*

*The Township is considered a 'Best Place to Live' due to the high quality of life created in part through a sense of place achieved through the development of a vital town center, a strong diversified community, an effective transportation system, a rural/small town atmosphere and the location and availability of open space. The Township will continue to preserve environmentally sensitive areas.*



## MISSION STATEMENT

*It is the Township's mission to provide efficient, cost effective, professional services to our residents in a fair, cooperative, ethical and honest manner. The Township will endeavor to manage its resources allowing planned, sustainable growth while preserving the quality of life and its unique characteristics.*



## Township Values

***Effective, efficient, professionalism in delivering services to our residents.***

*Residents, elected and appointed officials expect the highest quality service delivery from Township staff.*

*It is our duty to meet and exceed those expectations in our daily work.*

***Preserving the unique character  
of the Township.***

*The Township proudly boasts a diverse community of all ages and professions including farmers, scholars, small and large business employers and employees, professionals, and students. Each give the area a character all its own. It is our responsibility to ensure that policies and service delivery are directed at maintaining that character for generations to come.*

***A well-maintained and safe environment.***

*Every resident and guest deserves to live, work, study, and recreate in a high quality environment. Therefore, it is our responsibility to properly maintain and provide for the safety of our community's neighborhoods, streets, parks and common areas.*

***Managing our resources wisely.***

*It is recognized that resources, including tax revenue, public utilities such as water and sewer, and services such as police and fire, are finite and must be allocated in the most efficient manner. It is our responsibility to continuously review and refine our practices to improve the management of public resources to provide the highest quality service delivery.*

***Collaborating with our  
neighboring municipalities to  
provide cost effective services.***

*The Centre Region is home to one of the premier and oldest Council of Governments in the Commonwealth. For decades, the municipalities that comprise the Centre Region have recognized the benefits of regional cooperation to improve the effectiveness and efficiency of service delivery. It is our responsibility to maintain our commitment to the Centre Region Council of Governments and neighboring municipalities for programs where regional cooperation maximizes our return on investment.*

***Ethical and honest behavior.***

*As elected officials and employees of the Township, every official, employee and service provider to the Township is directly accountable to conduct themselves in an ethical and honest manner. It is our responsibility to ensure that all who perform work for the Township operate with the highest standards of ethical and honest behavior.*





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Ferguson Township  
Pennsylvania**

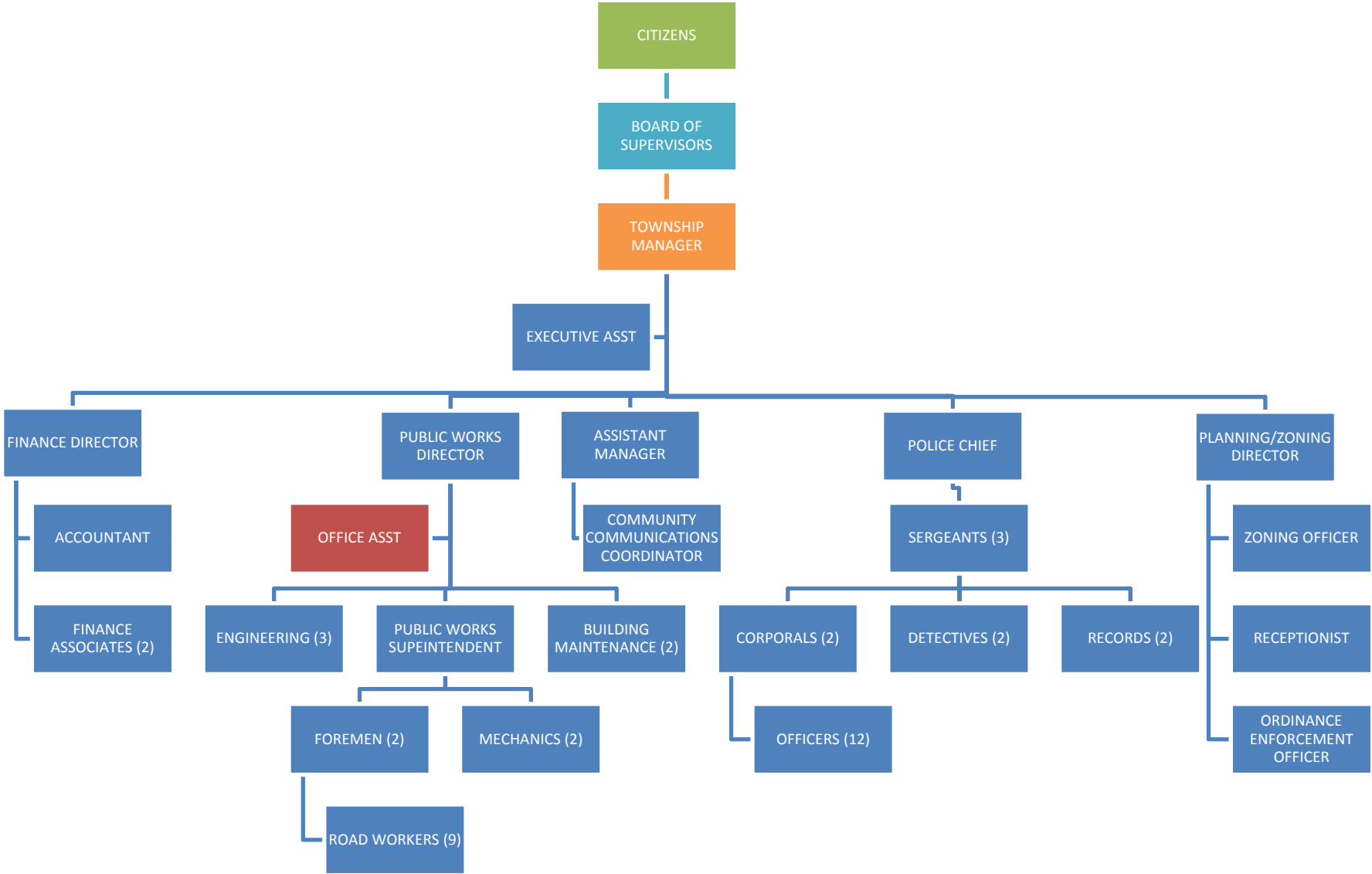
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

**Ferguson Township Organizational Chart**







## **Township of Ferguson, Pennsylvania**

### **List of Principal Officials 2017**

Steve Miller, Chair, Board of Supervisors

Peter Buckland, Vice Chair, Board of Supervisors

Laura Dininni, Supervisor

Rita Graef, Supervisor

Janet Whitaker, Supervisor

Mark A. Kunkle, Retired Township Manager

David G. Pribulka, Township Manager

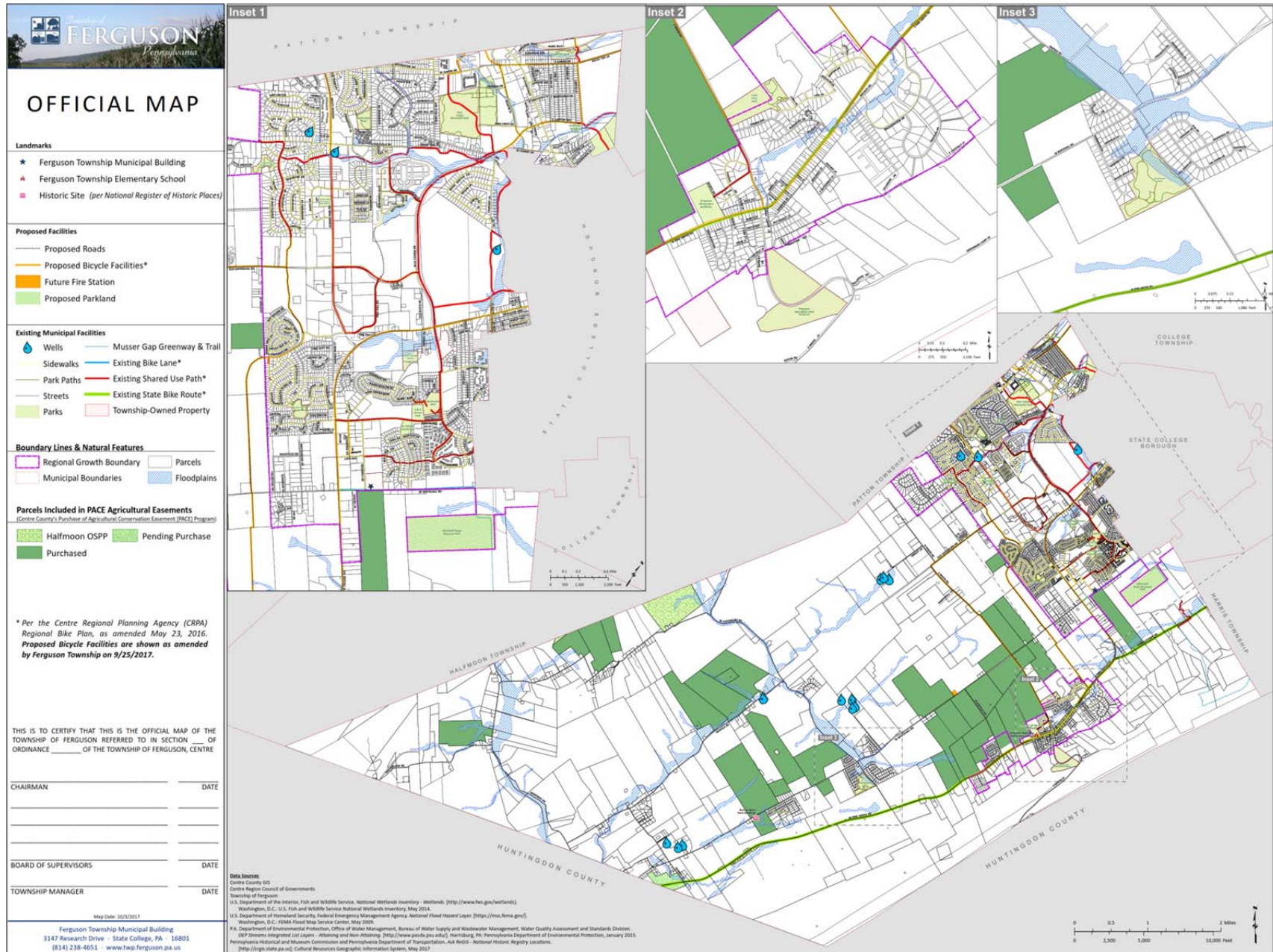
David J. Modricker, Director of Public Works

Eric R. Endresen, Director of Finance

Diane M. Conrad, Retired Chief of Police

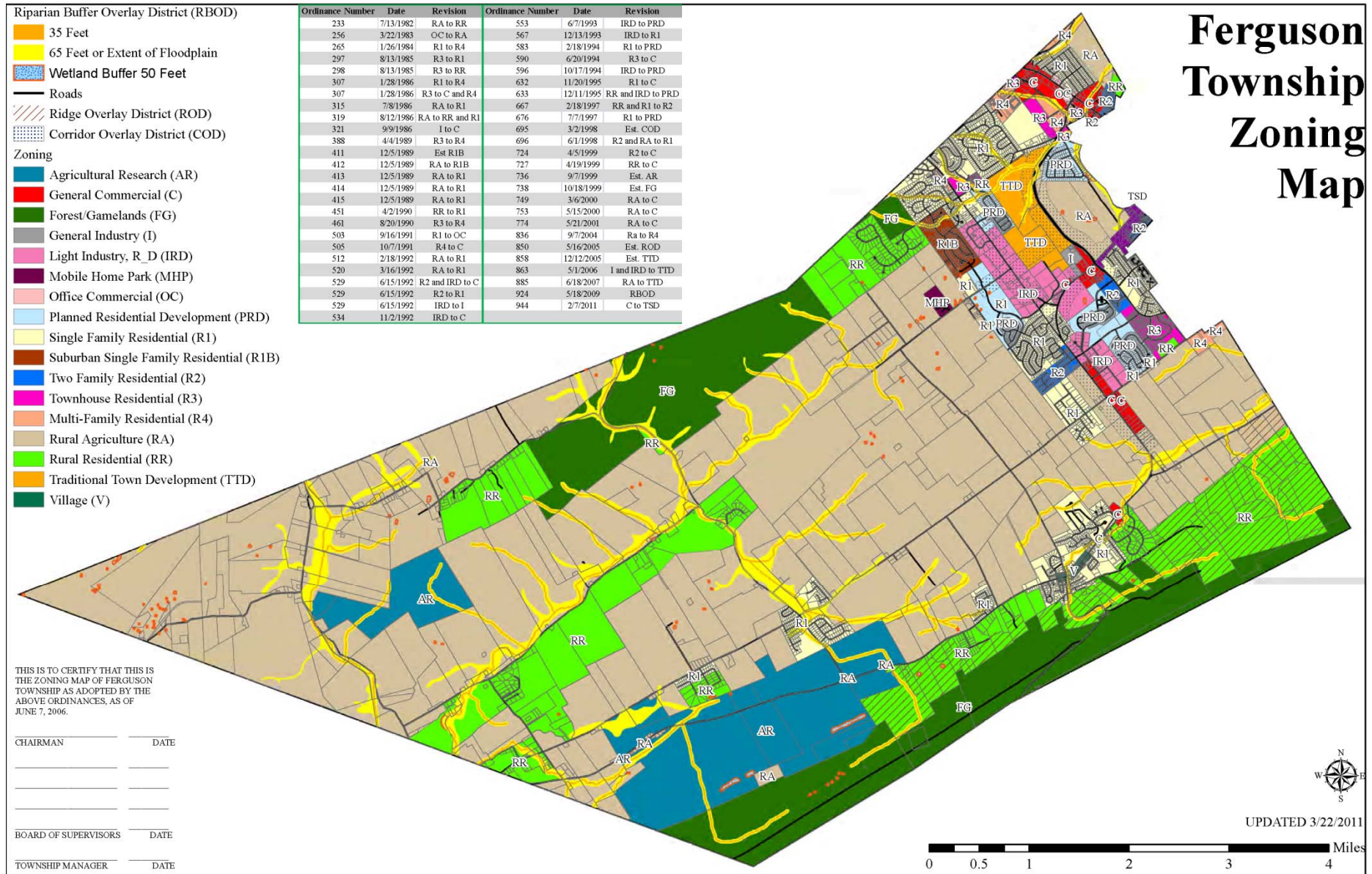
Chris Albright, Chief of Police

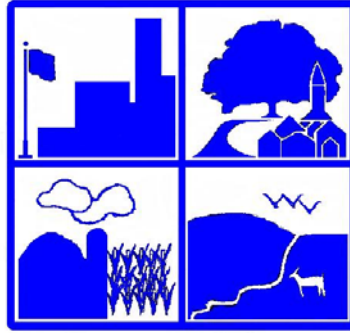
Raymond J. Stolas, Jr., Director of Planning and Zoning





# Ferguson Township Zoning Map





## Financial Section

## **Independent Auditors' Report**

Board of Supervisors  
Township of Ferguson, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania (the "Township") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 19 through 31 and the supplementary pension trend information on pages 70 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Township's basic financial statements. The combining non-major governmental fund financial statements on pages 75 and 76, the budgetary comparison schedules on pages 78 through 83, the combining statements of pension trust funds on pages 85 and 86, and the combining statement of changes in assets and liabilities - all agency funds on page 88, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 5 through 15, and statistical section on pages 90 through 108 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Baker Tilly Virchow Krause, LLP*

State College, Pennsylvania  
June 25, 2018



## **Township of Ferguson, Pennsylvania**

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### **Management's Discussion and Analysis (Unaudited)**

As management of the Township of Ferguson, Pennsylvania (the "Township"), we offer readers of the Annual Financial Statements this narrative overview and analysis of the financial activities of the Township for the calendar years (12 months) ending December 31, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the Township's basic financial statements, which immediately follows this section.

The Management Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. This report includes comparative information for the calendar years ended December 31, 2017 and 2016.

GASB 34 requires the presentation of "government-wide" financial statements, prepared on an accrual accounting basis, which is a widely accepted method commonly used in private industry ("GAAP"), to assist readers in understanding the governmental financial activities. Part of this report is presented on an accrual accounting basis, while the remainder is presented on a modified accrual basis, more commonly used in governmental accounting.

### **Financial Highlights GASB 34 Presentation**

- At December 31, 2017, the Township had a total of \$13.988 million of unrestricted net position available to meet the Township's long-term and ongoing obligations of the governmental activities to citizens and creditors, compared to \$13.830 million at December 31, 2016 representing an increase of \$158 thousand.
- At December 31, 2017, the Township had a reportable total of \$26.322 million net investment in capital assets, compared to \$27.037 million at December 31, 2016 representing a decrease of \$715 thousand. This is the result of current depreciation of the capital assets in excess of capital outlays.
- At December 31, 2017, the Township's long-term debt was \$-0- compared to \$556 thousand at December 31, 2016 representing a decrease of \$556 thousand. No new debt has been secured and the reduction is the result of the payment on the current debt.
- The Township's overall financial position remains very strong despite a slight decline during the past year considering changes in fund balances, capital investment, long-term debt, net revenues, and cash flow.

# Township of Ferguson, Pennsylvania

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## Management's Discussion and Analysis (Unaudited)

### Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the Township's basic financial statements. In accordance with the GASB Statement No. 34, *Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments* (GASB 34), the Township's basic financial statements include three components:

- Government-Wide Financial Statements,
- Fund Financial Statements, and
- Notes to the Basic Financial Statements.

### Government-Wide Financial Statements

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Government-Wide Financial Statements** distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include public safety (police and fire), streets, library, recreation, parks, planning and zoning, and general administrative support. The Township does not have any *business-type activities*.

The **Statement of Net Position** presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 32 and 33 of this report.

# Township of Ferguson, Pennsylvania

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## Management's Discussion and Analysis (Unaudited)

### Fund Financial Statements

A **Fund** is an independent self-balancing set of accounts that is used to record revenue and expenditures, related assets, liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the calendar year. Such information may be useful in evaluating a government's financing requirements.

