

East Lampeter Township

Financial Statements

Year Ended December 31, 2018
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statement of Net Position – Modified Cash Basis	1
Statement of Activities - Modified Cash Basis	2
Balance Sheet – Governmental Funds – Modified Cash Basis	3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Modified Cash Basis	5
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Modified Cash Basis	6
Balance Sheet – Proprietary Funds – Modified Cash Basis	7
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis	8
Statement of Cash Flows – Proprietary Funds – Modified Cash Basis	9
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis	11
Statement of Changes in Fiduciary Net Position – Pension Trust Funds – Modified Cash Basis	12
Notes to Financial Statements	13

EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

(Continued)

Other Information:

Budgetary Comparison Schedule – General Fund – Modified Cash Basis	51
Budgetary Comparison Schedule – Highway Aid Fund – Modified Cash Basis	52
Notes to Other Information – Budgetary Comparison Schedules	53

Independent Auditor's Report

Board of Supervisors East Lampeter Township

We have audited the accompanying modified cash basis financial statements (financial statements) of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Lampeter Township (Township) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Township's basic financial statements. The budgetary comparison information on pages 51 through 53, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

Maher Duessel

Harrisburg, Pennsylvania
March 2, 2020

EAST LAMPETER TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,765,950	\$ 1,146,032	\$ 5,911,982
Restricted cash and cash equivalents	4,179,136	1,731,201	5,910,337
Restricted assets - escrow agreements	-	1,265,878	1,265,878
Due from pension trust funds	77,196	-	77,196
Internal balances	(161,554)	161,554	-
Total Assets	8,860,728	4,304,665	13,165,393
Liabilities			
Other current liabilities	1,314,195	-	1,314,195
Total Liabilities	1,314,195	-	1,314,195
Net Position			
Restricted for:			
State highway aid	377,689	-	377,689
Legal restrictions to parkland projects	32,171	-	32,171
Legal restrictions to police forfeiture funds	559,660	-	559,660
Administrative expenses	-	39,079	39,079
Capital projects and debt service	2,455,505	2,966,300	5,421,805
Unrestricted	4,121,508	1,299,286	5,420,794
Total Net Position	\$ 7,546,533	\$ 4,304,665	\$ 11,851,198

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

EAST LAMPETER TOWNSHIP
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

Functions/Programs:	Direct Expenses	Indirect Net Loss Allocation	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
				Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:									
General government	\$ 979,857	\$ 7,113	\$ 986,970	\$ 302,306	\$ -	\$ -	\$ (684,664)	\$ -	\$ (684,664)
Police	6,379,597	66,290	6,445,887	1,698,715	20,380	581,589	(4,145,203)	-	(4,145,203)
Fire and ambulance	856,174	-	856,174	3,600	117,499	-	(735,075)	-	(735,075)
Inspection, planning, and zoning	324,983	4,590	329,573	159,812	-	-	(169,761)	-	(169,761)
Public works - highways and streets	1,601,086	7,944	1,609,030	198,267	-	701,123	(709,640)	-	(709,640)
Culture and recreation	381,351	2,758	384,109	24,743	-	26,637	(332,729)	-	(332,729)
Miscellaneous	58,500	-	58,500	-	-	-	(58,500)	-	(58,500)
Debt service	1,148,554	-	1,148,554	-	368,018	-	(780,536)	-	(780,536)
Total governmental activities	11,730,102	88,695	11,818,797	2,387,443	505,897	1,309,349	(7,616,108)	-	(7,616,108)
Business-type activities:									
Sewer	9,502,910	5,694	9,508,604	4,219,400	-	113,950	-	(5,175,254)	(5,175,254)
Stormwater	159,281	689	159,970	16,660	-	-	-	(143,310)	(143,310)
Total business-type activities	9,662,191	6,383	9,668,574	4,236,060	-	113,950	-	(5,318,564)	(5,318,564)
Total government	\$ 21,392,293	\$ 95,078	\$ 21,487,371	\$ 6,623,503	\$ 505,897	\$ 1,423,299	(7,616,108)	(5,318,564)	(12,934,672)
General revenues:									
Taxes:									
Property taxes, levied for general purposes, net							3,271,664	-	3,271,664
Other taxes levied for general purposes, net							4,377,324	-	4,377,324
Grants, subsidies, and contributions not restricted							464,656	21,080	485,736
Investment earnings							76,486	29,299	105,785
Debt issuance							2,450,000	6,336,253	8,786,253
Sale of fixed assets							-	8,500	8,500
Transfers - internal activity							241,252	(241,252)	-
Total general revenues and transfers							10,881,382	6,153,880	17,035,262
Change in Net Position							3,265,274	835,316	4,100,590
Net Position:									
Beginning of year							4,281,259	3,469,349	7,750,608
End of year							\$ 7,546,533	\$ 4,304,665	\$ 11,851,198

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

EAST LAMPETER TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2018

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,871,935	\$ 377,689	\$ 29,221	\$ 1,265,369	\$ 4,544,214
Restricted cash and cash equivalents	1,700,313	-	2,453,169	25,654	4,179,136
Due from pension trust funds	77,196	-	-	-	77,196
Total Assets	\$ 4,649,444	\$ 377,689	\$ 2,482,390	\$ 1,291,023	\$ 8,800,546
Liabilities and Fund Balance					
Liabilities:					
Due to other funds	\$ 155,331	\$ -	\$ 5,100	\$ 1,123	\$ 161,554
Restricted funds	1,314,195	-	-	-	1,314,195
Total Liabilities	1,469,526	-	5,100	1,123	1,475,749
Fund Balance:					
Restricted:					
State highway aid	-	377,689	-	-	377,689
Legal restrictions to parkland projects	-	-	-	32,171	32,171
Legal restrictions to police forfeiture funds	-	-	-	559,660	559,660
Capital projects	-	-	2,453,169	-	2,453,169
Debt service	-	-	-	2,336	2,336
Committed to:					
Specific street light costs	-	-	-	39,664	39,664
Assigned to:					
Capital projects	-	-	24,121	-	24,121
Fire apparatus	-	-	-	656,069	656,069
2019 budget	34,568	-	-	-	34,568
Unassigned	3,145,350	-	-	-	3,145,350
Total Fund Balance	3,179,918	377,689	2,477,290	1,289,900	7,324,797
Total Liabilities and Fund Balance	\$ 4,649,444	\$ 377,689	\$ 2,482,390	\$ 1,291,023	\$ 8,800,546

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

EAST LAMPETER TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2018

Total Fund Balance - Governmental Funds \$ 7,324,797

Amounts reported for governmental activities in the Statement of Net Position are different because:

Internal service funds are used by management to charge group insurance to individual funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.