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

The Township maintains 12 individual Governmental Funds:

General Fund	Street Light Fund
Debt Service Fund	Transportation Improvement Fund
Liquid Fuels Fund	Park Improvement Fund
Hydrant Fund	Agricultural Preservation Fund
Capital Reserve Fund	Pine Grove Mills Streetlight Fund
Piney Ridge Fund	Regional Capital Recreational Projects Fund

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Transportation Improvement Fund which are considered major funds.

Data from the other ten governmental funds are combined into a single, aggregated presentation captioned "other non-major governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for all its Governmental Funds. Budgetary comparison statements have been provided to demonstrate compliance with the budgets.

The basic Governmental Fund financial statements can be found on pages 34 through 38 of this report.

## **Township of Ferguson, Pennsylvania**

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### Management's Discussion and Analysis (Unaudited)

The *Street Light Fund*, the *Hydrant Fund* and the *Liquid Fuels Fund* are **Special Revenue Funds** which are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes.

The *Transportation Improvement Fund*, *Park Improvement Fund*, *Capital Reserve Fund*, *Piney Ridge Fund*, *Agricultural Preservation Fund*, *Regional Capital Recreation Projects Fund* and *Pine Grove Mills Streetlight Fund* are **Capital Projects Funds**. This includes funds defined as financial resources to be used for the acquisition or construction of major capital facilities.

#### **Debt Service Fund**

The *Debt Service Fund* is the main vehicle for recording and tracking bond proceeds, required debt payments and loan balances, not otherwise recorded in a capital projects fund.

#### **Proprietary Fund**

The Township has no Proprietary Funds.

#### **Fiduciary Funds**

The Township has three Fiduciary Funds: *Police Pension Fund*, *Non-Uniform 401 Pension Fund*, and the *Tudek Memorial Park Trust Fund*. These funds account for the assets held by the Township in a trustee capacity or as the agent for individuals, private organizations and other governmental units or funds.

The basic Fiduciary Fund financial statements can be found on pages 39 and 40 of this report.

#### **Notes to the Financial Statements**

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 41 through 68 of this report.

#### **Fund Balances**

Non-spendable Fund balances are those that are not in spendable form. Restricted Fund balances are those that are restricted by external parties or enabling legislation. Committed Fund balances are those that are restricted by the highest level of decision making authority. Assigned Fund balances are those that are constrained by the Townships' intent to be used for a specific purpose, but are not restricted or committed. Unassigned Fund balances are those that have no formal restrictions for spending. Management feels that the restrictions, commitments and assignments of its fund balances does not significantly affect the resources available for future use of the Township for ongoing operations.

## Township of Ferguson, Pennsylvania

Management's Discussion and Analysis  
(Unaudited)

### Government-Wide Financial Analysis Statement of Net Position December 31, 2017 and 2016 (Unaudited)

	Governmental Activities		
	2017	2016	Differences
Current and other assets	\$ 17,063,639	\$ 16,520,750	\$ 542,889
Capital assets (net of depreciation)	26,321,702	27,592,983	(1,271,281)
Total assets	43,385,341	44,113,733	(728,392)
Deferred outflows - pension	241,505	548,299	(306,794)
Total assets and deferred outflows	<u>\$ 43,626,846</u>	<u>\$ 44,662,032</u>	<u>\$ (1,035,186)</u>
Current liabilities	\$ 603,228	\$ 972,025	\$ (368,797)
Long-term liabilities	981,583	1,049,191	(67,608)
Total liabilities	1,584,811	2,021,216	(436,405)
Deferred inflows - pension	69,472	48,046	21,426
Total liabilities and deferred inflows	<u>1,654,283</u>	<u>2,069,262</u>	<u>(414,979)</u>
Net investment in capital assets	26,321,702	27,036,983	(715,281)
Restricted	1,653,661	1,641,406	12,255
Non-spendable	9,668	84,136	(74,468)
Unrestricted	13,987,532	13,830,245	157,287
Total net position	<u>41,972,563</u>	<u>42,592,770</u>	<u>(620,207)</u>
Total liabilities, deferred inflows and net position	<u>\$ 43,626,846</u>	<u>\$ 44,662,032</u>	<u>\$ (1,035,186)</u>

# Township of Ferguson, Pennsylvania

## Management's Discussion and Analysis (Unaudited)

### Statement of Activities Years Ended December 31, 2017 and 2016 (Unaudited)

	Governmental Activities			
	2017	2016	Differences	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 550,587	\$ 527,045	\$ 23,542	4.5 %
Operating grants and contributions	889,470	915,757	(26,287)	(2.9) %
Capital grants and contributions	1,215,383	841,411	373,972	44.4 %
Total program revenues	2,655,440	2,284,213	371,227	16.3 %
General revenues				
Real estate taxes	1,397,581	1,398,977	(1,396)	(0.1) %
Transfer taxes	1,842,754	2,044,111	(201,357)	(9.9) %
Earned income taxes	7,001,620	7,076,928	(75,308)	(1.1) %
Local services taxes	367,017	348,927	18,090	5.2 %
Unrestricted investment income	185,226	154,790	30,436	19.7 %
Miscellaneous	270,556	398,528	(127,972)	(32.1) %
Total general revenues	11,064,754	11,422,261	(357,507)	(3.1) %
Total revenues	13,720,194	13,706,474	13,720	0.1 %
<b>Expenses</b>				
General government	1,766,838	2,410,240	(643,402)	(26.7) %
Public safety	4,612,933	4,262,964	349,969	8.2 %
Health and welfare	6,349	9,002	(2,653)	(29.5) %
Public works-sanitation	33,005	33,005	-	0.0 %
Public works-highways	5,859,003	3,271,111	2,587,892	79.1 %
Other public works	168,070	185,511	(17,441)	(9.4) %
Culture and recreation	1,891,402	1,698,002	193,400	11.4 %
Interest on long-term debt	2,801	8,393	(5,592)	(66.6) %
Total expenses	14,340,401	11,878,228	2,462,173	20.7 %
<b>Changes in Net Position</b>	(620,207)	1,828,246	(2,448,453)	(133.9) %
<b>Net Position, Beginning</b>	42,592,770	40,764,524	1,828,246	4.5 %
<b>Net Position, Ending</b>	\$ 41,972,563	\$ 42,592,770	\$ (620,207)	(1.5) %

At the end of 2017, the Township is able to report a positive balance of \$41.973 million in total net position which, other than non-spendable capital assets, is not significantly affected by restrictions, commitments or any other limitations. The Township's overall financial position decreased as reflected in the \$620 thousand decrease resulting from large investments in Public Works.



## **Township of Ferguson, Pennsylvania**

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### **Management's Discussion and Analysis (Unaudited)**

#### **Governmental Activities**

Governmental activities decreased the Township's net position by \$620 thousand. Key elements of this decrease are as follows:

- Adjusted earned income tax revenues fell short of the budget of \$6.936 million by \$695 thousand, or 10%
- Transfer tax revenues exceeded the budget of \$1.30 million by \$543 thousand, or 42%
- Transportation Improvement Fund project costs were \$2.46 million under budget of \$4.24 million, or 58%
- Capital Reserve Fund expenditures were \$1.30 million under budget of \$2.33 million, or 56%

#### **Financial Analysis of the Government's Funds**

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

#### **Governmental Funds**

##### **Financial Analysis of the Major Funds**

###### **General Fund**

The General Fund is the primary operating fund of the Township. At December 31, 2017, the Unassigned General Fund balance was \$7.930 million compared to \$7.742 million in 2016, an increase of \$188 thousand. As a measure of the General Fund's liquidity, the Unassigned Fund balance at December 31, 2017 represents 66% ( $\$7,929,758 / \$12,092,273$ ) of the total General Fund expenditures (including interfund transfers out) or approximately 239 days ( $\$7,929,758 / (\$12,092,293 / 365)$ ) of operating costs, a decrease of approximately 8 days. One main item underlying this change is the increase in interfund transfers to the Capital Reserve Fund.

There were transfers out of the General Fund to other Governmental Funds in the amount of \$2.992 million to support capital equipment needs during the year ended December 31, 2017 compared to \$2.800 million in 2016, representing an increase of \$192 thousand.

###### **General Fund Budgetary Highlights**

The 2017 General Fund expenditure budget of \$12.430 million (including interfund transfers of \$2.638 million) compared to \$11.396 million for 2016, representing an increase of \$1.034 thousand, or 9.1%.

The 2017 General Fund actual expenditures (\$12.092 million, including Interfund transfers) were less than budgeted expenditures (\$12.430 million) by \$338 thousand or approximately 2.7%. This reflects increased interfund transfers made relative to budget by \$354 thousand.

The 2017 General Fund revenue budget was \$11.437 million compared to \$10.800 million for 2016, representing an increase of \$637 thousand. This budget reflects an improved housing market as well as growth related to Penn State University and a healthy local economy.

The 2017 General Fund actual revenues of \$12.289 million exceeded budgeted revenues of \$11.437 million by \$852 thousand. In 2017, the Township received a second windfall in transfer taxes due to several large commercial sales. In addition, the regional employment has been exceptional.

# Township of Ferguson, Pennsylvania

Management's Discussion and Analysis  
(Unaudited)

## Statement of Revenues and Expenditures Years Ended December 31, 2017 and 2016 General Fund

	2017	2016	Differences	
			\$	%
<b>Revenues</b>				
Taxes	\$ 10,718,353	\$ 10,638,051	\$ 80,302	0.8 %
Licenses and permits	332,571	316,873	15,698	5.0 %
Fines and forfeits	73,688	105,177	(31,489)	(29.9) %
Interest and rents	102,926	86,537	16,389	18.9 %
Intergovernmental	785,062	775,695	9,367	1.2 %
Charges for services	146,234	127,106	19,128	15.0 %
Miscellaneous	130,582	296,695	(166,113)	(56.0) %
Total revenues	12,289,416	12,346,134	(56,718)	(0.5) %
<b>Expenditures</b>				
General government	1,478,315	1,404,342	73,973	5.3 %
Public safety	3,103,198	2,949,625	153,573	5.2 %
Health and welfare	6,349	9,002	(2,653)	(29.5) %
Public works-sanitation	33,005	33,005	-	0.0 %
Public work-highways	958,281	942,576	15,705	1.7 %
Other public works	132,247	153,236	(20,989)	(13.7) %
Culture and recreation	1,283,384	1,216,780	66,604	5.5 %
Community development	187,915	30,515	157,400	515.8 %
Insurance and other operating	1,917,756	1,920,074	(2,318)	(0.1) %
Debt service - interest	181	1,263	(1,082)	(85.7) %
Total expenditures	9,100,631	8,660,418	440,213	5.1 %
<b>Excess of Revenues Over Expenditures</b>	3,188,785	3,685,716	(496,931)	(13.5) %
<b>Other Financing Uses</b>				
Transfers out, net	(2,991,662)	(2,800,057)	(191,605)	6.8 %
<b>Net Increase in Fund Balance</b>	197,123	885,659	<u><u>\$ (688,536)</u></u>	<u><u>(77.7) %</u></u>
<b>Fund Balance, Beginning</b>	7,742,303	6,856,644		
<b>Fund Balance, Ending</b>	<u><u>\$ 7,939,426</u></u>	<u><u>\$ 7,742,303</u></u>		

## **Township of Ferguson, Pennsylvania**

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### **Management's Discussion and Analysis (Unaudited)**

#### **Transportation Improvement Fund**

The Transportation Improvement Fund was created to account for large road projects of the Township. The fund has been expanded to encompass all transportation projects. At December 31, 2017, the Transportation Improvement Fund balance was \$4.840 million compared to \$4.378 million in 2016, representing an increase of \$462 thousand. This is the result of a windfall in the transfer tax revenues for 2017, of which 60% are used to fund the TIF fund.

#### **Debt Service Fund**

The General Obligation Fund was created to record and track bond or loan proceeds, required debt payments and loan balances, not otherwise recorded in a capital projects fund. At December 31, 2017, the General Obligation Fund balance was \$2,443 compared to a fund balance of \$1,366 in 2016, representing an increase in fund balance of \$1,077. This is due to the difference in transfers from the General Fund and the debt payments along with interest earnings.

#### **Other Capital Projects Funds**

The other Capital Projects Funds (separate from the Major Funds) segregate the various capital expenditures (including projects) from the General Fund operating expenditures of the Township. These funds include the Capital Reserve Fund, Piney Ridge Fund, Agricultural Preservation Fund, Regional Capital Recreation Projects Fund, Pine Grove Mills Streetlight Fund, and the Park Improvement Fund. At December 31, 2017, the combined non-major Capital Projects Funds fund balance was \$2.433 million compared to \$2.730 million in 2016, representing a decrease of \$297 thousand. The Piney Ridge fund was closed in 2017.

#### **Special Revenue Funds**

As noted earlier, the Special Revenue Funds are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes. These funds include the Liquid Fuels Fund, Street Light Fund, and Hydrant Fund. The combined expenditures exceeded revenues by \$102 thousand for 2017. The combined revenues exceeded expenditures by \$97 thousand for 2016, an increase of \$5 thousand.

## Township of Ferguson, Pennsylvania

### Management's Discussion and Analysis (Unaudited)

#### Long-Term Debt

The total principal balance of notes payable and bonds payable at December 31, 2017 was \$-0- and \$556 thousand at December 31, 2016, representing a decrease of \$556 thousand. This is the result of the annual debt service principal payment.

Following is a summary of changes in long-term liabilities for the years ended December 31, 2017 and 2016:

<b>Governmental Activities</b>	<b>January 1 Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31 Balance</b>
<b>2017</b>				
<b>Bonds Payable,</b>				
General Obligation Note	\$ 556,000	\$ -	\$ (556,000)	\$ -
<b>Other Liabilities:</b>				
Net Pension Liability	807,253	-	(42,509)	764,744
Accrued Vacation	261,938	29,152	(54,251)	236,839
Total Other Liabilities	1,069,191	29,152	(96,760)	1,001,583
Total Long-Term Liabilities	\$ 1,625,191	\$ 29,152	\$ (652,760)	\$ 1,001,583
<b>2016</b>				
<b>Bonds Payable,</b>				
General Obligation Note	\$ 1,107,200	\$ -	\$ (551,200)	\$ 556,000
<b>Other Liabilities:</b>				
Net Pension Liability	699,401	107,852	-	807,253
Accrued Vacation	250,559	31,437	(20,058)	261,938
Total Other Liabilities	949,960	139,289	(20,058)	1,069,191
Total Long-Term Liabilities	\$ 2,057,160	\$ 139,289	\$ (571,258)	\$ 1,625,191

Additional information on the Township's long-term debt can be found at Note 4 in the notes to the financial statements.

## **Township of Ferguson, Pennsylvania**

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### **Management's Discussion and Analysis (Unaudited)**

#### **Pension Trust Funds**

The *Police Pension Fund* and the *Non-Uniform 401 Pension Fund* are used to account for the employee retirement plan contributions of the Township and its employees, related benefit payments and other plan costs.

The net position at December 31, 2017 and 2016 of the Police Pension Fund was \$5.467 million and \$4.903 million, respectively, representing an increase of \$564 thousand. This is the result of state funding combined with investment earnings. The Township contributed \$221 thousand to the Police Pension Fund in 2017, in accordance with the annual minimum municipal obligation ("MMO") compared to \$218 thousand in 2016, representing an increase of \$3 thousand.

The net position at December 31, 2017 and 2016 of the Non-Uniform 401 Pension Fund were \$3.266 million and \$3.177 million, respectively, an increase of \$89 thousand. The Township contributed \$203 thousand to the non-uniform 401 pension fund in 2017, in accordance with the annual MMO, compared to \$179 thousand in 2016, representing an increase of \$24 thousand.

The Police Pension Fund showed a net pension liability of \$765 thousand at December 31, 2017, compared to a net pension liability of \$807 thousand at December 31, 2016, a decrease of \$42 thousand.

#### **Cash Flows and Liquidity**

Governmental cash and cash equivalents totaled \$12.580 million and \$12.568 million at December 31, 2017 and 2016, respectively, representing 73% (\$12,580,030/\$17,250,482) and 76% (\$12,567,734/\$16,621,794) of total governmental assets, respectively. This provides for up to 344 days (\$12,580,030/(\$13,365,055/365)) (not including interfund transfers) of operating expenditures for 2017 and 366 days (\$12,567,734/(\$12,550,089/365)) (not including interfund transfers) for 2016 of governmental operating expenditures, a decrease of 22 days.

#### **Capital Assets**

Beginning in 2013, the Township classifies capital assets as individual items costing \$2,500 or more and an estimated asset life of more than one year. The Township's investment in capital assets (net of accumulated depreciation and related debt) for its governmental activities as of December 31, 2017 amounted to \$26.322 million and \$27.037 million for 2016 (net of accumulated depreciation and related debt) a net decrease of \$715 thousand. This is the result of investments in infrastructure offset by depreciation. This investment in capital assets includes land, parks, buildings, equipment, infrastructure and associated improvements.

## Township of Ferguson, Pennsylvania

### Management's Discussion and Analysis (Unaudited)

Following is a breakdown by asset class (net of accumulated depreciation):

<u>Class</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,404,693	\$ 2,404,693
Construction in progress	80,026	-
Land improvements	11,560	14,930
Buildings and improvements	2,835,921	3,107,374
Office furniture and equipment	820,845	829,911
Infrastructure	17,745,639	18,781,233
Parks and improvements	1,466,124	1,259,020
Vehicles	956,894	1,195,822
Total	<u>\$ 26,321,702</u>	<u>\$ 27,592,983</u>

Additional information on the Township's capital assets can be found at Note 3 in the notes to financial statements.

### Economic Condition and Next Year's Budgets and Rates

The overall economy of the Centre Region has been exceptional in the recent past. Penn State, the largest employer for the Township residents, continues to expand and invest in the region. The employment levels and wage totals are increasing. Jobs are opening up allowing employees to upgrade job choices. Demand for housing is driving housing prices up and developers are expanding into the available open spaces. The region has a growth boundary that limits development for several reasons, such as protecting farms and open space. The business environment is diversified with smaller companies replacing the large employers that once inhabited the Township. Centre region municipalities work to invest in parks and sporting venues, in an effort to attract and retain young residents and families.

Residential and commercial construction increased the Township's real estate taxable assessed values to \$582.7 million at March 1, 2017 from \$575.5 million at March 1, 2016 reflecting an increase of \$7.2 million or 1.3%.

The Township continues to experience continued population growth since 2010 according to the American Community Survey Foundation. With the addition of several housing projects and residential development, this growth is expected to continue.

The 2017 General Fund expenditure budget includes a \$1.034 million (9%) (\$12.430 million/\$11.396 million) increase in expenditures over the 2016 budget figures. This includes interfund transfers from the General Fund. The interfund transfers are monies transferred from one fund to another. For individual funds and especially the General Fund, it is important to include the interfund transfers. Interfund transfers from the General Fund are reductions in the General Fund balance and since the General Fund provides much of the funding for the remaining governmental funds, this is a reasonable way to determine the demands on the General Fund for expenditures in the other funds. However, they should be removed when reporting on the aggregate. Including these in the aggregate fund totals would give the appearance of larger revenue and expenditures than actual.



## **Township of Ferguson, Pennsylvania**

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### **Management's Discussion and Analysis (Unaudited)**

When comparing aggregate fund totals, the Interfund transfers should be removed from the total to get a more accurate view of the recurring operations of the Township in the aggregate. The reason for this is that they are included in both the revenue and expenditures in the aggregate, duplicating those amounts. However, they are included when displaying individual fund activities.

At the fund level, the Interfund transfers provide information about the sources and uses of the transfers. The budget for 2018 provides sufficient revenues to cover General Fund expenditures using existing available fund balance. The 2018 General Fund budget includes a net shortfall of \$790 thousand (including net interfund transfers of \$2.395 million).

Since 2006, the Township has been a member of the Pennsylvania Municipal Health Insurance Cooperative a non-profit insurance co-operative to stabilize the cost of healthcare for the Township employees. The rate increase experience has varied between 5%-13% per year while more recently, net costs (per employee) have been on the lower end of the range with some sizable refunds.

Finally, population growth and Penn State growth has had a significant impact on the townships transfer tax and earned income tax collections. With these improved economic conditions, the Township future looks favorable.

### **Requests for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ferguson Township Finance Director or Township Manager at 3147 Research Drive, State College, PA 16801.

**Township of Ferguson, Pennsylvania**Statement of Net Position  
December 31, 2017

	<b>Governmental Activities</b>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Assets</b>	
Current assets:	
Cash	\$ 12,580,030
Investments	1,834,270
Taxes receivable	2,388,158
Prepaid items	9,668
Other receivables	251,513
	<u>17,063,639</u>
Total current assets	
Non-current assets:	
Capital assets, net of accumulated depreciation	
Land	2,404,693
Construction in progress	80,026
Buildings and improvements	2,847,480
Equipment	820,845
Vehicles	956,894
Infrastructure	19,211,764
	<u>26,321,702</u>
Total capital assets, net of accumulated depreciation	
Total assets	43,385,341
<b>Deferred Outflows of Resources - Pension</b>	
	<u>241,505</u>
Total	<u>\$ 43,626,846</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 189,950
Payroll and benefits payable	28,037
Due to fiduciary funds, net	18,830
Curb/development deposits	346,411
Current portion of compensated absences	20,000
	<u>603,228</u>
Total current liabilities	
Non-current liabilities:	
Net pension liability	764,744
Compensated absences	216,839
	<u>981,583</u>
Total non-current liabilities	
Total liabilities	<u>1,584,811</u>
<b>Deferred Inflows of Resources - Pension</b>	
	<u>69,472</u>
<b>Net Position</b>	
Net investment in capital assets	26,321,702
Restricted for:	
Public works	543,750
Capital projects	968,359
Culture and recreation	141,552
Non-spendable	9,668
Unrestricted	13,987,532
	<u>41,972,563</u>
Total net position	
Total	<u>\$ 43,626,846</u>

See notes to financial statements

# Township of Ferguson, Pennsylvania

## Statement of Activities

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 1,766,838	\$ 412,615			\$ (1,354,223)
Public safety	4,612,933	73,688	\$ 889,470		(3,649,775)
Health and welfare	6,349	7,799			1,450
Public works - sanitation	33,005				(33,005)
Public works - highways	5,859,003	6,000		\$ 1,215,383	(4,637,620)
Public works - other services	168,070	50,485			(117,585)
Community development	187,915				(187,915)
Culture and recreation	1,703,487				(1,703,487)
Interest on long-term debt	2,801				(2,801)
Total governmental activities	<u>\$ 14,340,401</u>	<u>\$ 550,587</u>	<u>\$ 889,470</u>	<u>\$ 1,215,383</u>	<u>(11,684,961)</u>

### General Revenues

#### Taxes:

Real estate	1,397,581
Transfer	1,842,754
Earned income	7,001,620
Local services	367,017
Unrestricted investment earnings	185,226
Miscellaneous	<u>270,556</u>

Total general revenues 11,064,754

Decrease in net position (620,207)

Net position, beginning 42,592,770

Net position, ending \$ 41,972,563

See notes to financial statements

**Township of Ferguson, Pennsylvania**

Balance Sheet

Governmental Funds

December 31, 2017

	<b>General Fund</b>	<b>Transportation Improvement Fund</b>	<b>Other Non-Major Funds</b>	<b>Totals</b>
<b>Assets</b>				
Cash	\$ 4,763,726	\$ 4,785,630	\$ 3,030,674	\$ 12,580,030
Investments	1,834,270			1,834,270
Taxes receivable	2,388,158			2,388,158
Other accounts receivable	251,268		245	251,513
Prepaid items	9,668			9,668
Due from other funds	48,180	54,026	84,637	186,843
Total assets	<u>\$ 9,295,270</u>	<u>\$ 4,839,656</u>	<u>\$ 3,115,556</u>	<u>\$ 17,250,482</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 84,890		\$ 105,060	\$ 189,950
Payroll and benefits payable	28,037			28,037
Due to other funds	151,417		54,256	205,673
Curb/development deposits	346,411			346,411
Total liabilities	<u>610,755</u>		<u>159,316</u>	<u>770,071</u>
Deferred Inflows of Resources, Unavailable revenues - taxes	<u>745,089</u>		<u>-</u>	<u>745,089</u>
Fund balances:				
Non-spendable	9,668			9,668
Restricted		\$ 4,839,656	1,725,503	6,565,159
Committed			1,250,833	1,250,833
Assigned			2,443	2,443
Unassigned (deficit)	7,929,758		(22,539)	7,907,219
Total fund balances	<u>7,939,426</u>	<u>4,839,656</u>	<u>2,956,240</u>	<u>15,735,322</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 9,295,270</u>	<u>\$ 4,839,656</u>	<u>\$ 3,115,556</u>	<u>\$ 17,250,482</u>

See notes to financial statements

## Township of Ferguson, Pennsylvania

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
December 31, 2017

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 15,735,322</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Taxes receivable will be collected in the future, but are not available to pay for current period expenditures and, therefore, are deferred in the funds.		745,089
Capital assets used in governmental activities are not reported at net position in governmental funds. The cost of the capital assets is \$49,905,881 and the accumulated depreciation is \$23,584,179.		26,321,702
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		241,505
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		(69,472)
Long-term liabilities, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Net pension liability	\$ (764,744)	
Compensated absences	(236,839)	(1,001,583)
<b>Total Net Position - Governmental Activities</b>		<b>\$ 41,972,563</b>

**Township of Ferguson, Pennsylvania**

## Statement of Revenues, Expenditures, and Changes in

## Fund Balances - Governmental Funds

Year Ended December 31, 2017

	General Fund	Transportation Improvement Fund	Other Non-Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 10,718,353			\$ 10,718,353
Licenses and permits	332,571			332,571
Fines and forfeits	73,688			73,688
Interest and rents	102,926	\$ 42,519	\$ 39,781	185,226
Intergovernmental	785,062	552,687	767,104	2,104,853
Charges for service	146,234		50,485	196,719
Miscellaneous revenue	130,582	10,964		141,546
Total revenues	12,289,416	606,170	857,370	13,752,956
<b>Expenditures</b>				
Current:				
General government	1,478,315	44,120	308,238	1,830,673
Public safety	3,103,198		144,331	3,247,529
Health and welfare	6,349			6,349
Public works - sanitation	33,005			33,005
Public works - highways	958,281	1,738,275	949,923	3,646,479
Public works - other services	132,247		35,823	168,070
Culture and recreation	1,283,384		482,959	1,766,343
Community development	187,915			187,915
Insurance and other operating	1,917,756			1,917,756
Debt service:				
Debt service - principal			556,000	556,000
Debt service - interest	181		3,074	3,255
Miscellaneous			1,681	1,681
Total expenditures	9,100,631	1,782,395	2,482,029	13,365,055
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	3,188,785	(1,176,225)	(1,624,659)	387,901
<b>Other Financing (Uses) Sources</b>				
Transfers - in		1,638,171	1,353,491	2,991,662
Sale of capital assets			76,712	76,712
Transfers - out	(2,991,662)			(2,991,662)
Total other financing (uses) sources	(2,991,662)	1,638,171	1,430,203	76,712
Net increase (decrease) in fund balances	197,123	461,946	(194,456)	464,613
<b>Fund Balances, Beginning</b>	7,742,303	4,377,710	3,150,696	15,270,709
<b>Fund Balances, Ending</b>	\$ 7,939,426	\$ 4,839,656	\$ 2,956,240	\$ 15,735,322

See notes to financial statements

## Township of Ferguson, Pennsylvania

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended December 31, 2017

**Net Increase in Fund Balances - Total Governmental Funds** \$ 464,613

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

Some taxes will not be collected for several months after year-end as they are not considered "available" revenues in the governmental funds. (109,381)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss exceeded capital outlays in the current period.

Capital outlays	\$ 2,230,869	
Loss on disposal of capital assets	(93)	
Depreciation expense	<u>(3,502,057)</u>	(1,271,281)

Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported with in the statement of net position, and changes in the liability is reflected within the statement of net position. This represents the change in pension liability and the deferred outflows and inflows related to the pension. (285,711)

The issuance of long term debt provides current financial resources to government while the repayment of the principal of long-term debt consumes the current financial resources of government funds. These transactions, however, do not have an effect on net position. Reconciling items related to long-term debt activity for the year ended December 31, 2017 are as follows,

Principal payments on long-term debt made in 2017. 556,000

Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.

Therefore, accrued interest expense is not reported as expenditures in governmental funds. The net change is recorded in the statement of activities. 454

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 25,099

**Changes in Net Position of Governmental Activities** \$ (620,207)

**Township of Ferguson, Pennsylvania**

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Budget-to-Actual Comparison

## General Fund

Year Ended December 31, 2017

	<b>Budget</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 9,956,006	\$ 9,956,006	\$ 10,718,353	\$ 762,347
Licenses and permits	299,652	299,652	332,571	32,919
Fines and forfeits	101,825	101,825	73,688	(28,137)
Interest and rents	80,559	80,559	102,926	22,367
Intergovernmental	750,162	750,162	785,062	34,900
Charges for service	164,953	164,953	146,234	(18,719)
Miscellaneous	4,000	4,000	130,582	126,582
Total revenues	11,357,157	11,357,157	12,289,416	932,259
<b>Expenditures</b>				
General government	1,626,608	1,626,608	1,478,315	148,293
Public safety	3,207,244	3,207,244	3,103,198	104,046
Health and welfare	8,500	8,500	6,349	2,151
Public works - sanitation	33,005	33,005	33,005	-
Public works - highways	1,031,175	1,031,175	958,281	72,894
Other public works	130,752	130,752	132,247	(1,495)
Culture and recreation	1,350,102	1,350,102	1,283,384	66,718
Community development	183,000	183,000	187,915	(4,915)
Insurance and other operating	2,220,334	2,220,334	1,917,756	302,578
Debt service - interest	1,500	1,500	181	1,319
Total expenditures	9,792,220	9,792,220	9,100,631	691,589
<b>Excess of Revenues Over Expenditures</b>	1,564,937	1,564,937	3,188,785	1,623,848
<b>Other Financing Sources (Uses)</b>				
Transfers - in	80,106	80,106	-	(80,106)
Transfers - out	(2,637,527)	(2,637,527)	(2,991,662)	(354,135)
Total other financing uses	(2,557,421)	(2,557,421)	(2,991,662)	(434,241)
Net changes in fund balances	\$ (992,484)	\$ (992,484)	197,123	\$ 1,189,607
<b>Fund Balances, Beginning</b>			7,742,303	
<b>Fund Balances, Ending</b>			<u>\$ 7,939,426</u>	

See notes to financial statements



## Township of Ferguson, Pennsylvania

### Statement of Fiduciary Net Position

#### Fiduciary Funds

December 31, 2017

	<b>Pension Trust Funds</b>	<b>Tudek Memorial Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,771	\$ 141,096	\$ 168,515
Prepaid items	24,542		
Investments, at fair value:			
Cash and cash equivalents	317,777		
Fixed income	1,199,141		
Equities	3,225,407		
Mutual funds	3,956,051		
Accounts receivable		3,400	
Due from other funds	5,484	13,674	
Land		2,118,100	
Land improvements, net		28,964	
Total assets	<u>8,733,173</u>	<u>2,305,234</u>	<u>\$ 168,515</u>
<b>Liabilities</b>			
Accounts payable		956	
Due to other governments			\$ 168,515
Due to other funds	<u>328</u>		
Total liabilities	<u>328</u>	<u>956</u>	<u>\$ 168,515</u>
<b>Net Position Restricted for Pensions and Other Trust Fund</b>	<u>\$ 8,732,845</u>	<u>\$ 2,304,278</u>	

See notes to financial statements

**Township of Ferguson, Pennsylvania**

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2017

	<b>Pension Trust Funds</b>	<b>Tudek Memorial Trust Fund</b>
<b>Additions</b>		
Contributions:		
Employer contributions	\$ 423,252	
Employee contributions	74,410	
Total contributions	497,662	
Investment income:		
Net appreciation in fair value of investments	882,613	\$ 11,907
Interest and dividends	136,960	2,239
Less investment expense	(44,920)	
Net investment income	974,653	14,146
Grants and gifts - nongovernmental		5,178
Total additions	1,472,315	19,324
<b>Deductions</b>		
Park operations		6,440
Administration		1,633
Insurance		3,030
Benefits paid to participants	819,070	
Total deductions	819,070	11,103
Net changes in net position	653,245	8,221
<b>Net Position Restricted for Pensions and Other Trust Fund, Beginning</b>	8,079,600	2,296,057
<b>Net Position Restricted for Pensions and Other Trust Fund, Ending</b>	\$ 8,732,845	\$ 2,304,278

See notes to financial statements

# **Township of Ferguson, Pennsylvania**

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## Notes to Financial Statements

December 31, 2017

### **1. Summary of Significant Accounting Policies**

The accounting methods and procedures adopted by the Township of Ferguson, Pennsylvania (the "Township"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's financial statements:

#### **Financial Reporting Entity**

The Township is located in central Pennsylvania and operates under a Home Rule Charter with an elected five member Board of Supervisors. The Township provides services to its residents in many areas, including general government services, police and fire protection, highway repair and maintenance, and community health and recreation programs.

A component unit is a legally separate organization with which the primary government has a significant operational or financial relationship. Based upon the application of this criteria, the financial statements of no other organizations are included in the accompanying financial statements. A description of related organizations and jointly governed organizations, while not included as component units, is as follows:

#### **Related Organization**

The Ferguson Township Industrial Development Authority ("IDA") is a potential component unit that has a separate appointed board and provides services to residents, generally within the geographic boundaries of the government. The IDA is not considered a component unit of the Township as it is not deemed to have a significant operational or fiscal relationship.

#### **Jointly Governed Organizations**

Centre Area Transportation Authority ("CATA"), Centre Region Council of Governments ("CRCOG"), Centre Regional Recreation Authority ("CRRRA") and Schlow Library have boards appointed jointly by the area governments' governing bodies. The Township elects two members to the Schlow Centre Region Library governing board and one member to the remaining units' governing boards. Accordingly, these organizations are not component units. These are independent units that select management staff, set user charges, establish budgets and control all aspects of the daily activities. In the event that one of these units would dissolve, however, the assets and/or liabilities would be shared among the participating municipalities. The Township approved the following operating and capital grants to these organizations for 2017: CATA \$132,247, CRCOG \$533,486, CRRRA \$664,805 and Schlow Centre Region Library \$428,566.

The Township guarantees a portion of the bank debt for CRCOG for the regional pools and parks. The Township would be obligated for their share in the event CRCOG was not able to meet principal and interest payments when they become due. As of December 31, 2017 the maximum amount payable under such guarantees is \$2,623,473 plus interest. CRCOG is current with the debt payments and the Township believes there is only a remote possibility that it would be required to perform under the guarantees, therefore no liability is recorded. The Township has guaranteed the debt through its maturity in 2028. There is no formal arrangement for recovery of payments should the guarantee be exercised.

## **Township of Ferguson, Pennsylvania**

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### Notes to Financial Statements

December 31, 2017

Separate financial reports are available at the following addresses: Schlow Library, 211 South Allen Street, State College, PA 16801; Centre Region Council of Governments, 2643 Gateway Drive, State College, PA 16801; Centre Region Recreation Authority, 2643 Gateway Drive #1, State College, PA 16801; Centre Area Transportation Authority, 2081 West Whitehall Road, State College, PA 16801.

### **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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements with the exception of those representing balances between the governmental activities and fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (the Township currently has no business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. The expenses reported for functional activities include allocated indirect expenses. 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.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

## **Township of Ferguson, Pennsylvania**

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### Notes to Financial Statements

December 31, 2017

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

### **Governmental Funds**

#### **Major Governmental Funds**

##### **General Fund**

The General Fund is the primary operating fund of the Township. It accounts for all financial resources and legally authorized activities of the Township except those required to be accounted for in other specialized funds. The majority of the current operating expenditures of the Township are financed through revenue of the General Fund.