221,736

Total Net Position - Governmental Activities \$ 7,546,533

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

EAST LAMPETER TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,648,988	\$ -	\$ -	\$ -	\$ 7,648,988
Licenses and permits	365,170	-	-	-	365,170
Fines and forfeits	130,300	-	-	582,484	712,784
Interest, rents, and royalties	59,394	10,401	6,440	15,951	92,186
Intergovernmental revenues	1,794,231	556,909	144,214	-	2,495,354
Charges for services	200,913	-	-	119,058	319,971
Miscellaneous revenues	72,631	-	-	368,017	440,648
Total revenues	<u>10,271,627</u>	<u>567,310</u>	<u>150,654</u>	<u>1,085,510</u>	<u>12,075,101</u>
Expenditures:					
Current:					
General government	978,179	-	498	1,180	979,857
Police	6,346,767	-	-	32,830	6,379,597
Fire and ambulance	464,265	-	35,000	356,909	856,174
Inspection, planning, zoning, and other public safety	324,983	-	-	-	324,983
Public works - highways and streets	775,227	484,494	249,113	92,252	1,601,086
Culture and recreation	330,657	-	50,694	-	381,351
Miscellaneous	58,500	-	-	-	58,500
Debt service	727,992	54,848	-	365,714	1,148,554
Total expenditures	<u>10,006,570</u>	<u>539,342</u>	<u>335,305</u>	<u>848,885</u>	<u>11,730,102</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>265,057</u>	<u>27,968</u>	<u>(184,651)</u>	<u>236,625</u>	<u>344,999</u>
Other Financing Sources (Uses):					
Refunds of prior years expenditures	317,718	-	-	-	317,718
Proceeds from debt issuance	-	-	2,450,000	-	2,450,000
Transfers in (out)	(417,045)	-	-	658,297	241,252
Total other financing sources (uses)	<u>(99,327)</u>	<u>-</u>	<u>2,450,000</u>	<u>658,297</u>	<u>3,008,970</u>
Net Change in Fund Balance	<u>165,730</u>	<u>27,968</u>	<u>2,265,349</u>	<u>894,922</u>	<u>3,353,969</u>
Fund Balance:					
Beginning of year	<u>3,014,188</u>	<u>349,721</u>	<u>211,941</u>	<u>394,978</u>	<u>3,970,828</u>
End of year	<u>\$ 3,179,918</u>	<u>\$ 377,689</u>	<u>\$ 2,477,290</u>	<u>\$ 1,289,900</u>	<u>\$ 7,324,797</u>

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

EAST LAMPETER TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balance - Governmental Funds \$ 3,353,969

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

Internal service funds are used by management to charge group insurance to individual funds. A portion of the net loss of the internal service fund is reported with governmental activities.

(88,695)

Change in Net Position - Governmental Activities \$ 3,265,274

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

EAST LAMPETER TOWNSHIP

BALANCE SHEET - PROPRIETARY FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2018

Assets	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
Cash and cash equivalents	\$ 1,126,751	\$ -	\$ 1,126,751	\$ 241,017
Restricted cash and cash equivalents	1,731,201	-	1,731,201	-
Restricted assets - escrow agreements	1,265,878	-	1,265,878	-
Due from (to) other funds	304,175	(142,621)	161,554	-
Total Assets	\$ 4,428,005	\$ (142,621)	\$ 4,285,384	\$ 241,017
Net Position				
Restricted for:				
Payment of administrative expenses	\$ 39,079	\$ -	\$ 39,079	\$ -
Payment of capital projects and debt service	2,966,300	-	2,966,300	-
Unrestricted	1,422,626	(142,621)	1,280,005	241,017
Total Net Position	\$ 4,428,005	\$ (142,621)	\$ 4,285,384	\$ 241,017
Reconciliation of Net Position to the Statement of Net Position:				
Net Position - Enterprise Funds	\$ 4,428,005	\$ (142,621)	\$ 4,285,384	
<p style="margin-left: 20px;">Amounts reported for the business-type activities in the Statement of Net Position are different because certain internal service fund assets are included with business-type activities.</p>				
	19,281	-	19,281	
Net Position of Business-Type Activities	\$ 4,447,286	\$ (142,621)	\$ 4,304,665	

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

EAST LAMPETER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
Operating Revenues:				
Wastewater/sewerage charges	\$ 4,125,469	\$ -	\$ 4,125,469	\$ -
Other charges for services	-	-	-	878,645
Rents and royalties	1,601	-	1,601	-
Other operating revenues	92,332	16,660	108,992	-
Total operating revenues	<u>4,219,402</u>	<u>16,660</u>	<u>4,236,062</u>	<u>878,645</u>
Operating Expenses:				
Salaries	326,585	35,120	361,705	-
Employee benefits	155,131	15,671	170,802	641,119
Wastewater/sewerage collection and treatment	1,492,650	-	1,492,650	-
Other purchased operating goods and services	1,427,546	108,490	1,536,036	-
Other purchased administrative goods and services	30,659	-	30,659	332,604
Total operating expenses	<u>3,432,571</u>	<u>159,281</u>	<u>3,591,852</u>	<u>973,723</u>
Operating Income (Loss)	<u>786,831</u>	<u>(142,621)</u>	<u>644,210</u>	<u>(95,078)</u>
Nonoperating Revenues (Expenses):				
Earnings on investments	29,299	-	29,299	-
State sources	21,080	-	21,080	-
Sale of fixed assets	8,500	-	8,500	-
Debt service expense	(6,033,214)	-	(6,033,214)	-
Debt issuance, net of fees	6,299,126	-	6,299,126	-
Total nonoperating revenues (expenses)	<u>324,791</u>	<u>-</u>	<u>324,791</u>	<u>-</u>
Income (Loss) Before Capital Contributions and Transfers				
Contributions and Transfers	<u>1,111,622</u>	<u>(142,621)</u>	<u>969,001</u>	<u>(95,078)</u>
Capital contributions - tapping fees	113,950	-	113,950	-
Transfers out	(241,252)	-	(241,252)	-
Change in Net Position	<u>984,320</u>	<u>(142,621)</u>	<u>841,699</u>	<u>(95,078)</u>
Net Position:				
Beginning of year	3,443,685	-	3,443,685	336,095
End of year	<u>\$ 4,428,005</u>	<u>\$ (142,621)</u>	<u>\$ 4,285,384</u>	<u>\$ 241,017</u>
Reconciliation of Change in Net Position to the Statement of Activities:				
Change in Net Position - Enterprise Funds	\$ 841,699			
Amounts reported for the business-type activities in the Statement of Activities are different because a portion of the net loss of the internal services fund is included with business-type activities.	<u>(6,383)</u>			
Change in Net Position of Business-Type Activities	<u>\$ 835,316</u>			