##### **Transportation Improvement Fund**

The Transportation Improvement Fund is a capital projects fund and was created to account for specific road projects related to the tax increase in 2001.

#### **Non-Major Governmental Funds**

##### **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

##### **Capital Projects Funds**

Capital projects funds account for the capital purchases of the Township.

##### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

# Township of Ferguson, Pennsylvania

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## Notes to Financial Statements

December 31, 2017

### **Fiduciary Funds**

Fiduciary funds include trust and agency funds that are used to account for assets held by the Township in a trustee capacity. Fiduciary funds of the Township include two pension trust funds, a private purpose trust fund and the tax office. Pension trust funds and the private purpose trust fund are reported using economic resources measurement focus and the accrual basis of accounting which is the same as proprietary funds. The tax office is an Agency Fund. Agency Funds are custodial in nature and do not involve measurement of results of operations or equity, since the assets are due to individuals or entities at some future time.

### **Budgets and Budgetary Accounting**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds except the pension trust, Pine Grove Mills Streetscape and agency funds. The appropriated budget is prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

### **Net Position**

In the government-wide financial statements, net position is classified in the following categories:

#### **Net Investment in Capital Assets**

Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

#### **Restricted**

A portion of net position subject to externally imposed conditions by parties outside of the Township (such as creditors, grantors, laws, regulations, or other governments).

#### **Non-spendable**

A portion of net position that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

#### **Unrestricted**

All other categories of net position. These assets may be designated for specific purposes.

### **Governmental Fund Balances**

The Township classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

## Township of Ferguson, Pennsylvania

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### Notes to Financial Statements

December 31, 2017

- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through board resolution. A resolution must be passed to establish, modify or rescind a fund balance commitment.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township, but not through a formal action of the Supervisors. The board created a policy which grants authority to the Township Manager to assign fund balance.
- *Unassigned* - includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The government has not formally adopted a minimum fund balance policy.

### **Restricted Net Position/Fund Balances**

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

### **Cash Equivalents**

The Township considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

### **Investments**

Investments are carried at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the market values and costs of investments, other than short-term money market investments, are reflected in investment income.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items. These items are recognized as expenditures proportionately over the periods that the service is provided (consumption method).

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the calendar year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to or from other funds." All trade and certain tax receivables are shown net of an allowance for uncollectible. Township management has determined that an allowance for property taxes receivable is not necessary at December 31, 2017, based on collection history.

# **Township of Ferguson, Pennsylvania**

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## Notes to Financial Statements

December 31, 2017

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Township will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Township 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 and so will not be recognized as an inflow of resources (revenue) until that time.

### **Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, vehicles, and infrastructure assets (e.g., roads, sidewalks, traffic signals, bike paths, and similar items), are reported in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis from 2004. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are defined by the Township as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Infrastructure assets are recorded at historical cost using prevailing wages.

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

Buildings, land improvements, building improvements, park improvements, furniture and equipment, vehicles, and infrastructure are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	30 years
Land improvements	10 to 30 years
Building improvements	10 to 30 years
Park improvements	10 to 30 years
Furniture and equipment	3 to 20 years
Infrastructure	10 to 20 years
Vehicles	5 years

### **Compensated Absences**

Employees earn vacation on an anniversary year calendar based upon length of service. It is the Township's policy to permit employees to accumulate unused vacation benefits for one year up to a maximum determined by bargaining unit agreements. If not used in the next anniversary year, the time is lost. Upon termination, employees are paid for all earned vacation days that have not been used up to the maximum number of days. Accumulated paid leave and compensatory time for employees paid out of governmental funds are recorded as an expenditure when due for payment. In the government-wide financial statements, an expense and a liability are recorded as the paid leave and compensatory time benefits accrue to employees.



# **Township of Ferguson, Pennsylvania**

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## **Notes to Financial Statements**

December 31, 2017

### **Pension Plans**

The Township provides a separate defined benefit pension plan for uniformed police department personnel and a defined contribution plan for general employees. It is the Township's policy to fund the normal cost of the defined benefit pension plan as required through an actuarial valuation.

### **Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

### **Real Estate Taxes**

Because the Township operates under a Home Rule Charter, it is not subject to state law limiting the amount of tax levy millage allowable for use in providing general government services or for payment of principal and interest on long-term debt.

The Township's property tax is levied by ordinance of the Board of Supervisors on real property located within the Township. Assessed values are generally 50% of market value as of the date of the last reassessments by the Centre County Board of Property Assessments, Appeals, and Review. The total assessed valuation was approximately \$582,705,000 as of March 1, 2017. For 2017, Township real estate taxes were levied at the rate of 2.422 mills (.002422) on every dollar of taxable adjusted valuation.

Real estate taxes are levied on March 1. The Township tax office bills and collects these taxes. Taxpayers making payments prior to April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. The levy becomes delinquent on December 31. Centre County collects delinquent real estate taxes on behalf of the Township.

### **Use of Estimates**

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

### **Recent Accounting Standards**

In January 2016, Governmental Accounting Standards Board ("GASB") issued Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. The adoption of this standard did not have a significant impact on the Township's financial statements.

## **Township of Ferguson, Pennsylvania**

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Notes to Financial Statements

December 31, 2017

### **2. Cash, Cash Equivalents, Investments and Fair Value Disclosures**

#### **Governmental Activities**

The Township is required to disclose deposit and investment risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the Township's deposit and investment risks.

#### **Cash and Cash Equivalents**

At December 31, 2017, the Township's total bank deposits were \$12,894,558. The Township's cash deposits are held at two local banks and the Pennsylvania Local Government Investment Trust ("PLGIT"). The operating accounts are held at a local bank and are secured by FDIC insurance up to \$250,000 under current law.

#### **Investment Portfolio**

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation ("FDIC") to be collateralized by the financial institution.

The deposit and investment policy of the Township adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or pooled for investment purposes in certificates of deposit.

The Township's investment policy identifies permitted investments as follows:

- Insured or collateralized savings accounts or time deposits
- Insured or collateralized certificates of deposits
- United States Treasury bills
- Obligations of the United States government or its agencies or instrumentalities
- Obligations of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Obligations of the political subdivisions of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Pooled investments in accordance with the provisions of the Act of the Pennsylvania General Assembly of July 12, 1972 (P.L. 762, No. 180).

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Township will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, the Township's total bank deposits and certificates of deposit were \$12,894,558. Of this amount, \$500,000 was insured by the FDIC. \$716,093 of the total deposits is held in trust by the PLGIT in accounts separate and apart from the assets of the financial institution. The PLGIT trust invests in two basic types of Federal Securities: Obligations backed by the full faith and credit of the United States and short term obligations of the U.S. Government and its agencies instrumentalities. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost. The remaining bank deposits of \$11,678,465 were exposed to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging institution, but not in the Township's name. Local financial institution Certificates of Deposit of \$1,000,000 are held for safekeeping by the Township (except those held by Morgan Stanley Smith Barney).

The Township has investments with the firm Morgan Stanley Smith Barney in the amount of \$834,270. The types of investments include certificates of deposit insured by the FDIC in the amount of \$519,662 with the remainder in cash or cash equivalents. These investments are held by the investment firm in an account separate and apart from the assets of the financial institution. The brokerage account is held the Ferguson Township's name.

The Township measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

At December 31, 2017, the Township had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets Reported at Fair Value</b>				
Investments:				
Cash	\$ 314,608	\$ -	\$ -	\$ 314,608
Certificates of deposit	250,000	1,269,662	-	1,519,662
	<u>\$ 564,608</u>	<u>\$ 1,269,662</u>	<u>\$ -</u>	<u>\$ 1,834,270</u>

### Valuation Methodologies

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2017.

*Cash and certificates of deposits:* The carrying amounts approximate fair value because of the short maturity of those financial instruments.

*Investments:* The *certificates of deposit* were measured using Level 2 inputs in which cost approximates fair value.

The Township has no Level 3 investments.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Township does not have a formal deposit policy for credit risk.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township places no limit on the amount the Township may invest in any one issuer. As of December 31, 2017, except for the certificates of deposit with maturities of less than one year and a value of \$1,519,662, there are no investments that exceed 5% of the total portfolio's market value.

### Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to charges in marked interest rates.

The Township's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments shall have maturities no longer than 3 years. The Township utilizes the "segmented time distribution" as a measurement of interest rate risk for debt securities.

## Township of Ferguson, Pennsylvania

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### Notes to Financial Statements

December 31, 2017

Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2017:

<b>Maturity</b>	<b>Amount</b>
None	\$ 314,608
Less than one year	1,519,662
One to two years	-
Two to three years	-

### Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Township does not have a formal policy for foreign currency risk.

### Pension Trust Funds

The deposits and investments of the fiduciary funds are administered by the Police Pension Trustees ("trustees") and are held separately from those of other Township funds.

Investments in the trust funds are stated at fair value for both reporting and actuarial purposes. Investment purchases are recorded as of the trade date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost, which is not expected to be materially different from fair value.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

The following table presents the investments measured at fair value as of December 31, 2017 by caption on the statement on fiduciary net position by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets Reported at Fair Value:</b>				
Investments:				
Cash	\$ 317,777	\$ -	\$ -	\$ 317,777
Exchange traded funds,				
Equity	1,178,231	-	-	1,178,231
Mutual funds:				
Alternative	887,059	-	-	887,059
Fixed income	1,199,141	-	-	1,199,141
Balanced	3,068,992	-	-	3,068,992
Marketable equity securities:				
Industrials	159,361	-	-	159,361
Consumer discretionary	229,792	-	-	229,792
Consumer staples	111,675	-	-	111,675
Energy	121,563	-	-	121,563
Financial	313,995	-	-	313,995
Materials	89,162	-	-	89,162
Information technology	226,512	-	-	226,512
Real estate	53,022	-	-	53,022
Utilities	51,613	-	-	51,613
Health care	197,755	-	-	197,755
Telecommunication services	41,272	-	-	41,272
Unclassified stock	451,454	-	-	451,454
Total investments/assets by valuation hierarchy	<u>\$ 8,698,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,698,376</u>

### Valuation Methodologies

The following is a description of the valuation methodologies used for investments measured at fair value.

*Cash:* The carrying amounts approximate fair value because of the short maturity of those financial instruments.

*Investments:* The valuation methodology of utilizing closing prices in an active exchange market was applied to exchange traded funds, marketable equity securities and mutual funds.

The following summarize the investment philosophy of the trustees:

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trustees do not have a formal deposit policy for custodial credit risk. The Police Pension Fund investments are held with Merrill Lynch in the accounts separate and apart from the assets of the financial institution. According to the brokerage, "customer securities are legally the property of customers - they are not on Merrill Lynch's balance sheet and are not exposed to Merrill Lynch's creditors. Under the SEC's customer protection rule, customers' securities must be segregated from Merrill Lynch's proprietary securities." The securities are held in central depositories with the record of ownership reflected on a book entry basis. The brokerage account is held in the Ferguson Township Police Pension Fund name.

### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Trustees do not have a formal deposit policy for credit risk.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Police Pension fund investment policy requires that investments meet asset allocation formulas prevalent in balanced portfolios using a strategic allocation of 60% S&P 500, 30% Lehman Brothers Government/Credit Index Intermediate, and 10% cash equivalents. Allocations may range from a minimum of 30% equities and/or fixed income investments to a maximum of 70% equities and/or fixed income.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trustees investment guidelines have no formal policy that limits investment maturities as a means of managing its exposure to interest rate risk.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2017:

<u>Maturity</u>	<u>Amount</u>
None	\$ 8,698,376
Less than one year	-
One to two years	-
Two to three years	-

### Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Trustees do not have a formal policy for foreign currency risk.

### 3. Capital Assets

A summary of changes in capital assets is as follows:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>December 31, 2017</u>
Governmental activities:					
Capital assets not being depreciated,					
Land	\$ 2,404,693				\$ 2,404,693
Construction in progress		\$ 80,026			80,026
Total capital assets not being depreciated	<u>2,404,693</u>	<u>80,026</u>			<u>2,484,719</u>
Capital assets being depreciated:					
Buildings and improvements	8,654,315	100,134			8,754,449
Equipment	2,759,397	331,393		\$ (111,571)	2,979,219
Vehicles	3,158,977	250,411		(250,537)	3,158,851
Infrastructure	<u>31,059,738</u>	<u>1,468,905</u>			<u>32,528,643</u>
Total capital assets being depreciated	<u>45,632,427</u>	<u>2,150,843</u>		<u>(362,108)</u>	<u>47,421,162</u>
Accumulated depreciation:					
Buildings and improvements	(5,532,012)	(374,957)			(5,906,969)
Equipment	(1,929,484)	(340,368)		111,478	(2,158,374)
Vehicles	(1,963,155)	(489,339)		250,537	(2,201,957)
Infrastructure	<u>(11,019,486)</u>	<u>(2,297,393)</u>			<u>(13,316,879)</u>
Total accumulated depreciated	<u>(20,444,137)</u>	<u>(3,502,057)</u>		<u>362,015</u>	<u>(23,584,179)</u>
Governmental activities capital assets, net	<u>\$ 27,592,983</u>	<u>\$ (1,271,188)</u>	<u>\$ -</u>	<u>\$ (93)</u>	<u>\$ 26,321,702</u>



## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

Depreciation expense was charged to governmental activities as follows:

General government	\$ 483,441
Public safety	122,474
Highway and streets	2,706,298
Culture and recreation	189,844
Total	<u>\$ 3,502,057</u>

#### 4. Long-Term Liabilities

The changes in long-term liabilities for the year ended December 31, 2017 are as follows:

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017	Current Portion
Bonds payable, General Obligation Note Series of 2014	\$ 556,000	\$ -	\$ (556,000)	\$ -	\$ -
Compensated absences	261,938	29,152	(54,251)	236,839	20,000
Total long-term liabilities	<u>\$ 817,938</u>	<u>\$ 29,152</u>	<u>\$ (610,251)</u>	<u>\$ 236,839</u>	<u>\$ 20,000</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

#### 5. Interfund Accounts

The Township records receipts in the General Fund typically and records a liability/receivable for other funds as needed. Individual fund receivables and payables at December 31, 2017, were as follows:

	Interfund Receivables	Interfund Payable
General Fund	\$ 48,180	\$ 151,417
Transportation Improvement Fund	54,026	-
Capital Reserve Fund	35,367	920
Park Improvement Fund	41,850	-
Debt Service Fund	6,500	5,484
Liquid Fuels Fund	920	19,230
Street Light Fund	-	7,176
Hydrant Fund	-	21,446
Fiduciary Funds	19,158	328
Total	<u>\$ 206,001</u>	<u>\$ 206,001</u>

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

Interfund transfers for the year ended December 31, 2017 were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 2,991,662
Transportation Improvement Fund	1,638,171	-
Liquid Fuels Fund	18,491	-
Debt Service Fund	560,000	-
Capital Reserve Fund	750,000	-
Agricultural Preservation Fund	25,000	-
Total	<u>\$ 2,991,662</u>	<u>\$ 2,991,662</u>

Transfers are primarily attributable to funding of capital projects and debt service as well as timing and the receipt of funds into the General Fund.

## 6. Pensions

The Township has two pension plans for its employees. A single-employer defined benefit pension plan covers all full-time police and a single-employer defined contribution plan covers all full-time non-uniformed employees. The Township's payroll for employees fully and partially vested by the police and non-uniform pension plans for the year ended December 31, 2017 was \$1.661 million and \$1.669 million, respectively, which in total, represents 91% of the Township's total payroll of \$3.671 million for all employees.

### Defined Benefit Plan - Police Employees

#### Plan Description and Administration

The Township of Ferguson Police Pension Plan (the "Plan") is a contributory defined benefit single employer retirement plan covering all full-time police. The plan is included in the accompanying financial statements of the Township as a pension trust fund and does not issue a separate plan financial statement.

The Plan is governed by the Township of Ferguson Board of Supervisors.

At January 1, 2017, the date of the latest valuation, members of the plan were as follows:

Inactive plan members currently receiving benefits	11
Inactive plan members entitled to benefits but not yet receiving them	1
Current employees	<u>21</u>
Total membership	<u>33</u>
Number of participating employers	<u>1</u>

### **Benefits Provided**

#### **Normal Retirement**

If a member is hired before January 24, 2001, such member is eligible for normal retirement after attainment of age 50 and completion of 20 years of service. If a member is hired on or after January 24, 2001, such member is eligible for normal retirement after attainment of age 55 and completion of 25 years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation.

Average monthly compensation is based upon the last 36 months of employment.

#### **Late Retirement**

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

#### **Disability Retirement**

If an active member was hired before January 24, 2001, and becomes totally and permanently disabled, such member is eligible for a disability pension after six months of disability. If an active member was hired on or after January 24, 2001 and becomes totally and permanently disabled in the line of duty, such member is eligible for a disability pension after six months of disability. The disability pension is equal to the present value of the accrued benefit at the date of disability.

If an active member becomes totally and permanently disabled in the line of duty after April 17, 2002, such member is eligible for a minimum monthly disability pension equal to 50% of the member's monthly salary at the time of disability.

## Township of Ferguson, Pennsylvania

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### Notes to Financial Statements

December 31, 2017

#### Death Benefits

If an active member is killed in the line of duty, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 100% of the member's monthly salary at the time of death.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.

Upon the death of an active member who does not have a surviving spouse or eligible child who is entitled to the survivor's benefit, a death benefit is payable to his elected beneficiary equal to the present value of this accrued benefit at the date of death.

#### Vesting

If a member is hired before January 24, 2001, such member's benefits vest according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
0-4 Years	0%
5	25
6	30
7	35
8	40
9	45
10	50
11	60
12	70
13	80
14	90
15 or more years	100

If a member is hired on or after January 24, 2001, such member's benefits vest upon completion of 12 years of service.

The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination multiplied by the applicable vesting percentage.

#### Funding Policy and Contributions

The Township's funding policy provides for periodic employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The employer contribution rate is determined based on the annual required contribution. Based on this calculation, employees were required to contribute 5% of their base salary to the plan. Member contributions are credited with 6% interest. The annual required contribution was determined by the actuary based on the actuarial valuation as of January 1, 2017. The contribution requirements of Plan members and the Township are established and may be amended by the Board of Supervisors. The Township funded 100% of required contributions.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

The annual required contribution for the current year was determined as part of the January 1, 2017 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used for the police pension include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 5.0% per year, (c) no post-retirement benefit increases, (d) assets valued at market value as determined by the Trustee, (e) IRS Static Combined Table for Small Plans, (f) a disability benefit factor of 3.0% added to basic pension costs, and (g) moderate inflation rate of 3.0% based on long-term historical average rates. The amortization method is level dollar closed, over a remaining amortization period of 12 years. The assumptions made provision for administration expenses to be added to the normal cost.

### Deposits and Investments

The Plan allows funds to be invested in and established the following target allocation across asset categories:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	30 %	1.0 - 3.0 %
Domestic equity	50	5.5 - 7.5
Alternatives	15	5.5 - 7.5
Cash and cash equivalents	5	0.0 - 1.0

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

### Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 6.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

#### Net Pension Liability

The Township's net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The components of the net pension liability of the Plan as of December 31, 2017 were as follows:

Total pension liability	\$ 6,231,866
Plan fiduciary net position	<u>5,467,122</u>
Plan net pension liability	<u>\$ 764,744</u>
Plan fiduciary net position as a percentage of total pension liability	<u>87.7%</u>

#### Changes in the Net Pension Liability

The changes in the Township's net pension liability during the year ended December 31, 2017 are as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2017	\$ 5,710,237	\$ 4,902,984	\$ 807,253
Changes for the year:			
Service cost	202,396	-	202,396
Interest cost	472,997	-	472,997
Changes for experience	(30,480)	-	(30,480)
Changes of assumptions	163,400	-	163,400
Contributions - employee	-	72,237	(72,237)
Contributions - employer	-	220,640	(220,640)
Net investment income	-	566,445	(566,445)
Benefit payments, including refunds	(286,684)	(286,684)	-
Administration	-	(8,500)	8,500
Net changes	<u>521,629</u>	<u>564,138</u>	<u>(42,509)</u>
Balances at December 31, 2017	<u>\$ 6,231,866</u>	<u>\$ 5,467,122</u>	<u>\$ 764,744</u>

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

#### Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2017 using the following actuarial methods and assumptions:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	5.0%
Inflation	3.0%
Interest rate	8.0%
Cost-of-living adjustments	0.0%
Asset valuation method	Market

Mortality rates were based on the IRS Static Combined Table for Small Plans. The actuarial assumptions used in the January 1, 2017 valuation were selected jointly by the actuary and the governing body of the pension.

#### Discount Rate

The discount rate used to measure the total pension liability for the Plan was 8.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

#### Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Plan calculated using the discount rate of 8.0% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	<b>1% Decrease (7.0%)</b>	<b>Current Discount Rate</b>	<b>1% Increase (9.0%)</b>
Net pension liability	\$ 1,578,122	\$ 764,744	\$ 84,962



## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended December 31, 2017, the Township recognized pension expense of \$287,862. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 69,472
Changes in assumptions	154,365	-
Difference between projected and actual earnings on investments	87,140	-
Total	<u>\$ 241,505</u>	<u>\$ 69,472</u>

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

Year ended December 31:	
2018	\$ (72,606)
2019	(72,606)
2020	(1,856)
2021	27,536
2022	(8,098)
Thereafter	<u>(44,403)</u>
Total	<u>\$ (172,033)</u>

### **Defined Contribution Plan - Non-Uniform Employees**

The Township of Ferguson Municipal Employees Money Purchase Pension Plan is a 401 qualified, defined contribution plan for all non-uniform employees. Employees who retire at or after age 55 with 10 years of credited service are entitled to retirement benefits. Vesting starts after 3 years of service and employees are fully vested after 7 years. The plan requires that the Township contribute an amount equal to 10% of the employee's base salary (with no contribution from the employee). In conjunction with the 401 plan, the Township requires all participating non-uniform employees to contribute a minimum of 2% of their base salary to the 457 Deferred Compensation Plan.

The Township, as the employer, is specifically identified as the plan trustee and has selected the ICMA Retirement Corporation as the plan administrator. The Township holds the fiduciary duty to select the fund or funds that the employer's share of the contributions are invested. The Township has limited employer contributions to four model portfolios commonly referred to as the Savings Oriented, Long-term Growth, Conservative Growth, and Traditional Growth portfolios. The Township has chosen not to allow loans on the plan's assets. As specified in the plan document section VI, 6.01, the trustee shall be the employer or such other person which agrees to act in that capacity hereunder. In accordance with the adoption agreement and the plan document, sections XIV 14.05 and XV 15.01, the employer may amend or terminate the plan and the plan administrator may amend the plan upon 30 days written notice to the employer for the express purpose of maintaining compliance with applicable federal laws and regulations of the Internal Revenue Service. The plan document, under section XIV, the employer has the authority to amend the future contributions and vesting schedule, to the extent that current account balances and current vesting may not be reduced.

At December 31, 2017, there were forty active 401 plan members and fifty-one active 457 plan members.

# Township of Ferguson, Pennsylvania

## Notes to Financial Statements

December 31, 2017

Pension contributions for year ended December 31, 2017:

	<b>401 Qualified Pension Plan</b>	<b>457 Deferred Compensation Plan</b>
Township contributions	\$ 195,101	\$ -
Employee contributions	-	98,373
Total contributions	<u>\$ 195,101</u>	<u>\$ 98,373</u>

The Commonwealth of Pennsylvania provided \$362,472 during 2017 toward the Township contributions to the police and non-uniform pension plan through Act 205.

The following financial statements present data for the individual pension plans maintained by the Township.

### Combining Statement of Pension Trust Funds

December 31, 2017

	<b>Police Pension Trust Fund</b>	<b>Non-Uniformed Pension Trust Fund</b>	<b>Total Pension Trust Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,754	\$ 17	\$ 4,771
Prepaid items	24,542	-	24,542
Investments, at fair value:			
Cash and cash equivalents	124,839	192,938	317,777
Fixed income	1,198,806	335	1,199,141
Equities	3,221,966	3,441	3,225,407
Mutual funds	887,059	3,068,992	3,956,051
Due from other funds	<u>5,484</u>	<u>-</u>	<u>5,484</u>
Total	5,467,450	3,265,723	8,733,173
<b>Liabilities</b>			
Due to other funds	<u>328</u>	<u>-</u>	<u>328</u>
<b>Net Position</b>			
Net position restricted for pensions	<u>\$ 5,467,122</u>	<u>\$ 3,265,723</u>	<u>\$ 8,732,845</u>

## Township of Ferguson, Pennsylvania

Notes to Financial Statements  
December 31, 2017

### Combining Statement of Changes in Pension Trust Funds For the Year Ended December 31, 2017

	<b>Police Pension Trust Fund</b>	<b>Non-Uniformed Pension Trust Fund</b>	<b>Total Pension Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employer contributions	\$ 220,640	\$ 202,612	\$ 423,252
Employee contributions	72,237	2,173	74,410
Total contributions	292,877	204,785	497,662
Investment income:			
Net appreciation in fair value of investments	462,180	420,433	882,613
Interest and dividends	136,675	285	136,960
Investment expense	(40,910)	(4,010)	(44,920)
Net investment income	557,945	416,708	974,653
Total additions	850,822	621,493	1,472,315
<b>Deductions</b>			
Benefits paid to participants	286,684	532,386	819,070
<b>Net Changes in Net Position</b>	564,138	89,107	653,245
<b>Net Position Restricted for Pensions, Beginning</b>	4,902,984	3,176,616	8,079,600
<b>Net Position Restricted for Pensions, Ending</b>	<u>\$ 5,467,122</u>	<u>\$ 3,265,723</u>	<u>\$ 8,732,845</u>

### Summary of Significant Accounting Policies - Pension Trust Funds

The plans' financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by Act 205 of the Commonwealth. Benefits and refunds are recognized when due and payable in accordance with the terms of the appropriate plan.

Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Fair value is determined by quoted market price.

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments whose market value exceeds five percent or more of net position available for benefits. There are no long-term contracts for contributions.

## Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2017

### 7. Private Purpose Trust Fund

On June 22, 1993 the Township established the Tom Tudek Memorial Park Trust (the "Trust"). The Trust received its 501(c)(3) status from the Internal Revenue Service on December 22, 1993. The Trust will receive annual contributions from Robert and Elsie Tudek until the principal of the Trust reaches \$100,000. Income amounts will be used by the Township to pay the operating maintenance and improvement expense for the park. Principal amounts may only be used for legal consultation or actions relating to enforcing the terms and conditions of the Trust.

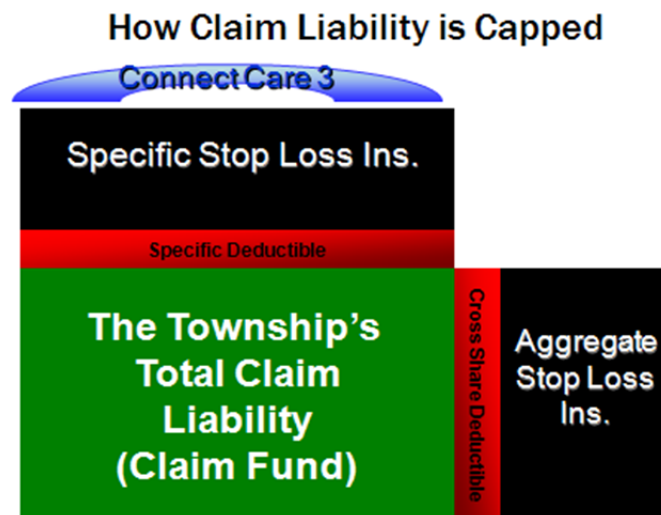
### 8. Risk Financing

The Township maintains a self-insured plan in the General Fund. The plan is for the employee health coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### Health Insurance

The health insurance plan is administered by the PMHIC (Pennsylvania Municipal Health Insurance Cooperative) in conjunction with the Benecon Group. The PMHIC is made up of members combining employees to reduce the overall risk and cost of the plan. Many of the Centre Region municipalities are members of the cooperative.

The plan provides for shared risk up to the amount of cross share assigned to each member for claims below the stop loss protection. If a participant's claim exceeds \$30,000, it is first paid from the specific deductible and then, depending on the amount over \$30,000, it is paid from the specific stop loss insurance. This protects the Township from very high dollar claims.



## Township of Ferguson, Pennsylvania

### Notes to Financial Statements

December 31, 2017

If the Township has many claims under \$30,000 that exceed the amount in the Township's claim fund, this amount is paid from the Cross Share deductible. This fund is created through mutual agreement of the members to share some of the surpluses of members. As of the date of this report, there have been no claims against the Aggregate Stop Loss since the member contributions have been sufficient to cover the claims.

### 9. Fund Balance Classifications

The Township presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<b>General Fund</b>	<b>Transportation Improvement Fund</b>	<b>Other Non-Major Funds</b>	<b>Total</b>
Non-spendable for, Prepaid items	\$ 9,668	\$ -	\$ -	\$ 9,668
Restricted for:				
Transportation improvement	\$ -	\$ 4,839,656	\$ -	\$ 4,839,656
Liquid fuels	-	-	543,750	543,750
Capital projects	-	-	21,720	21,720
Regional capital projects	-	-	946,639	946,639
Park improvement	-	-	141,552	141,552
Agricultural preservation	-	-	71,842	71,842
Total	\$ -	\$ 4,839,656	\$ 1,725,503	\$ 6,565,159
Committed for, Capital projects	\$ -	\$ -	\$ 1,250,833	\$ 1,250,833
Assigned for, Design service	\$ -	\$ -	\$ 2,443	\$ 2,443

### 10. Pending Changes in Accounting Principles

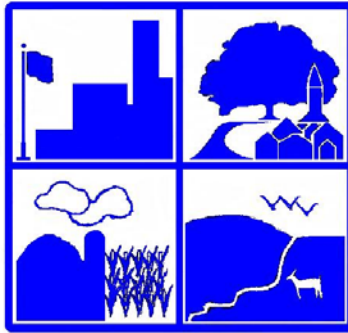
In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The Township is required to adopt Statement No. 84 for its 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. GASB 85 is effective for the Township's 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. To the extent applicable, the Township is required to adopt Statement No. 86 for its 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. Statement No. 87 improves recognition of certain lease assets and liabilities for leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. To the extent applicable, the Township is required to adopt Statement No. 87 for its 2020 financial statements.

Township management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.



## **Required Supplementary Information - Supplementary Pension Trend Information**



**Township of Ferguson, Pennsylvania**
**Schedule of Changes in the Township's Net Pension Liability and Related Ratios**  
**Most Recent Year**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>				
Service cost	\$ 202,396	\$ 193,519	\$ 184,304	\$ 169,971
Interest changes of benefit terms	472,997	455,966	401,750	380,013
Changes for experience	(30,480)	-	(65,866)	-
Changes of assumptions	163,400	-	-	-
Benefit payments, including refunds of member contributions	(286,684)	(243,148)	(227,391)	(227,366)
Net changes in total pension liability	521,629	406,337	292,797	322,618
<b>Total Pension Liability, Beginning</b>	<b>5,710,237</b>	<b>5,303,900</b>	<b>5,011,103</b>	<b>4,688,485</b>
<b>Total Pension Liability, Ending (a)</b>	<b>\$ 6,231,866</b>	<b>\$ 5,710,237</b>	<b>\$ 5,303,900</b>	<b>\$ 5,011,103</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 220,640	\$ 218,386	\$ 272,819	\$ 210,393
Employee contributions	72,237	80,947	74,524	69,108
Net investment income	566,445	246,300	10,204	235,734
Benefit payments, including refunds of member contributions	(286,684)	(243,148)	(227,391)	(227,366)
Administration	(8,500)	(4,000)	(6,400)	(9,353)
Net changes in plan fiduciary net position	564,138	298,485	123,756	278,516
<b>Plan Fiduciary Net Position, Beginning</b>	<b>4,902,984</b>	<b>4,604,499</b>	<b>4,480,743</b>	<b>4,202,227</b>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<b>\$ 5,467,122</b>	<b>\$ 4,902,984</b>	<b>\$ 4,604,499</b>	<b>\$ 4,480,743</b>
<b>Township's Net Pension Liability, Ending (a) - (b)</b>	<b>\$ 764,744</b>	<b>\$ 807,253</b>	<b>\$ 699,401</b>	<b>\$ 530,360</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>87.73%</b>	<b>85.86%</b>	<b>86.81%</b>	<b>89.42%</b>
<b>Covered-employee Payroll</b>	<b>\$ 1,661,121</b>	<b>\$ 1,702,848</b>	<b>\$ 1,640,148</b>	<b>\$ 1,443,614</b>
<b>Township's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	<b>46.04%</b>	<b>47.41%</b>	<b>42.64%</b>	<b>36.74%</b>

**Note to Schedule:**

The Township implemented GASB Statement No. 67 in 2014. Information prior to 2014 is not available.

**Township of Ferguson, Pennsylvania**

Schedule of Employer Contributions  
Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 105,300	\$ 108,605	\$ 125,120	\$ 221,588	\$ 189,018	\$ 204,059	\$ 210,393	\$ 255,274	\$ 218,386	\$ 220,640
Contributions in relation to the actuarially determined contribution	114,708	125,120	129,394	245,751	189,018	204,060	210,393	272,819	218,489	220,640
Contribution deficiency (excess)	<u>\$ (9,408)</u>	<u>\$ (16,515)</u>	<u>\$ (4,274)</u>	<u>\$ (24,163)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (17,545)</u>	<u>\$ (103)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,186,337	\$ 1,265,496	\$ 1,310,355	\$ 1,323,391	\$ 1,428,127	\$ 1,542,479	\$ 1,443,614	\$ 1,496,680	\$ 1,513,832	\$ 1,551,929
Contributions as a percentage of covered-employee payroll	9.67%	9.89%	9.87%	18.57%	13.24%	13.23%	14.57%	18.23%	14.43%	14.22%

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level Dollar Closed
Remaining amortization period	12 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	8%
Retirement age	Members hired before January 24, 2001: Attainment of age 53 and completion of 20 years of service. Members hired on or after January 24, 2001: Normal Retirement Age.
Mortality	RP-2000 Table prior to 2017, then IRS 2017 Static Combined Table for Small Plans

**Township of Ferguson, Pennsylvania**

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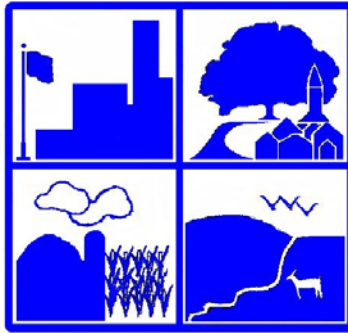
## Schedule of Investment Returns

Most Recent Year

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>5.40%</u>	<u>0.70%</u>	<u>6.50%</u>	<u>17.70%</u>

**Notes to Schedule:**

The Township implemented GASB Statement No. 67 in 2014. Information prior to 2014 is not available.



## **Combining Statements of Non-Major Governmental Funds**

## **Township of Ferguson, Pennsylvania**

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### **Description of Non-Major Governmental Funds**

December 31, 2017

#### **Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources (other than for debt service and major capital projects) that are legally restricted to expenditures for specified purposes.

The Street Light Fund accounts for assessments specifically restricted for the maintenance of street lights.

The Hydrant Fund accounts for assessments specifically restricted for the installation and maintenance of hydrants.

The Liquid Fuels Fund accounts for state aid revenues used for the building of and improving of roads and bridges. Financing is provided by the Township's share of state taxes on gasoline and diesel fuel.

#### **Capital Projects Funds**

Capital Projects Funds account for the capital purchases of the Township.

The Capital Reserve Fund accounts for road projects and capital improvements of the Township.