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

EAST LAMPETER TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
Cash Flows From Operating Activities:				
Received from users	\$ 4,127,070	\$ -	\$ 4,127,070	\$ 878,645
Received from other operating revenue	92,332	16,660	108,992	-
Payments to employees for services	(326,585)	(35,120)	(361,705)	-
Payments for employee benefits	(155,131)	(15,671)	(170,802)	(641,119)
Payments for sewerage collection and treatment	(1,492,650)	-	(1,492,650)	-
Payments for purchased goods and services	(378,042)	(108,490)	(486,532)	-
Payments for other operating expenses	(30,659)	-	(30,659)	(332,604)
Net cash provided by (used in) operating activities	<u>1,836,335</u>	<u>(142,621)</u>	<u>1,693,714</u>	<u>(95,078)</u>
Cash Flows From Non-Capital Financing Activities:				
State sources	21,080	-	21,080	-
Transfers from governmental funds	-	142,621	142,621	-
Transfers out	(241,252)	-	(241,252)	-
Net cash provided by (used in) non-capital financing activities	<u>(220,172)</u>	<u>142,621</u>	<u>(77,551)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:				
Tapping fees received	113,950	-	113,950	-
Proceeds from sale of fixed assets	8,500	-	8,500	-
Debt service paid	(6,033,214)	-	(6,033,214)	-
Debt issued, net of fees	6,299,126	-	6,299,126	-
Net cash provided by capital and related financing activities	<u>388,362</u>	<u>-</u>	<u>388,362</u>	<u>-</u>
Cash Flows From Investing Activities:				
Earnings on investments	28,693	-	28,693	-
Deposits made to escrow agreements	(68,095)	-	(68,095)	-
Net cash used in investing activities	<u>(39,402)</u>	<u>-</u>	<u>(39,402)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,965,123	-	1,965,123	(95,078)
Cash and Cash Equivalents:				
Beginning of year	892,829	-	892,829	336,095
End of year	<u>\$ 2,857,952</u>	<u>\$ -</u>	<u>\$ 2,857,952</u>	<u>\$ 241,017</u>

(Continued)

EAST LAMPETER TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018
(Continued)

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (Loss)	\$ 786,831	\$ (142,621)	\$ 644,210	\$ (95,078)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Construction paid from restricted assets	848,976	-	848,976	-
Decrease in due from other funds	200,528	-	200,528	-
Total adjustments	1,049,504	-	1,049,504	-
Net cash provided by (used in) operating activities	\$ 1,836,335	\$ (142,621)	\$ 1,693,714	\$ (95,078)
Supplemental Disclosure of Non-Cash Financing and Investing Activities:				
Interest income in escrow accounts	\$ 606	\$ -	\$ 606	\$ -
Construction costs paid from restricted assets	\$ 848,976	\$ -	\$ 848,976	\$ -
				(Concluded)

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

EAST LAMPETER TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2018

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 1,002,094	\$ 1,302,301
Investments	23,551,083	-
Total Assets	<u>24,553,177</u>	<u>1,302,301</u>
Liabilities		
Due to General Fund	\$ 77,196	\$ -
Total Liabilities	<u>77,196</u>	<u>-</u>
Net Position		
Restricted for pension benefits and OPEB benefits	\$ 24,475,981	\$ 1,302,301
Total Net Position	<u>\$ 24,475,981</u>	<u>\$ 1,302,301</u>

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

EAST LAMPETER TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

Additions:

Contributions:

State pension aid	\$ 449,701
Employee	193,388
Township	184,990

Total contributions 828,079

Investment income:

Interest and investment income	1,465,778
Less investment expense	(174,244)

Net investment income 1,291,534

Total additions 2,119,613

Deductions:

Administrative expense	28,917
Retirement benefits paid	857,800

Total deductions 886,717

Change in Net Position

1,232,896

Net Position:

Beginning of year 23,243,085

End of year \$ 24,475,981

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

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

As discussed further under Measurement Focus and Basis of Accounting, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity

East Lampeter Township (Township) is located in Lancaster County, Pennsylvania. The Township Board of Supervisors consists of five members elected by the public. The Township provides the following services to its citizens: public safety, public works, cultural, recreation, and community development.

Management has applied the criteria set forth by GASB pronouncements in determining potential component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for the organization if the Township appoints a voting majority of the organization's governing body and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes.

East Lampeter Sewer Authority's (Authority) governing board is appointed by the Township's governing board. The Authority acquires, constructs, and improves the sewer collection system as requested by the Township. The Authority serves as a financing authority for the Township. The Township guarantees debt of the Authority. Since there is a potential for the Authority to impose a specific financial burden on the Township and the Township has the ability to significantly influence operations, it is considered to be a blended component unit for financial reporting purposes.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

GASB pronouncements require blending a component unit into a primary government when a component unit's governing body is substantially the same as the governing body of the primary government, a component unit provides services entirely, or almost entirely, to the primary government, or a component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The Authority is presented as a blended component unit within the proprietary funds since the Authority provides services entirely or almost entirely to the Township and the Authority's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the Township. For financial statement presentation, the lease rental between the Township and the Authority has been eliminated.

The Authority has prepared and issued separate audited financial statements. The financial statements for the Authority can be obtained at the Authority office or on the Township's website under the Finance Department option.

East Lampeter Industrial and Commercial Development Authority's (ICA) governing board is appointed by the Township's governing board. The ICA applies for and implements economic development financing programs authorized by the Commonwealth of Pennsylvania. Even though the Township has the ability to significantly influence operations, the ICA does not perform services entirely, or almost entirely, to the Township. In addition, the ICA does not impose a specific financial burden on the Township. Therefore, the ICA is to be presented discretely in the Township's financial statements. For the year ending December 31, 2018, there was very minimal activity by ICA. Thus, the ICA has been excluded entirely from these financial statements.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the reporting limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, net position or fund balance, revenues, and expenditures or expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total of all funds of that category or type, and
- Total assets, liabilities, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specific purposes other than debt service or capital projects of the Township. The reporting entity includes the following special revenue funds:

- Highway Aid - The Highway Aid Fund has been provided to record the state liquid fuels and highway aid resources, which are used to provide maintenance and resurfacing to the streets and highways of the Township.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

- Police Forfeiture Fund - The Police Forfeiture Fund has been provided to record the proceeds of asset forfeitures received from the U.S. Drug Enforcement Agency. These monies are used to fund special projects of the Township's Police Department.
- Street Light Fund - The Street Light Fund has been provided to record the assessment made and expenses incurred for providing street lighting to the Township.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. The Capital Reserve Fund has been established to provide monies for future capital project improvements or replacements. The Fire Apparatus Fund has been established to provide monies for future purchases of Township fire company vehicles. The Parkland Capital Reserve and Acquisition Fund has been established to provide monies for Township Park development and improvement.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on general long-term debt.