The Piney Ridge Fund accounts for the funding set aside from a contribution by the Ferguson Township Authority when the Piney Ridge subdivision received sanitary sewer service and for upgrades to the roads within the subdivision.

The Agricultural Preservation Fund accounts for the Township's contributions towards the County's agricultural conservation easements purchases in the Township.

The Regional Capital Recreation Projects Fund accounts for the Township's payments in accordance with the agreement among the Township, the Pennsylvania State University, and Lezzer-Haubert, LLC.

The Park Improvement Fund accounts for funds set aside from fees-in-lieu payments received from the developer and any private donations.

The Pine Grove Mills Streetlight Fund accounts for the specific purpose of acquiring vintage style streetlights in conjunction with a more comprehensive streetscape improvement project.

#### **Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

The Debt Service Fund accounts for the payments of principal and interest for the General Obligation Note, Series of 2014.

The annual adopted budgets are prepared on the basis consistent with accounting principles generally accepted in the United States of America.

**Township of Ferguson, Pennsylvania**

Combining Balance Sheet

Non-Major Governmental Funds

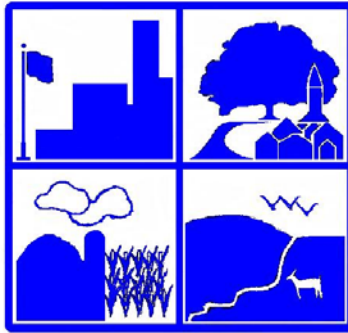
December 31, 2017

	Special Revenue Funds			Capital Projects Funds						
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Capital Reserve	Agricultural Preservation Fund	Regional Capital Recreation Projects	Pine Grove Mill Street	Park Improvement Fund	Debt Service Fund	Total Non-Major Funds
<b>Assets</b>										
Cash	\$ 369	\$ 5,714	\$ 562,060	\$ 1,321,201	\$ 71,842	\$ 946,639	\$ 21,720	\$ 99,702	\$ 1,427	\$ 3,030,674
Accounts receivable				245						245
Due from other funds			920	35,367				41,850	6,500	84,637
Total assets	<u>\$ 369</u>	<u>\$ 5,714</u>	<u>\$ 562,980</u>	<u>\$ 1,356,813</u>	<u>\$ 71,842</u>	<u>\$ 946,639</u>	<u>\$ 21,720</u>	<u>\$ 141,552</u>	<u>\$ 7,927</u>	<u>\$ 3,115,556</u>
<b>Liabilities and Fund Balances (Deficit)</b>										
Liabilities:										
Accounts payable				\$ 105,060						\$ 105,060
Due to other funds	\$ 7,176	\$ 21,446	\$ 19,230	920					\$ 5,484	54,256
Total liabilities	<u>7,176</u>	<u>21,446</u>	<u>19,230</u>	<u>105,980</u>					<u>5,484</u>	<u>159,316</u>
Fund balances (deficit):										
Restricted			543,750		\$ 71,842	\$ 946,639	\$ 21,720	\$ 141,552		1,725,503
Committed				1,250,833						1,250,833
Assigned									2,443	2,443
Unassigned (deficit)	(6,807)	(15,732)								(22,539)
Total fund balance (deficit)	<u>(6,807)</u>	<u>(15,732)</u>	<u>543,750</u>	<u>1,250,833</u>	<u>71,842</u>	<u>946,639</u>	<u>21,720</u>	<u>141,552</u>	<u>2,443</u>	<u>2,956,240</u>
Total liabilities and fund balance (deficit)	<u>\$ 369</u>	<u>\$ 5,714</u>	<u>\$ 562,980</u>	<u>\$ 1,356,813</u>	<u>\$ 71,842</u>	<u>\$ 946,639</u>	<u>\$ 21,720</u>	<u>\$ 141,552</u>	<u>\$ 7,927</u>	<u>\$ 3,115,556</u>

**Township of Ferguson, Pennsylvania**

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Non-Major Governmental Funds  
Year Ended December 31, 2017

	Special Revenue Funds			Capital Projects Funds							
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Capital Reserve	Piney Ridge Fund	Agricultural Preservation Fund	Regional Capital Recreation Project	Pine Grove Mill Street	Park Improvement Fund	Debt Service Fund	Total Non-Major Funds
<b>Revenues</b>											
Interest and rents	\$ 21	\$ 60	\$ 5,286	\$ 25,203	\$ (47)	\$ 689	\$ 7,268	\$ 207	\$ 943	\$ 151	\$ 39,781
Intergovernmental			635,582	125,298					6,224		767,104
Charges for service	17,528	32,957									50,485
Total revenues	17,549	33,017	640,868	150,501	(47)	689	7,268	207	7,167	151	857,370
<b>Expenditures</b>											
General government				308,238							308,238
Public safety				144,331							144,331
Public works - highways	18,419		553,578	377,926							949,923
Public works - other services		35,823									35,823
Culture and recreation				353,024		21,814	108,121				482,959
Debt service:											
Debt service - principal										556,000	556,000
Debt service - interest										3,074	3,074
Miscellaneous				1,681							1,681
Total expenditures	18,419	35,823	553,578	1,185,200	-	21,814	108,121	-	-	559,074	2,482,029
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	(870)	(2,806)	87,290	(1,034,699)	(47)	(21,125)	(100,853)	207	7,167	(558,923)	(1,624,659)
<b>Other Financing Sources</b>											
Transfers - in			18,491	750,000		25,000				560,000	1,353,491
Proceeds on sale of asset				76,712							76,712
Total other financing sources	-	-	18,491	826,712	-	25,000	-	-	-	560,000	1,430,203
Net (decrease) increase in fund balances	(870)	(2,806)	105,781	(207,987)	(47)	3,875	(100,853)	207	7,167	1,077	(194,456)
<b>Fund Balances (Deficit), Beginning</b>	(5,937)	(12,926)	437,969	1,458,820	47	67,967	1,047,492	21,513	134,385	1,366	3,150,696
<b>Fund Balances (Deficit), Ending</b>	<u>\$ (6,807)</u>	<u>\$ (15,732)</u>	<u>\$ 543,750</u>	<u>\$ 1,250,833</u>	<u>\$ -</u>	<u>\$ 71,842</u>	<u>\$ 946,639</u>	<u>\$ 21,720</u>	<u>\$ 141,552</u>	<u>\$ 2,443</u>	<u>\$ 2,956,240</u>



# **Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget-to-Actual Comparisons**

- **Transportation Improvement Fund**
- **Non-Major Governmental Funds -  
Special Revenue Funds**
- **Non-Major Governmental Funds -  
Capital Projects Funds**
- **Non-Major Governmental Fund -  
Debt Service Fund**



## Township of Ferguson, Pennsylvania

### Schedule of Revenues, Expenditures, and Changes in Fund Balances

#### Budget-to-Actual Comparison

#### Transportation Improvement Fund

Year Ended December 31, 2017

	<b>Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Interest and rents	\$ 30,000	\$ 42,519	\$ 12,519
Intergovernmental	1,518,000	552,687	(965,313)
Miscellaneous revenue	-	10,964	10,964
	<u>1,548,000</u>	<u>606,170</u>	<u>(941,830)</u>
<b>Expenditures</b>			
General government	268,000	44,120	223,880
Public works - highways	3,941,000	1,738,275	2,202,725
	<u>4,209,000</u>	<u>1,782,395</u>	<u>2,426,605</u>
<b>Excess of Expenditures Over Revenues</b>	(2,661,000)	(1,176,225)	1,484,775
<b>Other Financing Sources</b>			
Transfers - in	<u>1,302,527</u>	<u>1,638,171</u>	<u>335,644</u>
Net changes in fund balances	<u>\$ (1,358,473)</u>	461,946	<u>\$ 1,820,419</u>
<b>Fund Balances, Beginning</b>		<u>4,377,710</u>	
<b>Fund Balances, Ending</b>		<u>\$ 4,839,656</u>	

# Township of Ferguson, Pennsylvania

## Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Special Revenue Funds

Year Ended December 31, 2017

	Street Light			Hydrant				Liquid Fuels		
	Budget Original & Final	Actual	Variance with Final Budget - Positive (Negative)	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)	Budget Original & Final	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>										
Interest and rents	\$ 50	\$ 21	\$ (29)	\$ 100	\$ 100	\$ 60	\$ (40)	\$ 4,500	\$ 5,286	\$ 786
Intergovernmental								605,586	635,582	29,996
Charges for service	18,172	17,528	(644)	34,134	34,134	32,957	(1,177)			
Total revenues	18,222	17,549	(673)	34,234	34,234	33,017	(1,217)	610,086	640,868	30,782
<b>Expenditures</b>										
Public works - highways	20,911	18,419	2,492					566,935	553,578	13,357
Public works - other services				32,200	44,200	35,823	8,377			
Total expenditures	20,911	18,419	2,492	32,200	44,200	35,823	8,377	566,935	553,578	13,357
<b>Other Financing Sources</b>										
Transfers - in									18,491	18,491
Net changes in fund balances	\$ (2,689)	(870)	\$ 1,819	\$ 2,034	\$ (9,966)	(2,806)	\$ 7,160	\$ 43,151	105,781	\$ 62,630
<b>Fund Balances (Deficit), Beginning</b>		(5,937)				(12,926)			437,969	
<b>Fund Balances (Deficit), Ending</b>		\$ (6,807)				\$ (15,732)			\$ 543,750	

**Township of Ferguson, Pennsylvania****Schedule of Revenues, Expenditures, and Changes in Fund Balances**

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2017

	<b>Capital Reserve</b>		
	<b>Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Interest and rents	\$ 25,000	\$ 25,203	\$ 203
Intergovernmental	93,000	125,298	32,298
Total revenues	118,000	150,501	32,501
<b>Expenditures</b>			
General government	501,118	308,238	192,880
Public safety	221,188	144,331	76,857
Public works - highways	387,800	377,926	9,874
Culture and recreation	622,460	353,024	269,436
Other operating	6,000	1,681	4,319
Total expenditures	1,738,566	1,185,200	553,366
<b>Excess of Expenditures Over Revenues</b>	(1,620,566)	(1,034,699)	585,867
<b>Other Financing Sources</b>			
Transfers - in	750,000	750,000	-
Sale of capital assets	1,000	76,712	75,712
Total other financing sources	751,000	826,712	75,712
Net changes in fund balance	<u>\$ (869,566)</u>	(207,987)	<u>\$ 661,579</u>
<b>Fund Balance, Beginning</b>		1,458,820	
<b>Fund Balance, Ending</b>		<u>\$ 1,250,833</u>	

(Continued)

## Township of Ferguson, Pennsylvania

### Schedule of Revenues, Expenditures, and Changes in Fund Balances

#### Budget-to-Actual Comparison

#### Non-Major Governmental Funds

#### Capital Projects Funds

Year Ended December 31, 2017

	Piney Ridge			Agricultural Preservation		
	<u>Budget Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>						
Interest and rents	\$ -	\$ (47)	\$ (47)	\$ 350	\$ 689	\$ 339
<b>Expenditures</b>						
Public works - highways				33,733	21,814	11,919
Culture and recreation						
Total expenditures	-	-	-	33,733	21,814	11,919
<b>Excess of Expenditures Over Revenues</b>	-	(47)	(47)	(33,383)	(21,125)	12,258
<b>Other Financing Sources</b>						
Transfers - in				25,000	25,000	-
Net changes in fund balances	<u>\$ -</u>	<u>(47)</u>	<u>\$ (47)</u>	<u>\$ (8,383)</u>	<u>3,875</u>	<u>\$ 12,258</u>
<b>Fund Balances, Beginning</b>		<u>47</u>			<u>67,967</u>	
<b>Fund Balances, Ending</b>		<u>\$ -</u>			<u>\$ 71,842</u>	

(Continued)

## Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2017

	Regional Capital Recreation Projects			Park Improvement		
	<u>Budget</u>		<u>Variance with</u>	<u>Budget</u>		<u>Variance with</u>
	<u>Original &amp;</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Original &amp;</u>	<u>Actual</u>	<u>Final Budget -</u>
	<u>Final</u>		<u>Positive</u>	<u>Final</u>		<u>Positive</u>
			<u>(Negative)</u>			<u>(Negative)</u>
<b>Revenues</b>						
Interest and rents	\$ 8,000	\$ 7,268	\$ (732)	\$ 750	\$ 943	\$ 193
Intergovernmental					6,224	6,224
Contributions from private sectors	<u>400,000</u>		<u>(400,000)</u>			
Total revenues	408,000	7,268	(400,732)	750	7,167	6,417
<b>Expenditures</b>						
Culture and recreation	<u>108,120</u>	<u>108,121</u>	<u>(1)</u>	<u>44,000</u>	<u>-</u>	<u>44,000</u>
Net changes in fund balances	<u>\$ 299,880</u>	<u>(100,853)</u>	<u>\$ (400,733)</u>	<u>\$ (43,250)</u>	<u>7,167</u>	<u>\$ 50,417</u>
<b>Fund Balances, Beginning</b>		<u>1,047,492</u>			<u>134,385</u>	
<b>Fund Balances, Ending</b>		<u>\$ 946,639</u>			<u>\$ 141,552</u>	

**Township of Ferguson, Pennsylvania**

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

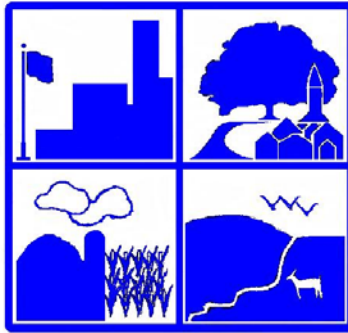
## Budget-to-Actual Comparison

## Non-Major Governmental Funds

## Debt Service Fund

Year Ended December 31, 2017

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 151	\$ 151
<b>Expenditures</b>				
Debt service:				
Debt service - principal	556,000	556,000	556,000	-
Debt service - interest	2,724	3,530	3,074	456
Total expenditures	558,724	559,530	559,074	456
<b>Excess of Expenditures Over Revenues</b>	<u>(558,724)</u>	<u>(559,530)</u>	<u>(558,923)</u>	<u>607</u>
<b>Other Financing Sources</b>				
Transfers - in	560,000	560,000	560,000	-
Net changes in fund balance	<u>\$ 1,276</u>	<u>\$ 470</u>	1,077	<u>\$ 607</u>
<b>Fund Balance, Beginning</b>			<u>1,366</u>	
<b>Fund Balance, Ending</b>			<u>\$ 2,443</u>	



## Combining Statements of Pension Trust Funds

**Township of Ferguson, Pennsylvania****Combining Statement of Pension Trust Funds**

December 31, 2017

	<b>Police Pension Trust Fund</b>	<b>Non-Uniformed Pension Trust Fund</b>	<b>Total Trust Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,754	\$ 17	\$ 4,771
Prepaid items	24,542		24,542
Investments, at fair value:			
Cash and cash equivalents	124,839	192,938	317,777
Fixed income	1,198,806	335	1,199,141
Equities	3,221,966	3,441	3,225,407
Mutual funds	887,059	3,068,992	3,956,051
Due from other funds	5,484		5,484
	<hr/>	<hr/>	<hr/>
Total assets	5,467,450	3,265,723	8,733,173
<b>Liabilities</b>			
Due to other funds	328		328
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>			
Net position restricted for pensions	<u>\$ 5,467,122</u>	<u>\$ 3,265,723</u>	<u>\$ 8,732,845</u>

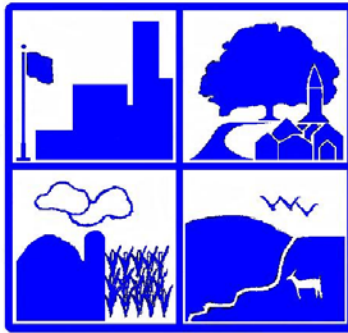


**Township of Ferguson, Pennsylvania**

## Combining Statement of Changes in Pension Trust Funds

Year Ended December 31, 2017

	<b>Police Pension Fund</b>	<b>Non-Uniformed Pension Fund</b>	<b>Total Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employer contributions	\$ 220,640	\$ 202,612	\$ 423,252
Employee contributions	72,237	2,173	74,410
Total contributions	292,877	204,785	497,662
Investment income:			
Net appreciation in fair value of investments	462,180	420,433	882,613
Interest and dividends	136,675	285	136,960
Less investment expense	(40,910)	(4,010)	(44,920)
Net investment income	557,945	416,708	974,653
Total additions	850,822	621,493	1,472,315
<b>Deductions</b>			
Benefits paid to participants	286,684	532,386	819,070
Net changes in net position	564,138	89,107	653,245
<b>Net Position Restricted for Pensions, Beginning</b>	4,902,984	3,176,616	8,079,600
<b>Net Position Restricted for Pensions, Ending</b>	\$ 5,467,122	\$ 3,265,723	\$ 8,732,845



## **Combining Statement of Changes in Assets and Liabilities - All Agency Funds**

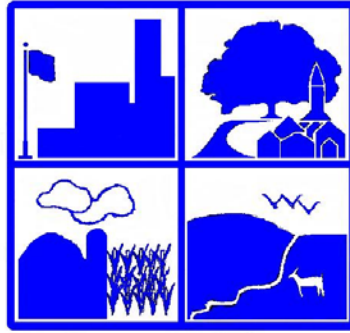
## Township of Ferguson, Pennsylvania

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

December 31, 2017

	<b>Balance, January 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, December 31, 2017</b>
<b>Earned Income Tax Office</b>				
Assets,				
Cash	<u>\$ 53,079</u>	<u>\$ 1,728</u>	<u>\$ (988)</u>	<u>\$ 53,819</u>
Liabilities,				
Payable to other taxing units	<u>\$ 53,079</u>	<u>\$ 1,728</u>	<u>\$ (988)</u>	<u>\$ 53,819</u>
<b>Real Estate Tax Office</b>				
Assets,				
Cash	<u>\$ 146,539</u>	<u>\$ 26,321,541</u>	<u>\$ (26,353,384)</u>	<u>\$ 114,696</u>
Liabilities,				
Payable to other taxing units	<u>\$ 146,539</u>	<u>\$ 26,321,541</u>	<u>\$ (26,353,384)</u>	<u>\$ 114,696</u>
<b>Total All Agency Funds</b>				
Assets,				
Cash	<u>\$ 199,618</u>	<u>\$ 26,323,269</u>	<u>\$ (26,354,372)</u>	<u>\$ 168,515</u>
Liabilities,				
Payable to other taxing units	<u>\$ 199,618</u>	<u>\$ 26,323,269</u>	<u>\$ (26,354,372)</u>	<u>\$ 168,515</u>



## Statistical Section

## **Township of Ferguson, Pennsylvania**

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Statistical Section  
December 31, 2017

### **Statistical Section**

The Statistical Section presents additional detailed information as a context for understanding the information provided in the financial statements, note disclosures and required supplementary information about the Township's overall financial health.