Of the eight individual governmental funds disclosed above, three of these funds are considered to be major funds. They include the General Fund, the Highway Aid Fund, and the Capital Reserve Fund.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges. The Township uses an enterprise fund to account for its Sewer Fund and its Stormwater Fund, which are both major funds.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Internal Service Fund

The Internal Service Fund is used to provide benefits for Township employees on a cost-reimbursement basis. The Township uses an internal service fund to account for its Insurance Fund.

Fiduciary Funds

Trust Funds

Trust funds are used to report assets held in a trustee capacity for others and, therefore, are not available to support Township programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The Township uses the trust funds to account for its Police Pension Fund and Non-Uniformed Pension Fund. These funds have been established for the purpose of providing retirement funds for the benefit of the qualified police officers and non-uniformed employees of the Township.

Agency Fund

Agency funds are used to account for cash held in an account designated for employee other post-employment benefits.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

measurement focus, within the limitations of the modified cash basis of accounting, as defined in basis of accounting below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds and pension trust funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in the net position, net financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported within the limitations of the modified cash basis of accounting.
- c. Agency funds are custodial in nature and do not involve measurement of operations.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. The basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include inter-fund receivables and payables and escrow deposit liabilities.

This modified cash basis of accounting differs from GAAP primarily because certain assets not yet received and certain liabilities not yet paid are not recorded in these financial statements. In addition, the measurement of reported assets and liabilities does not involve adjustment to fair value.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Accounting Estimates

The preparation of financial statements in conformity with professional standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Position

Cash and Cash Equivalents

Cash and cash equivalents include all deposits and investments with original maturities of three months or less, except for those monies which are held by an escrow agent in accordance with escrow agreements. For cash flow reporting purposes, all monies held by an escrow agent have been presented as restricted assets - escrow agreements and not as cash equivalents.

Investments

The investments with the Pennsylvania Local Government Investment Trust (PLGIT) are valued at amortized cost. Investments in the financial statements consisting of corporate bonds, U.S. Government agency obligations, stocks, mutual funds, and alternative investments held for pension benefits are recorded in fiduciary funds. These investments are reported at cost.

Capital Assets

The Township's modified cash basis of accounting reports capital outlays resulting from cash transactions as expended at the time payment is made and does not capitalize the cost of capital assets. Accordingly, no depreciation has been reflected in the financial statements.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Long-Term Debt

Long-term debt arising from cash basis transactions is not reported as a liability in the financial statements. In governmental funds, the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. In proprietary funds, the debt proceeds and payment of principal and interest are reported as nonoperating revenues and nonoperating expenses, respectively.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Net Position

In 2011, the Township adopted a Minimum Fund Balance Policy. The General Fund shall maintain a minimum unassigned balance equal to 20% of the annual General Fund expenditures. On January 3, 2017, the unassigned balance was amended to 18% of the annual General Fund expenditures. At December 31, 2018, the unassigned balance was 31.4% of the General Fund expenditures.

Net Position Classifications

Government-Wide Statements

Net Position is classified and reported in two components:

Restricted - Consists of restricted assets reduced by liabilities related to those assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - Net amounts of assets and liabilities that do not meet the definition of "restricted."

It is the Township's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Fund Financial Statements

Governmental Fund Statements

The difference between assets and liabilities of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint.

Governmental fund equity is classified as fund balance as follows:

Non-spendable - Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Township Supervisors. The Township Supervisors are the highest level of decision making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Township Supervisors.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the Township's adopted policy, the Township Supervisors may assign amounts for specific purposes.

Unassigned - All other spendable amounts.

It is the Township's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. It is also Township policy to use committed fund balance before assigned fund balance and assigned fund balance before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Proprietary and Fiduciary Funds

The difference between assets and liabilities of proprietary and fiduciary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program revenues in each activity:

<i>General Government -</i>	Licenses and permits, rent and royalties and refund of prior year expenditures.
<i>Police -</i>	Fines and forfeitures, charges for shared services, Drug Enforcement Agency monies, drug task force, and public safety.
<i>Fire and Ambulance -</i>	Foreign fire insurance.
<i>Inspection, Planning, and Zoning -</i>	Fees/charges for building permits and zoning/subdivision plans.
<i>Public Works – Highways and Streets -</i>	Snow reimbursement, motor vehicle fuel tax, special assessments, and grants.
<i>Culture and Recreation -</i>	Recreation fees, specific donations, and grants.
<i>Debt Service -</i>	Fire Company debt payments.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Operating Revenue and Expenses

Operating revenue and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Interfund Balances and Transfers

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. Interfund balances which remain on the government-wide Statement of Net Position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

The flow of assets from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as "Transfers - Internal Activity." Exchange transactions between funds are reported as revenues and as expenditures/expenses in the fund statements.

Risk Management

The Township and Authority are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. With the exception of the employee group insurance discussed in Note 7, significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2018. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Pending Pronouncements

In January of 2017, the GASB issued Statement No. 84, "Fiduciary Activities." This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the Township's December 31, 2019 financial statements.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

In June of 2017, the GASB issued Statement No. 87, "*Leases.*" This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2020 financial statements.

In March of 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*" This Statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of GASB Statement No. 88 are effective for the Township's December 31, 2019 financial statements.

The effect of implementation of these Statements has not yet been determined.

2. Deposits and Investments

In accordance with the Pennsylvania Second Class Township Code (State Code), the Township is authorized to designate one or more banks or bank and trust companies as a depository or depositories for its funds. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. If these funds are fully insured by the FDIC, the Township shall not require any additional bond, insurance, or security to cover the amounts of deposits so insured. If these funds are not fully insured by the FDIC, the funds shall be continuously secured by a pledge of direct obligations of the United States of America or of the Commonwealth of Pennsylvania (Commonwealth), having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit.

Fiduciary funds are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Deposits and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 5,911,982
Restricted cash and cash equivalents	5,910,337
Fiduciary funds:	
Cash and cash equivalents	2,304,395
Investments	<u>23,551,083</u>
Total deposits and investments	<u>\$ 37,677,797</u>

Deposits and investments as of December 31, 2018 consist of the following:

Cash on hand	\$ 850
Deposits with financial institutions	8,221,894
PLGIT	5,631,511
Benecon Investment pool	241,017
Investments:	
Money market funds	31,442
Morgan Stanley:	
Corporate bonds	6,489,985
U.S. Government agency obligations	294,675
Stocks	12,752,427
Mutual funds - equity	1,083,910
Alternative investments	<u>2,930,086</u>
Total deposits and investments	<u>\$ 37,677,797</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment.

The State Code requires the Township to invest funds consistent with “sound business practice”: investments are made with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Township has no investment policy that would further limit its investment choices.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Following are the credit ratings as of the year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating</u>
Money market funds	\$ 31,442	AAAm
Corporate bonds	290,093	A+
Corporate bonds	140,643	A
Corporate bonds	420,643	A-
Corporate bonds	1,606,749	BBB+
Corporate bonds	2,473,000	BBB
Corporate bonds	1,558,857	BBB-
U.S. government agency obligations	294,675	AA+

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits from an outside party. For investments, it is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Township has no investment policy that would further limit the exposure to custodial credit risk for deposits or investments than that required by State Code. At December 31, 2018, the Township's book balance, excluding the Benecon Investment Pool, was \$13,854,257, and the bank balance was \$13,878,571. Of the bank balance, \$1,502,095 was covered by the federal depository insurance and \$6,744,965 was collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

The remaining \$5,631,511 was invested in PLGIT, which separately issues audited financial statements that are available to the public. The Township uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for Township funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. Further information regarding PLGIT and its investment strategies can be found at www.plgit.com. The Township has \$619,154 invested in PLGIT-Class shares, which require no minimum balance, no minimum initial investments, and have a one-day

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

minimum investment period. The Township has \$4 invested in PLGIT/Plus-Class shares, which require a minimum investment of \$50,000, a minimum investment period of thirty days, and has a premature withdrawal penalty. The Township has \$3,121,496 invested in PLGIT/Prime shares which requires no minimum balance and no minimum initial investment, but redemptions or exchanges are limited to two per calendar month. The Township has \$1,890,857 invested in PLGIT/TERM shares which requires a minimum initial investment of \$100,000, a minimum investment period of 60 days, and has a premature withdrawal penalty. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool. At December 31, 2018, PLGIT carries an AAA rating and has an average maturity of less than one year.

Investments with Morgan Stanley include securities uninsured and unregistered and held by the counterparty, or held by the counterparty's trust department or by its agent but not held in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2018, the Township has the following investments subject to interest rate risk:

Investment Type	Cost	Investment Maturity			
		2019	2020-2024	2025-2029	2030-2034
Corporate bonds	\$ 6,489,985	\$ 590,335	\$ 3,768,574	\$ 1,990,798	\$ 140,278
Money market funds	31,442	31,442	-	-	-
U.S. Government agency obligations	294,675	-	144,119	150,556	-
Total	\$ 6,816,102	\$ 621,777	\$ 3,912,693	\$ 2,141,354	\$ 140,278

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Township does not have a formal investment policy

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

regarding concentration of credit risk but utilizes “sound business practice” in choosing investments mandated by the State Code.

3. Restricted Assets - Escrow Agreements

The Authority has entered into various agreements with the City of Lancaster (City) and other neighboring municipalities. As a participant in the agreements, the Authority is required to deposit its cost allocation for the City’s capital projects. The monies are deposited in escrow accounts maintained by the City. These funds are held by an escrow agent on behalf of the City. Funds may only be withdrawn upon authorization of all participants in the escrow agreement. The balance of escrow deposits as of December 31, 2018 is \$1,265,878.

4. Interfund Balances and Transfers

Interfund balances are as follows:

Due to the General Fund:		
From non-major funds	\$	7,640
Due to General Fund:		
From the Capital Reserve Fund		5,100
Due to General Fund:		
From the Sewer Fund		81,943
Due to General Fund:		
From the Stormwater Fund		142,622
Due to General Fund:		
From the Pension Funds		77,196
Due to non-major funds:		
From the General Fund		6,517
Due to Sewer Fund:		
From the General Fund		386,119
	\$	<u>707,137</u>

The amounts due to the General Fund from Non-Major Funds, the Capital Reserve Fund, the Sewer Fund, the Stormwater Fund and the Pension Funds represent reimbursements due for expenditures paid on behalf of those funds. The amount due to the Sewer Fund from the

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

General Fund represents escrow funds held by the General Fund in addition to reimbursements due for expenses paid on behalf of the Sewer Fund.

For the purpose of the Township's fund financial statements, the interfund balances are not eliminated.

Interfund transfers were as follows:

Transfers to the General Fund:	
From the Sewer Fund	\$ 241,252
Transfers to the General Fund:	
From non-major funds	\$ 1,703
Transfers from the General Fund:	
To non-major funds	<u>(660,000)</u>
	<u>\$ (417,045)</u>

The transfers into the General Fund from the Sewer Fund and the non-major funds were for the allocation of administrative expenses. The transfer of \$660,000 from the General Fund to a non-major fund was for funding future capital expenditures.

5. Notes Receivable

The Debt Service Fund holds a note receivable of \$78,000 from the Witmer Fire Company. Interest payments are receivable semi-annually at a variable rate through November 2022. At December 31, 2018, interest is receivable at a rate of 2.85% per annum. Principal is due and payable annually through November 2022.

The Debt Service Fund holds a note receivable of \$1,010,000 from the Lafayette Fire Company. Interest payments are receivable monthly at a variable rate through February 2030. At December 31, 2018, interest is receivable at a rate of 1.70% plus a 1.25% fee per annum. Principal is due and payable annually beginning February 2013 and continues through February 2030.

The balance of these receivables is not presented as an asset on the financial statements under the modified cash basis of accounting.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

6. Property Taxes

Based upon assessed valuations provided by the County, the Township bills and collects property taxes. The schedule of property taxes levied for 2018 is as follows:

Tax levy date	March 1, 2018
2% discount period	March 1 - April 30, 2018
Face payment period	May 1 - June 30, 2018
10% penalty period	July 1 - December 31, 2018
Lien filing date	January 1, 2019

The tax rate for all purposes in 2018 was 1.75 mills (\$1.75 per \$1,000 assessed valuation).