### **Financial Trends**

Schedules 1 through 4 provide trend information to help the reader understand the changes in the Township's financial health over time.

### **Revenue Capacity**

Schedules 5 through 10 provide information to help the reader assess the Township's ability to generate revenues.

### **Debt Capacity**

Schedules 11 through 13 provide information to help the reader assess the ability of the Township to fulfill the current debt requirements and to provide additional debt if needed in the future.

### **Demographic and Economic Information**

Schedules 14 and 15 offer demographic and economic indicators to help the reader understand the economic environment of the Township as a whole.

### **Operating Information**

Schedules 16 through 18 provide service and infrastructure information to help the reader understand how the activities and services provided by the Township affect the financial statements.

**Township of Ferguson, Pennsylvania**

Schedule of Government - Wide Net Position by Component

(Unaudited)

Years Ended December 31

**SCHEDULE 1**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 17,993,703	\$ 21,514,479	\$ 17,881,248	\$ 20,883,275	\$ 21,228,343	\$ 25,807,727	\$ 26,359,131	\$ 26,255,099	\$ 27,036,983	\$ 26,321,702
Restricted				1,160,103	1,117,065	1,188,166	2,047,601	1,730,464	1,641,406	1,653,661
Non-spendable									84,136	9,668
Unrestricted/unassigned	11,124,825	10,192,207	15,642,390	14,602,551	15,415,901	11,988,643	12,610,387	12,778,961	13,830,245	13,987,532
Total governmental activities net position	\$ 29,118,528	\$ 31,706,686	\$ 33,523,638	\$ 36,645,929	\$ 37,761,309	\$ 38,984,536	\$ 41,017,119	\$ 40,764,524	\$ 42,592,770	\$ 41,972,563

Note: (1) the Township has no business type activities

Source: Independent Auditors' Report

**Township of Ferguson, Pennsylvania**

Schedule of Government- Wide Changes in Net Position

(Unaudited)

Years Ended December 31

**SCHEDULE 2**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
Governmental type activities (current):										
General government	\$ 1,185,216	\$ 1,466,992	\$ 1,454,365	\$ 1,573,015	\$ 1,566,073	\$ 2,162,036	\$ 2,190,517	\$ 2,211,153	\$ 2,410,240	\$ 1,766,838
Public safety	2,404,827	2,437,740	2,519,983	2,671,630	2,662,723	3,647,288	3,835,519	3,816,904	4,262,964	4,612,933
Health and welfare	2,961	7,317	5,729	7,166	5,090	6,673	6,464	8,133	9,002	6,349
Public works	1,667,533	1,935,062	2,753,477	2,650,121	3,771,053	3,537,116	3,033,404	3,467,370	3,489,627	6,060,078
Culture and recreation	1,363,566	1,076,279	1,050,198	1,085,404	1,329,119	1,320,474	1,259,033	1,365,146	1,698,002	1,703,487
Conservation and development	30,546	11,955								187,915
Insurance and other operating	1,061,465	702,868	1,223,395	1,377,940	1,382,998					
Interest on long term debt	168,704	138,215	92,996	79,627	71,586	62,219	55,422	13,141	8,393	2,801
Total governmental activities expenses	7,884,818	7,776,428	9,100,143	9,444,903	10,788,642	10,735,806	10,380,359	10,881,847	11,878,228	14,340,401
<b>Revenues:</b>										
Governmental activities:										
Charges for services:										
General Government	310,685	379,075	438,827	438,355	397,660	458,619	468,869	371,041	380,691	412,615
Public Safety	161,429	132,062	128,099	117,887	135,854	120,435	115,854	117,778	105,177	73,688
Health and welfare	6,013	6,068	6,625	6,328	7,738	8,018	7,939	8,561	8,450	7,799
Public Works	39,154	44,964	44,628	46,112	39,148	22,724	38,915	35,604	32,727	56,485
Operating grants and contributions	838,783	491,698	518,193	751,857	531,506	577,761	705,282	709,431	915,757	889,470
Capital grants and contributions	556,648	582,527	392,822	2,908,628	999,364	513,747	536,505	626,743	841,411	1,215,383
Total governmental activities revenues	1,912,712	1,636,394	1,529,194	4,269,167	2,111,270	1,701,304	1,873,364	1,869,158	2,284,213	2,655,440
<b>Net Revenues (Expenses)</b>										
Governmental activities	(5,972,106)	(6,140,034)	(7,570,949)	(5,175,736)	(8,677,372)	(9,034,502)	(8,506,995)	(9,012,689)	(9,594,015)	(11,684,961)
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Taxes:										
Real estate	1,238,068	1,264,640	1,275,750	1,285,660	1,314,567	1,323,738	1,338,977	1,357,773	1,398,977	1,397,581
Transfer	1,234,907	840,595	1,034,100	832,580	969,487	1,978,764	1,276,766	1,432,285	2,044,111	1,842,754
Earned Income	5,580,764	5,846,005	6,015,241	5,890,462	5,542,488	6,029,207	6,497,093	6,211,770	7,076,928	7,001,620
Local Services	299,621	346,277	319,906	381,124	307,512	331,371	334,138	401,208	348,927	367,017
Franchise Fees										
Fines										
Unrestricted investment earnings	359,670	340,381	211,615	222,331	190,669	124,685	128,308	142,073	154,790	185,226
Miscellaneous	344,656	90,294	531,289	685,870	468,029	469,964	964,296	165,818	398,528	270,556
Total governmental activities general revenues	9,057,686	8,728,192	9,387,901	9,298,027	8,792,752	10,257,729	10,539,578	9,710,927	11,422,261	11,064,754
<b>Changes in Net Position,</b>										
Governmental activities	\$ 3,085,580	\$ 2,588,158	\$ 1,816,952	\$ 4,122,291	\$ 115,380	\$ 1,223,227	\$ 2,032,583	\$ 698,238	\$ 1,828,246	\$ (620,207)

Notes: (1) the Township has no business type activities

Source: Independent Auditors' Report

**Township of Ferguson, Pennsylvania**

## Schedule of Fund Balances of Governmental Funds

(Unaudited)

Years Ended December 31

**SCHEDULE 3**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Non-Spendable (1)				\$ 3,594	\$ 65,159	\$ 70,220			\$ 84,136	\$ 9,668
Restricted (1)										
Committed (1)				1,000,000	1,000,000					
Assigned (1)										
Unassigned (1)				4,187,743	2,991,653	4,104,239	\$ 4,824,035	\$ 6,856,644	7,658,167	7,929,758
Unreserved:										
Undesignated	\$ 4,482,879	\$ 5,058,582	\$ 5,119,166							
<b>Total general fund</b>	<b>4,482,879</b>	<b>5,058,582</b>	<b>5,119,166</b>	<b>5,191,337</b>	<b>4,056,812</b>	<b>4,174,459</b>	<b>4,824,035</b>	<b>6,856,644</b>	<b>7,742,303</b>	<b>7,939,426</b>
<b>All Other Governmental Funds</b>										
Non-Spendable (1)										
Restricted (1)				1,160,103	1,117,065	1,188,166	2,047,601	5,907,683	6,087,083	6,565,159
Committed (1)				7,913,681	9,240,120	5,921,213	5,816,157	1,571,509	1,458,820	1,250,833
Assigned (1)				27	835	1,709	5,961	1,203	1,366	2,443
Unassigned (1)								(2,093)	(18,863)	(22,539)
Reserved for:										
Capital Projects	1,336,771	1,450,563	1,411,733							
Unreserved, Undesignated, reported in:										
Special Revenue Funds	390,210	325,815	330,486							
Capital Projects Funds	5,076,180	5,383,208	6,250,624							
Debt Service	1,747	(7,979)	(7,267)							
<b>Total all other governmental funds</b>	<b>6,804,908</b>	<b>7,151,607</b>	<b>7,985,576</b>	<b>9,073,811</b>	<b>10,358,020</b>	<b>7,111,088</b>	<b>7,869,719</b>	<b>7,478,302</b>	<b>7,528,406</b>	<b>7,795,896</b>
<b>Total governmental fund balances</b>	<b>\$ 11,287,787</b>	<b>\$ 12,210,189</b>	<b>\$ 13,104,742</b>	<b>\$ 14,265,148</b>	<b>\$ 14,414,832</b>	<b>\$ 11,285,547</b>	<b>\$ 12,693,754</b>	<b>\$ 14,334,946</b>	<b>\$ 15,270,709</b>	<b>\$ 15,735,322</b>

Note: 1. GASB Statement number 54, Fund Balance Reporting effective for years beginning after June 15, 2010, prior balances are not restated

Source: Independent Auditors' Report



**Township of Ferguson, Pennsylvania**

## Schedule of Changes in Governmental Fund Balances

(Unaudited)

Years Ended December 31

**SCHEDULE 4**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 8,376,605	\$ 7,948,380	\$ 8,082,875	\$ 8,403,023	\$ 8,478,220	\$ 9,771,549	\$ 9,343,175	\$ 10,570,286	\$ 10,638,051	\$ 10,718,353
Licenses and permits	215,362	220,608	262,036	250,463	239,880	309,657	287,061	304,284	316,873	332,571
Fines and forfeits	116,518	132,062	128,099	117,887	135,854	120,435	115,854	117,778	105,177	73,688
Interest and rents	359,670	340,381	211,615	222,331	190,669	124,685	128,308	142,073	154,790	185,226
Intergovernmental	895,431	1,074,225	911,015	3,660,485	1,530,870	1,091,508	1,241,787	1,336,174	1,757,168	2,104,853
Charges for services	209,215	234,625	240,954	253,990	223,269	259,019	277,645	165,218	158,769	196,719
Other financing sources	500,000									
Miscellaneous revenues	320,432	61,281	472,726	661,005	409,016	355,649	889,269	92,207	296,695	141,546
Refund of prior year expenditures	410	3,887	6,946	7,296	255	274	18,118			
<b>Total revenues</b>	<b>10,993,643</b>	<b>10,015,449</b>	<b>10,316,266</b>	<b>13,576,480</b>	<b>11,208,033</b>	<b>12,032,776</b>	<b>12,301,217</b>	<b>12,728,020</b>	<b>13,427,523</b>	<b>13,752,956</b>
<b>Expenditures</b>										
General government	1,241,043	1,169,636	1,125,718	1,143,935	1,278,323	1,469,596	1,465,556	1,455,268	1,659,254	1,830,673
Public safety	2,410,533	2,485,741	2,488,052	2,718,215	2,649,349	2,907,932	2,947,837	2,940,786	3,037,735	3,247,529
Health and welfare	2,961	7,317	5,729	7,166	5,090	6,673	6,464	8,133	9,002	6,349
Public works	2,159,994	2,685,156	2,994,141	5,206,287	3,542,450	7,411,752	3,017,784	2,477,421	3,601,864	3,847,554
Culture and recreation	1,454,367	1,099,725	1,075,672	1,365,651	1,711,634	1,321,946	1,297,150	1,845,643	1,729,172	1,766,343
Community development	30,546	11,955				30,415	30,415	30,415	30,515	187,915
Insurance and other operating	1,061,465	1,164,589	1,212,337	1,421,872	1,352,827	1,576,850	1,616,637	1,791,891	1,920,074	1,917,756
Debt issuance costs							21,442			
Debt service-principal	416,000	329,053	465,000	475,000	485,000	495,000	505,000	543,000	551,200	556,000
Debt service-interest	169,619	143,515	93,771	81,860	73,830	64,490	43,242	13,585	8,843	3,255
Other costs		116,462							2,430	1,681
<b>Total expenditures</b>	<b>8,946,528</b>	<b>9,213,149</b>	<b>9,460,420</b>	<b>12,419,986</b>	<b>11,098,503</b>	<b>15,284,654</b>	<b>10,951,527</b>	<b>11,106,142</b>	<b>12,550,089</b>	<b>13,365,055</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,047,115</b>	<b>802,300</b>	<b>855,846</b>	<b>1,156,494</b>	<b>109,530</b>	<b>(3,251,878)</b>	<b>1,349,690</b>	<b>1,621,878</b>	<b>877,434</b>	<b>387,901</b>
<b>Other Financing Sources (Uses)</b>										
Net transfers in (out)					23,587	75,617				
Sale of capital assets			38,707	3,912	16,567	46,976	13,317	19,314	58,329	76,712
Net proceeds from long-term debt		4,435,000					1,650,200			
Bond premium		12,249								
Payments to refund bonds and notes payable		(4,327,147)					(1,605,000)			
<b>Total other financing sources</b>	<b>-</b>	<b>120,102</b>	<b>38,707</b>	<b>3,912</b>	<b>40,154</b>	<b>122,593</b>	<b>58,517</b>	<b>19,314</b>	<b>58,329</b>	<b>76,712</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 2,047,115</b>	<b>\$ 922,402</b>	<b>\$ 894,553</b>	<b>\$ 1,160,406</b>	<b>\$ 149,684</b>	<b>\$ (3,129,285)</b>	<b>\$ 1,408,207</b>	<b>\$ 1,641,192</b>	<b>\$ 935,763</b>	<b>\$ 464,613</b>

Debt service as a percentage of non capital expenditures (1)	8.19%	6.47%	6.91%	6.70%	5.84%	5.93%	6.26%	5.85%	5.61%	5.02%
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Notes:

(1) Capital outlay is integrated in all functions of current expenditures. Amount is subtracted from amount used in calculation

Source: Independent Auditors' Report

## Township of Ferguson, Pennsylvania

### Schedule of Earned Income Tax

(Unaudited)

Years Ended December 31

#### SCHEDULE 5

Year	Rate	Total Earned Income Tax Collected (1)	% Change
2008	1.40%	\$ 5,604,008	6.39%
2009	1.40%	5,496,867	-1.91%
2010	1.40%	5,453,119	-0.80%
2011	1.40%	5,890,462	8.02%
2012	1.40%	5,542,488	-5.91%
2013	1.40%	6,029,207	8.78%
2014	1.40%	6,497,093	7.76%
2015	1.40%	6,211,770	-4.39%
2016	1.40%	7,076,928	13.93%
2017	1.40%	7,001,620	-1.06%

Sources:

Ferguson Township Operating Budgets (actual)  
Independent Auditors' Report

Notes: 1. Modified Accrual Basis

## Township of Ferguson, Pennsylvania

Schedule of Earned Income Tax Rates -  
All Direct and Overlapping Governments  
(Unaudited)  
Years Ended December 31

### SCHEDULE 6

Tax Rates (% per \$1 of Taxable income)			
Fiscal Year	Township (1)	School (2)	Total
2008	1.40%	0.95%	2.35%
2009	1.40%	0.95%	2.35%
2010	1.40%	0.95%	2.35%
2011	1.40%	0.95%	2.35%
2012	1.40%	0.95%	2.35%
2013	1.40%	0.95%	2.35%
2014	1.40%	0.95%	2.35%
2015	1.40%	0.95%	2.35%
2016	1.40%	0.95%	2.35%
2017	1.40%	0.95%	2.35%

Sources:

1. Ferguson Township tax office
2. State College Area School District

# Township of Ferguson, Pennsylvania

Schedule of Principal Earned Income Taxpayers

(Unaudited)

Current Year and Nine Years Ago

Years Ended December 31

## SCHEDULE 7

Income Level	2017 (1)				2008 (1)			
	Number of Filers	Percentage of Total	Tax Liability (3)	Percentage of Total Levy	Number of Filers	Percentage of Total	Tax Liability (3)	Percentage of Total Levy
Greater than \$100,000.00	1,148	9.98%	\$ 3,044,598	43.94%	733	9.82%	\$ 1,678,897	38.14%
\$75,000.01 - \$100,000.00	999	8.69%	1,269,889	18.33%	555	7.44%	666,086	15.13%
\$50,000.01 - \$75,000.00	1,158	10.07%	993,608	14.34%	894	11.98%	771,116	17.52%
\$25,000.01 - \$50,000.00	1,981	17.22%	1,014,857	14.65%	1,626	21.78%	826,573	18.78%
\$10,000.01 - \$25,000.00	1,829	15.90%	428,105	6.18%	1,490	19.96%	343,696	7.81%
Less than or equal to \$10,000.00	4,388	38.15%	177,600	2.56%	2,167	29.03%	115,449	2.62%
Total	11,503	100.00%	\$ 6,928,657	100.00%	7,465	100.00%	\$ 4,401,817	100.00%

Notes: (1) 2017 collections represent the 2016 tax year and 2008 collections represent the 2007 tax year.