7. Employee Group Insurance

The Township entered into an inter-governmental cooperation agreement with other municipalities, in order to provide life, health, hospitalization, medical, surgical, or accidental insurance for Township employees and their dependents. Under this agreement, the Township is entering into a partially self-funded arrangement with a local insurance carrier. This arrangement requires monthly deposits be placed in an account from which the insurance carrier can draw for claims made. Specific individual losses for claims are limited to \$45,000 per incident per fiscal year. In total, the Township's liability is limited for each fiscal year to the amount that the Township is required to deposit based on individual rates established at the beginning of the year. Depending on the claims incurred by other participating municipalities, the Township may be responsible for a portion of excess claims incurred by the other participants (but not to exceed the Township's overall limited liability). As of December 31, 2018, funds totaling \$241,017 remain in the account and are restricted in nature. Activity related to this agreement is reported in the Insurance Fund, an Internal Service Fund.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

8. Pension Trust Funds

The Township has adopted two separate single-employer defined benefit pension plans. Separate reports have not been issued for these plans. Combining statements for the pension trust funds are as follows:

Combining Statement of Fiduciary Net Position - Modified Cash Basis
December 31, 2018

	Police Pension	Non-Uniformed Pension	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 843,471	\$ 158,623	\$ 1,002,094
Investments	19,946,071	3,605,012	23,551,083
Total assets	<u>20,789,542</u>	<u>3,763,635</u>	<u>24,553,177</u>
LIABILITIES			
Due to General Fund	<u>\$ 54,965</u>	<u>\$ 22,231</u>	<u>\$ 77,196</u>
Total liabilities	<u><u>\$ 54,965</u></u>	<u><u>\$ 22,231</u></u>	<u><u>\$ 77,196</u></u>

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Combining Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Year Ended December 31, 2018

	Police Pension	Non-Uniformed Pension	Total
Additions:			
Contributions:			
State pension aid	\$ 337,276	\$ 112,425	\$ 449,701
Employee	171,196	22,192	193,388
Township	184,990	-	184,990
Total contributions	<u>693,462</u>	<u>134,617</u>	<u>828,079</u>
Investment income:			
Interest and investment income	1,241,178	224,600	1,465,778
Less investment expense	<u>(147,282)</u>	<u>(26,962)</u>	<u>(174,244)</u>
Net investment income	<u>1,093,896</u>	<u>197,638</u>	<u>1,291,534</u>
Total additions	<u>1,787,358</u>	<u>332,255</u>	<u>2,119,613</u>
Deductions:			
Administrative expense	14,865	14,052	28,917
Retirement benefits paid	<u>688,128</u>	<u>169,672</u>	<u>857,800</u>
Total deductions	<u>702,993</u>	<u>183,724</u>	<u>886,717</u>
Change in Net Position	1,084,365	148,531	1,232,896
Net Position:			
Beginning of year	<u>19,650,212</u>	<u>3,592,873</u>	<u>23,243,085</u>
End of Year	<u>\$ 20,734,577</u>	<u>\$ 3,741,404</u>	<u>\$ 24,475,981</u>

Investment Policy

The Non-Uniformed Pension Plan and Police Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors. The investment policy of the Plans is to maintain a relatively conservative investment policy so as to avoid large losses and still be able to benefit from the historically higher investment returns from the equity markets. The desired asset allocation is 60% equities, 30% fixed income, and 10% alternatives.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

The Plans are governed by the Board of Supervisors which is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to Morgan Stanley. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. A description of the plan participation and benefit provisions follow:

Non-Uniformed Pension Plan Description

All full-time employees except police officers shall participate in the non-uniformed plan if they have attained age 20 ½, have performed six months of continuous service and are employed on December 31st of the first year of their employment.

Eligibility Requirements

Normal Retirement - first day of the month after member turns age 65 and completes five years of plan membership.

Early Retirement - terminates within ten years of member's normal retirement date.

Vesting - 20% after three years of service, plus 20% per year thereafter, 100% after seven years of service.

Retirement Benefit

1.9% of average compensation (1.5% if hired on or after January 1, 2014) multiplied by accrued service, but no greater than 60% of average compensation. Average compensation is the average of total pay received for the five consecutive years out of the ten latest years which give the highest average.

Survivor Benefit

If death occurs after a participant becomes partially vested, the amount paid to the surviving spouse or eligible child equals the amount that would have been paid had the participant terminated employment on the date of death, survived to his/her earliest retirement age, and retired with a qualified joint and 50% survivor annuity in effect.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Other Benefit

Single sum death benefit is paid if the death of a participant occurs prior to eligibility for the joint and 50% survivor death benefit. A single sum death benefit equal to the participants transfer value from the prior plan, increased with interest will be payable.

Police Pension Plan Description

All police officers shall participate in the police pension plan if they are employed for not less than 40 hours per week at a definite salary.

Eligibility Requirements

Normal Retirement - first day of the month after member turns age 50 and completes 25 years of service (for employees hired prior to January 1, 1994 - attainment of age 50 with 20 years of service).

Vesting - 100% after twelve years of service.

Retirement Benefit

The Normal Retirement Benefit is calculated as 50% of average compensation. Officers hired after January 1, 1994 and before January 1, 2009 will receive an additional service increment of \$20 per month for each completed year of benefit service in excess of 25 years, up to a maximum service increment of \$100 per month. For officers hired prior to January 1, 1994, the service increment is \$100 per month if more than 21 years of benefits service are completed. Average compensation is the monthly average of earnings paid by the Township, excluding unused sick and vacation pay paid at termination, over the final 36 months of employment.

Survivor Benefit

If death occurs out of or in the course of employment, the monthly payment will be made to an eligible spouse or dependent child. The monthly payment shall be 100% of the participant's salary at the time of death payable from the Commonwealth general fund and not from the pension plan. If death does not arise out of, or in the course of employment, the monthly payment to an eligible spouse or child will be 50% of the benefit the member was receiving at the time of death, or would have been receiving had he/she been terminated at the time of death and survived to normal retirement date.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Disability Benefit

Service-Related - 50% of monthly salary on the date of total and permanent disability offset by Social Security benefits payable on account of the same illness or injury.

Post-Retirement Adjustments

Members are eligible for an annual cost of living adjustment effective January 1st each year after retirement based on the Consumer Price Index. A 3% yearly maximum increase with a 30% overall maximum increase will be provided to retirement participants or beneficiaries receiving benefits. The total pension benefit payable may not exceed 75% of the average salary used to determine the initial benefit amount.

Plan Membership

Pension plan membership as indicated within the January 1, 2017 actuarial valuation consisted of the following:

	Police Pension	Non-uniformed Pension
Active employees	35	22
Inactive employees or beneficiaries currently receiving benefits	17	14
Inactive employees entitled to but not yet receiving benefits	1	7
	<u>53</u>	<u>43</u>

Summary of Significant Accounting Policies

Basis of Accounting

The Township's policy is to prepare its pension financial statements using the modified cash basis of accounting. Consequently, certain investment income, contributions, and related assets are recognized when received rather than when earned, and certain benefit payments and other expenses are recognized when paid rather than when the obligation is incurred. The practice differs from GAAP, which requires the accrual basis of accounting.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Valuation of Investments

Investments are valued at cost.