(2) specific taxpayers do not necessarily correlate between current and nine years ago

(3) calculated based on Township tax rate of 1.4%

Source: Ferguson Township Tax Office

# Township of Ferguson, Pennsylvania

Schedule of Assessed Value of Taxable Properties  
(Unaudited)  
Years Ended December 31

## SCHEDULE 8

Fiscal Year (1)	Real Property Assessed Taxable Value							Actual Taxable Value	TAV as % of ATV (2)	Tax Exempt \$ (Memo)
	Agricultural Property	Commercial Property	Industrial Property	Land	Residential Property	Total	Direct Rate			
2008	\$ 15,285,225	\$ 132,884,930	\$ 12,172,300	\$ 6,286,075	\$ 350,663,250	\$ 517,291,780	1.58	\$ 1,034,583,560	50%	\$ 29,891,230
2009	15,720,705	132,576,170	12,172,300	7,400,445	358,974,380	526,844,000	1.58	1,053,688,000	50%	30,912,005
2010	16,470,715	133,017,220	11,164,945	6,936,740	364,063,395	531,653,015	1.58	1,063,306,030	50%	32,160,585
2011	17,001,920	138,668,730	10,948,925	6,191,775	367,974,515	540,785,865	1.58	1,081,571,730	50%	33,146,690
2012	17,138,480	139,442,480	11,015,825	5,968,120	370,636,915	544,201,820	1.58	1,088,403,640	50%	33,370,925
2013	17,143,675	140,072,895	11,307,210	5,661,630	375,567,930	549,753,340	1.58	1,099,506,680	50%	35,560,310
2014	17,346,975	148,383,300	6,343,510	4,115,330	380,023,120	556,212,235	1.58	1,112,424,470	50%	40,463,395
2015	17,504,845	152,558,035	6,343,510	5,113,425	383,746,530	565,266,345	1.58	1,130,532,690	50%	40,657,855
2016	17,568,525	158,095,150	6,353,110	4,958,695	388,538,545	575,514,025	1.58	1,151,028,050	50%	41,233,525
2017	17,773,375	159,274,870	6,353,110	4,596,755	394,706,885	582,704,995	1.58	1,165,409,990	50%	42,103,120

Notes: 1. As of March 1 of each year  
2. TAV=taxable assessed value, ATV=actual taxable value

Sources: Centre County Assessment Office Township Tax Duplicate

**Township of Ferguson, Pennsylvania**

Schedule of Principal Property Taxpayers

(Unaudited)

Year Ended December 31

**SCHEDULE 9**

Taxpayer	2017			2008		
	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value
Circleville Road Partners	\$ 14,872,020	1	2.55%			0.00%
Copper Beach Townhouses	8,755,760	2	1.50%	\$ 6,062,815	1	1.17%
Minitab Inc.	8,726,035	3	1.50%	5,418,320	2	1.05%
C2S LP	7,303,210	4	1.25%			0.00%
TSG Student Housing	4,511,265	5	0.77%			0.00%
HFL Corporation	4,136,095	6	0.71%			0.00%
BRE Northland LP	3,598,730	7	0.62%			0.00%
Park Crest Terrace LTD	3,250,550	8	0.56%	3,250,550	7	0.63%
Centre Holdings LP	2,919,825	9	0.50%			0.00%
Hemmingway Place	2,587,830	10	0.44%			0.00%
WHGMH Realty (Accuweather)			0.00%	4,511,265	3	0.87%
Inland Western State College			0.00%	4,119,650	4	0.80%
Edens & Avant Financing			0.00%	4,053,860	5	0.78%
S&A Homes			0.00%	3,462,345	6	0.67%
QSI Partnership			0.00%	3,097,780	8	0.60%
WcWhirter Family Limited Partnership			0.00%	2,692,945	9	0.52%
Unico Corp			0.00%	2,631,680	10	0.51%
Total	<u>\$ 60,661,320</u>		<u>10.41%</u>	<u>\$ 39,301,210</u>		<u>7.60%</u>
<b>Total Taxable Assessed Value</b>	<u><u>\$ 582,704,995</u></u>			<u><u>\$ 517,291,780</u></u>		

Source: Centre County Township Real Estate Tax duplicate

## Township of Ferguson, Pennsylvania

### Schedule of Property Tax Levies and Collections

(Unaudited)

Years Ended December 31

#### SCHEDULE 10

Fiscal Year	Tax Levy for the Year (1)	Current Tax Collections (2)	Percent of Current Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes (4)	Outstanding Delinquent Taxes as a Percent of Current Levy
2008 (3)	\$ 1,252,881	\$ 1,211,014	96.66%	\$ 7,376	\$ 1,218,390	97.25%	\$ 34,491	2.75%
2009	1,276,016	1,247,574	97.77%	10,800	1,258,374	98.62%	17,642	1.38%
2010	1,287,664	1,238,257	96.16%	19,938	1,258,195	97.71%	29,468	2.29%
2011	1,309,783	1,284,797	98.09%	13,829	1,298,626	99.15%	11,157	0.85%
2012	1,318,057	1,285,000	97.49%	9,000	1,294,000	98.17%	24,057	1.83%
2013	1,331,503	1,307,069	98.16%	16,669	1,323,738	99.42%	7,765	0.58%
2014	1,347,146	1,321,780	98.12%	17,198	1,338,978	99.39%	8,168	0.61%
2015	1,369,075	1,336,271	97.60%	16,978	1,353,249	98.84%	15,826	1.16%
2016	1,393,895	1,384,965	99.36%	14,012	1,398,977	100.36%	(5,082)	-0.36%
2017	1,411,311	1,383,463	98.03%	9,219	1,392,682	98.68%	18,629	1.32%

Sources:

(1) Taxable Assessed value (face)(Centre County Assessment Office tax duplicate) multiplied by tax rate

(2) Ferguson Township Operating Budgets (actuals) (does not include supplementals) & Bond applications  
Independent auditors' report, DCED audit report, Springbrook accounting system

(3) tax increase .86 mills

(4) discount 2%, penalty 10%. If more taxpayers pay in penalty period, it is possible to have a negative delinquent balance

**Township of Ferguson, Pennsylvania**

## Schedule of Ratios of Outstanding Debt by Type

(Unaudited)

Years Ended December 31

## SCHEDULE 11

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Percentage of Actual Value of Taxable Property (2)	Per Capita Debt (2)
	General Obligation Bonds	Notes Payable	Total Primary Government			
2008	\$ 1,285,000	\$ 2,966,200	\$ 4,251,200	1.07%	0.12%	\$ 255.85
2009	4,030,000	-	4,030,000	0.96%	0.38%	242.54
2010	3,565,000	-	3,565,000	0.65%	0.34%	201.53
2011	3,090,000	-	3,090,000	0.53%	0.29%	174.29
2012	2,605,000	-	2,605,000	0.42%	0.24%	146.12
2013	2,110,000	-	2,110,000	0.33%	0.19%	116.10
2014	-	1,650,200	1,650,200	0.26%	0.15%	90.64
2015	-	1,107,200	1,107,200	0.17%	0.10%	60.71
2016	-	556,000	556,000	0.08%	0.05%	30.18
2017	-	-	-	0.00%	0.00%	-

## Notes:

1. The Township has no business type debt and therefore is not shown in the schedule.

## Sources:

- (1) Schedule of Demographic and Economic Statistics for population and personal income data.
- (2) Schedule of Assessed Value of Taxable Properties for property value data.



## Township of Ferguson, Pennsylvania

### Schedule of Direct and Estimated Overlapping Debt

(Unaudited)

Year Ended December 31, 2017

#### SCHEDULE 12

<b>Governmental Unit</b>	<b>Estimated Debt Outstanding</b>	<b>Township Percentage of Debt</b>	<b>Township Share of Overlapping Debt</b>
<b>Bonded Debt</b>			
Total bonded debt	\$ -		\$ -
<b>Notes Payable (Note 1)</b>			
Direct Township debt, Ferguson Township	\$ -	100.00%	\$ -
Overlapping debt:			
Centre Region Parks & Rec (pools)	4,201,282	26.84%	1,127,624
Centre Region Parks & Rec (parks)	5,334,697	28.04%	1,495,849
Total overlapping debt	9,535,979		2,623,473
Total direct and overlapping debt	9,535,979		2,623,473
Total	\$ 9,535,979		\$ 2,623,473

#### Notes:

- (1) The percentage of overlapping debt for the Centre Region Parks & Rec is based upon the CROG formula for Parks & Rec. for 2008 and is fixed for 10 years.

Sources: (1) Independent Auditors' Report  
(2) Centre Region Parks & Rec

**Township of Ferguson, Pennsylvania**

## Schedule of Legal Debt Margin Information

(Unaudited)

Years Ended December 31

## SCHEDULE 13

<b>Fiscal Year</b>	<b>Borrowing Base</b>	<b>Debt Limit Percentage</b>	<b>Debt Limit</b>	<b>Total Net Debt (Note 2)</b>	<b>Net NonElectoral Legal Debt Margin</b>	<b>Total Debt as a Percentage of Debt Limit</b>
2008	\$ 14,150,296	250%	\$ 35,375,740	\$ 4,251,200	\$ 31,124,540	12.0%
2009	13,684,413	250%	34,211,033	4,580,623	29,630,410	13.4%
2010	13,571,071	250%	33,927,676	4,927,973	28,999,703	14.5%
2011	13,917,882	250%	34,794,705	4,718,383	30,076,322	13.6%
2012	14,713,903	250%	36,784,758	6,130,093	30,654,665	16.7%
2013	15,987,861	250%	39,969,653	5,442,905	34,526,748	13.6%
2014	15,562,756	250%	38,906,890	4,796,957	34,109,933	12.3%
2015	15,142,976	250%	37,857,440	4,062,448	33,794,992	10.7%
2016	14,728,266	250%	36,820,665	3,336,990	33,483,675	9.1%
2017	15,330,118	250%	38,325,295	2,623,473	35,701,822	6.9%

## Notes:

1. The Commonwealth of PA has enacted the "Local Government Debt Act" which limits debts to revenues. In short, revenues of the most recent three years are adjusted for various non recurring and excludable items. The results are then averaged to calculate the "borrowing base". Certain percentages are applied to the borrowing base to determine the debt limits.
2. The total net debt includes the Township portion of the CRCOG debt. The Township is not liable for any more than its share of the debt

## Sources:

- (1) Department of Community and Economic Development filings
- (2) Independent Auditors' Reports
- (3) Centre Region Council of Governments

**Township of Ferguson, Pennsylvania**

## Schedule of Demographic and Economic Statistics

(Unaudited)

Years Ended December 31

**SCHEDULE 14**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2)</b>	<b>Per Capita (median) Income (3)</b>	<b>Public School Enrollment (4)</b>	<b>Housing Units (5)</b>	<b>Unemployment Rate (6)</b>
2008	16,616	\$ 396,009,128	\$ 23,833	7,115	NA	4.3%
2009	16,616	418,208,104	25,169	7,253	6,855	6.3%
2010	17,690	548,673,040	31,016	6,950	7,246	5.7%
2011	17,729	579,951,048	32,712	6,927	7,425	5.1%
2012	17,828	619,665,624	34,758	6,856	7,533	6.0%
2013	18,174	630,128,928	34,672	6,817	7,704	6.0%
2014	18,206	626,905,404	34,434	6,775	7,779	6.0%
2015	18,238	640,865,082	35,139	6,776	7,833	3.5%
2016	18,420	676,691,080	36,736	6,787	6,363	3.7%
2017	18,604	714,186,003	38,388	6,781	7,342	3.2%

Note: (a) 2010 data is taken from 2010 US census. 2011-2015 data from US Census estimates. Some data is extrapolated.

Sources:

- (1) US Census Bureau, [factfinder.census.gov](http://factfinder.census.gov)
- (2) Determined by multiplying population by per capita income
- (3) [Factfinder.census.gov](http://factfinder.census.gov), Penn State Data Center, estimated current year
- (4) State College Area School District, does not include charter schools or private schools
- (5) American Community Survey
- (6) US Bureau of Labor Statistics for State College PA (MSA) annual rate @ 12/31

## Township of Ferguson, Pennsylvania

Schedule of Principal Employers  
(Unaudited)  
Years Ended December 31

### SCHEDULE 15

Employer	2017			2008		
	Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Penn State University	924	1	8.10%	209	9	1.91%
Accu Weather Inc.	449	2	3.94%	380	5	3.47%
HRI Inc.	425	3	3.73%	421	3	3.84%
Raytheon Company	298	4	2.61%	498	2	4.55%
Ahold Financial Services	216	5	1.89%			0.00%
CATA	209	6	1.83%			0.00%
Minitab, Inc.	205	7	1.80%	298	6	2.72%
Pediatric Services	201	8	1.76%			0.00%
Sound Technologies	194	9	1.70%			0.00%
Collegiate Subs, Inc	188	10	1.65%			0.00%
Hellenic Ventures Inc.			0.00%	218	8	1.99%
Kadat Partners LLC			0.00%	199	10	1.82%
MBNA (Bank of America)			0.00%	518	1	4.73%
Jostens			0.00%	391	4	3.57%
Spectrum Control Technology			0.00%	243	7	2.22%
Weis Markets			0.00%			0.00%
Total	3,309		29.02%	3,375		30.80%
Total Township Employment	11,402			10,957		
Net Gain/(Loss) of Employment		445				

Source: Centre Tax Agency EIT/LST data

## Township of Ferguson, Pennsylvania

### Schedule of Full-time Equivalent Township Employees by Function

(Unaudited)

Years Ended December 31

#### SCHEDULE 16

Year	General Government	Public Works	Public Safety	Planning & Zoning	Total
2008	7.1	20.0	24.4	4.0	55.5
2009	7.3	19.3	24.3	3.9	54.8
2010	7.5	19.6	25.0	4.0	56.1
2011	7.3	20.2	24.9	3.8	56.2
2012	7.0	20.0	25.0	3.6	55.6
2013	7.4	21.1	23.8	3.5	55.8
2014	7.4	21.5	24.9	3.6	57.4
2015	7.5	23.5	24.7	3.4	59.1
2016	7.6	24.9	25.2	5.2	62.9
2017	8.4	25.7	25.0	5.6	64.7

Notes:

1. Totals do not include Board of Supervisors
2. Totals include part time employees and overtime hours
3. FTEs are based on 2080 hours for full-time employees

Source:

Microdata Payroll Services, Keystone Payroll

# Township of Ferguson, Pennsylvania

## Schedule of Operating Indicators by Function/Program

(Unaudited)

Years Ended December 31

### SCHEDULE 17

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Administration (5)</b>										
Electricity Costs - Office	\$ 14,129	\$ 22,168	\$ 19,704	\$ 24,478	\$ 18,533	\$ 20,867	\$ 4,753	\$ 21,495	\$ 21,198	\$ 4,753
Electricity Costs - Public Works	6,763	8,155	6,344	8,212	5,629	6,744	2,919	4,370	6,844	24,026
Heating Costs (gas) - Office	5,416	7,136	3,348	3,676	2,505	4,722	3,800	4,195	3,547	3,800
Heating Costs (gas) - Public Works	5,656	4,163	4,577	7,387	4,790	6,414	6,187	6,546	5,858	6,187
<b>Police (1)</b>										
Number of Sworn Officers	20	20	20	20	20	21	21	22	22	22
Total Calls for Service	4,722	4,787	4,760	4,479	4,486	4,879	4,695	4,926	4,869	5,151
Traffic Citations	1,476	1,869	1,553	781	1,080	1,242	1,228	992	818	690
Criminal Arrests	345	399	401	312	363	385	303	281	214	194
Traffic Stops	1,693	2,712	3,254	1,975	2,214	3,428	3,257	2,692	2,305	1,928
Parking Tickets	545	1,058	720	812	655	572	565	878	1,256	1,004
<b>Public Works/Engineering (2,4)</b>										
Highway Occupancy Permits issued	39	33	31	71	82	52	69	57	36	59
Land Development/Subdivision plans reviewed	18	15	17	10	16	26	16	19	12	14
Tons of Salt purchased	1,917	971	1,119	1,375	924	1,382	1,676	1,410	1,182	1,385
Cubic yards/tons of leaves/brush collected (a)	8,538	12,456	9,721	10,585	11,068	8,709	1,214	1,297	1,082	1,234
<b>Planning &amp; Zoning (3)</b>										
Zoning permits issued	244	230	379	249	349	197	186	232	210	348
Sign permits issued	50	37	62	53	54	46	43	30	38	28
Home Occupation permits issued	NA	NA	NA	NA	NA	NA	11	7	12	4
Rental permits issued (b)	NA	48	52	73	90	277	83	244	272	81
Land Development permits issued	NA	NA	NA	NA	11	10	11	3	7	3

NA= data not available

Notes: (a) Beginning in 2014, leaf and brush measured by weight rather than volume  
 (b) Beginning in 2014, rental permits are reported separately from home occupation permits

Sources: (1) Ferguson Township Police Department  
 (2) Ferguson Township Public Works Department  
 (3) Ferguson Township Planning and Zoning Department  
 (4) Ferguson Township Annual Operating Budgets  
 (5) Ferguson Township accounting records

# Township of Ferguson, Pennsylvania

Schedule of Capital Asset Statistics by Function/Program

(Unaudited)

Years Ended December 31

## SCHEDULE 18

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles (2)	16	17	17	17	17	17	17	10	10	17
CNG Vehicles (a)								3	4	4
<b>Information Technology (1)</b>										
Servers	4	4	4	4	4	5	5	5	8	10
Desktops/Towers	31	35	35	35	28	30	36	34	28	26
Laptops	10	10	14	16	15	13	16	22	28	31
Tablets					1	1	3	4	4	4
Police Vehicle Laptops (including MCP)	13	13	13	13	13	13	13	13	13	10
<b>Public Works (3)</b>										
Road miles of road surface	89.8	89.8	89.8	89.8	91.7	91.7	91.7	91.7	94.4	94.4
Heavy Trucks	14	16	16	16	16	17	19	17	14	17
Pickup Trucks and Autos	4	5	6	6	6	7	6	2	13	11
<b>Parks and Recreation (4)</b>										
Township owned developed Parks	10	10	10	10	10	10	10	10	10	11
Number of developed acres	172.5	172.5	172.5	172.5	172.5	188.6	188.6	172.5	172.5	178
Township owned un-developed Parks	2	2	2	2	2	2	2	2	2	1
Number of un-developed acres	80.7	85.7	85.7	116.1	96.1	96.1	96.1	96.1	96.1	183
Number of Regional Park acres located in Ferguson Township (undeveloped)	75	75	75	100	100	100	100	100	100	103

Notes (a) tracking of CNG vehicles began in 2015

Sources: (1) IT Inventory listing  
(2) Police Department  
(3) Public Works Department  
(4) Centre Region Parks & Rec