Contributions and Funding Requirements

Act 205 (as amended) requires that annual contributions to the non-uniformed and police pension plan be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

At December 31, 2018, members of the non-uniformed and police pension plans are required to contribute 1% and 5% of compensation, respectively. The Township is required to contribute at an actuarially determined rate of annual covered payroll for the non-uniformed plan and for the police plan. The contribution requirements of plan members and the Township are established and may be amended by the Board of Supervisors as required based on actuarial computations.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to plans and funded through the MMO and/or plan earnings.

Schedule of Employer Contributions (including State Aid)

Calendar Year	Police Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 601,030	\$ 601,030	100%
2017	613,891	613,891	100%
2018	522,266	522,266	100%

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Calendar Year	Non-uniformed Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 103,367	\$ 104,992	102%
2017	102,890	105,530	103%
2018	72,984	112,425	154%

The annual required contributions listed above do not include amounts due from member contributions.

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
Police Pension Plan:						
1/1/2017	\$ 20,657,269	\$ 20,677,748	\$ 20,479	99.9%	\$ 3,182,344	0.6%
Non-Uniformed Pension Plan:						
1/1/2017	\$ 3,779,406	\$ 3,440,717	\$ (338,689)	109.8%	\$ 1,245,144	-27.2%

The actuarial accrued liability is determined based on assumptions in the most recent actuarial valuation dated January 1, 2017. Methods and assumptions used to determine actuarial accrued liability and contribution rates under Act 205 are as follows:

	Police Pension Plan	Non-Uniformed Pension Plan
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	5.5%	4.0%

Mortality rates were based on the RP2000 Table for males and females for both plans. 25% of active member deaths for the police pension plan are assumed to be in the line of duty.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

9. Deferred Compensation Plan

The Township maintains a deferred compensation plan that is available to all full-time employees. The contribution levels are determined by the employees. Funds are invested by ICMA Retirement Corporation as directed by each employee. Funds are due to the employee upon retirement or termination of employment. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries.

The Township does not maintain a fiduciary responsibility in the maintenance of these assets.

10. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2018:

	Balance January 1, 2018	Issues or Additions	Principal Payments or Deletions	Balance December 31, 2018	Interest Paid
<u>Governmental Activities</u>					
General obligation notes and bonds	\$ 5,745,000	\$ 2,450,000	\$ 952,000	\$ 7,243,000	\$ 141,706
Lease purchase agreements	207,213	-	50,032	157,181	4,816
Total Governmental Activities	<u>\$ 5,952,213</u>	<u>\$ 2,450,000</u>	<u>\$ 1,002,032</u>	<u>\$ 7,400,181</u>	<u>\$ 146,522</u>
<u>Business-Type Activities</u>					
Guaranteed sewer revenue:					
Note and bonds	\$ 11,366,016	\$ 6,350,484	\$ 5,649,500	\$ 12,067,000	\$ 349,698
Lease purchase agreements	126,290	-	30,164	96,126	3,852
Total Business-Type Activities	<u>\$ 11,492,306</u>	<u>\$ 6,350,484</u>	<u>\$ 5,679,664</u>	<u>\$ 12,163,126</u>	<u>\$ 353,550</u>

Governmental Activities obligations are generally liquidated by the General Fund when due, except for the obligations on the lease purchase agreement. Those obligations are satisfied

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

by the Highway Aid Fund. Interest is reported as a direct expense on the Statement of Activities.

General Obligation Notes and Bonds

The Township is liable for a General Obligation Note dated September 26, 2002 in the amount of \$275,000. The note owing to the Fulton Bank was obtained to assist Witmer Fire Company in the purchase of firefighting equipment. Annual installments of principal and semi-annual installments of interest are payable through November 2022. Interest accrues at 3.70% per annum for the first 61 months and 60% of Fulton Bank's prime rate (not to exceed 12%) for the remainder of the term of the note. As of December 31, 2018, the outstanding balance is \$78,000 and the interest rate is 2.85%. This note is being liquidated through payments made from the Witmer Fire Company (Note 5).

On November 15, 2016, the Township issued \$3,870,000 General Obligation Note, Series of 2016A (Series 2016A). The proceeds of Series of 2016A were used to currently refund the 2011 General Obligation Bonds and to pay the cost of issuance associated with issuing the note. The interest rate is 2.42%. Interest payments are due semiannually on May 15 and November 15. Principal payments occur annually on November 15, 2017 through 2028. As of December 31, 2018, the outstanding balance is \$3,320,000. This note is being liquidated by the General Fund.

The Township is a participant in PLGIT's Bond Pool Program. Issued through the Emmaus General Authority, the Township is liable for the following variable rate obligations:

The Township is liable for a General Obligation Note dated July 1, 1999 in the principal amount of \$3,540,000. Principal maturities occur on February 1, 2000 through 2019. Interest rates vary weekly and interest is payable beginning July 1999. Interest payments continue monthly thereafter to February 1, 2019. As of December 31, 2018, the outstanding balance is \$260,000 and the interest rate is 1.75% plus a 1.25% fee. This note is being liquidated by the General Fund.

The Township is liable for a General Obligation Note dated October 1, 1999 in the principal amount of \$1,210,000. Principal maturities occur on February 1, 2000 through 2019. Interest rates vary weekly and interest is payable beginning October 1999. Interest payments continue monthly thereafter to February 1, 2019. As of December 31, 2018, the outstanding balance is \$85,000 and the interest rate is 1.75% plus a 1.25% fee. This note is being liquidated by the General Fund.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

These monies were obtained for planning, designing, construction and furnishing offices, public works facilities, park facilities and other capital projects as enumerated in the loan agreements.

The Township is liable for a General Obligation Note dated December 13, 2012 in the principal amount of \$1,710,000. The note was issued to refund the General Obligation Note dated June 24, 2011 and provide additional monies to finance the construction of a fire station for Lafayette Fire Company. Principal maturities occur annually on March 1, 2013 thru 2030. Interest rates vary weekly and interest is payable beginning January 2013. Interest payments continue monthly thereafter to March 1, 2030. As of December 31, 2018, the outstanding balance is \$1,010,000 and the interest rate is 1.7% plus a 1.25% fee. This note is being liquidated through payments made from the Lafayette Fire Company (Note 5).

On November 15, 2016, the Township issued \$2,500,000 in General Obligation Note, Series of 2016B. The interest rate for the first five years is 2.665%. The interest rate for the next five years is a variable rate equal to 2.6% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 3.665%. The interest rate for the remaining years is a variable rate equal to 2.6% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.415%. The drawdown note was issued to fund various capital projects. During the year ended December 31, 2018, the remaining amount of \$2,450,000 available was drawn down on this note. Interest is payable beginning May 15, 2017. Interest payments continue November 15 and May 15 of each year thereafter to November 15, 2030. Principal maturities occur annually on November 15, 2017 through 2030. As of December 31, 2018, the outstanding balance is \$2,490,000. This note is being liquidated by the General Fund.

During 2019, this Note was refinanced. See Subsequent Events.

Guaranteed Sewer Revenue Note, Series of 2010

On October 26, 2010, the Authority obtained a Line of Credit from PNC Bank with a maximum aggregate principal amount of \$6,000,000. It is secured by the Fifth Supplemental Agreement of Lease dated October 26, 2010. The Township guarantees the payment of principal and interest of the note by making lease rental payments to the Authority. These payments are equivalent of the debt service requirements of the note. Principal maturities occur on October 1, 2011 through 2023. Interest rates vary monthly and are payable semi-annually beginning April 1, 2011. Interest payments are subject to a maximum interest rate of 8.00% and may continue through October 1, 2023. The debt was incurred to provide additional monies for capital additions.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

During 2018, this Note was refinanced. See Guaranteed Sewer Revenue Bonds, Series of 2018.

Guaranteed Sewer Revenue Bonds, Series of 2014

On August 13, 2014, the Authority issued Guaranteed Sewer Revenue Bonds, Series of 2014 in the amount of \$8,910,000, secured by the Sixth Supplemental Trust Indenture dated August 13, 2014. The Township guarantees the payment of principal and interest of the Bonds by making lease rental payments to the Authority. These payments are equivalent of the debt service requirement of the Bond. This bond issuance consists of current interest bonds in the amount of \$8,910,000. Principal maturities occur on October 1, 2014 through 2027. Interest rates vary from 2.00% to 4.00% depending on the date of maturity. As of December 31, 2018, the outstanding balance is \$5,315,000. This bond issue was used to refinance Guaranteed Sewer Revenue Bonds, Series of 2009 and provide additional monies for capital additions.

During 2019, this Bond was refinanced. See Subsequent Events.

Guaranteed Sewer Revenue Note, Series of 2016

On July 14, 2016, the Authority issued a \$2,500,000 Guaranteed Sewer Revenue Note, Series of 2016. The interest rate for the period July 14, 2016 through July 1, 2021 is 2.4505%. The interest rate for the next five years is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 3.4505%. The interest rate for the next five years is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.2005%. The interest rate for the period July 2, 2031 through October 1, 2031 is a variable rate equal to 2.13% over the 5-year Pittsburgh Federal Home Loan Bank index multiplied by 65%, not to exceed 4.7005%. The drawdown note was issued to fund capital additions and extraordinary repairs to the Authority's sewer system. As of December 31, 2016, \$656,948 was drawn down on this note. An additional \$44,568 was drawn down on this note during the year ended December 31, 2017. The remaining \$1,798,484 was drawn down on this note during the year ended December 31, 2018. Interest is payable beginning October 1, 2016. Interest payments continue April 1 and October 1 of each year thereafter to October 1, 2031. Principal maturities occur on October 1, 2017 through 2031. As of December 31, 2018, the outstanding balance is \$2,200,000.

During 2019, this Note was refinanced. See Subsequent Events.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Guaranteed Sewer Revenue Note, Series of 2018

On November 14, 2018, the Authority issued a \$4,552,000 Guaranteed Sewer Revenue Note, Series of 2018, secured by the Eighth Supplemental Agreement of Lease dated November 14, 2018. The Township guarantees the payment of the principal and interest of the Bonds by making lease rental payments to the Authority. These payments are equivalent of the debt service requirements of the Bond. Principal maturities occur on October 1, 2019 through 2023. The interest rate for the term of the Note is 2.600%. The debt was incurred to refinance the Guaranteed Sewer Revenue Note, Series of 2010, because that Note provided for a variable rate of interest during the term of the Note. This borrowing did not provide any additional monies to the Authority. As of December 31, 2018, the outstanding balance is \$4,552,000.

During 2019, this Note was refinanced. See Subsequent Events.

Lease Purchase Agreements

On June 21, 2016, the Township signed a lease purchase agreement with Manufacturers and Traders Trust Company for the purchase of a 2016 Street Sweeper. Annual payments of \$54,848 begin January 7, 2017 and continue through 2021. Payments include interest which accrues at a rate of 2.3% per annum for a period of five years. As of December 31, 2018, the outstanding balance is \$157,181. This lease is being liquidated by the Highway Aid Fund.

On March 3, 2017, the Township signed a lease purchase agreement with PNC Equipment Finance, LLC, for the purchase of a sewer camera. Annual payments of \$34,016 begin March 3, 2017 and continue through 2021. Payments include interest which accrues at a rate of 3.05% per annum for a period of five years. As of December 31, 2018, the outstanding balance is \$96,126. This lease is being liquidated by the Sewer Fund.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Debt service requirements on long-term debt, based on interest rates in effect at December 31, are as follows:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 794,195	\$ 180,531	\$ 1,207,084	\$ 317,129	\$ 2,498,939
2020	656,384	168,868	1,321,032	298,221	2,444,505
2021	668,602	157,536	1,364,010	269,431	2,459,579
2022	621,000	155,173	1,353,000	247,052	2,376,225
2023	640,000	136,798	1,528,000	210,728	2,515,526
2024 - 2028	3,485,000	406,561	4,810,000	454,401	9,155,962
2029 - 2031	535,000	29,801	580,000	49,606	1,194,407
Total Payments	<u>\$ 7,400,181</u>	<u>\$ 1,235,268</u>	<u>\$ 12,163,126</u>	<u>\$ 1,846,568</u>	<u>\$ 22,645,143</u>

Compensated Absences

Township employees are entitled to accumulate sick days. After five years of employment, police officers are entitled to half of all accumulated sick days upon termination subject to a maximum of 720 hours. Other employees are entitled to half of all accumulated sick days in excess of 60 days. Comp time may be accumulated, but is not paid at termination. Vacation and personal time may not be accumulated. The compensated absences commitment at December 31, 2018 is \$529,516.

11. Lease Rentals

Inter-Municipal Waste Water Treatment Agreements

The Township has entered into inter-municipal waste water treatment agreements with the City and Lancaster Area Sewer Authority. Both agreements provide that the Township will pay quarterly sewage treatment charges based on their actual usage.

Due to controversy over the method of allocating sewage treatment costs, the Township has only paid a portion of the bills received from the City for the period 2013 through 2018. As of December 31, 2018, the Township held \$386,119 in an escrow account to satisfy the City's claims for underpayment. At December 31, 2018 the City claims \$386,119 was due.

During 2019 the dispute with the City of Lancaster was settled.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

In addition, the Township has a separate dispute with the Lancaster Area Sewer Authority regarding sewage treatment charges. See Subsequent Events.

Other Lease Agreements

On December 5, 2013, the Authority extended a lease for space for a radio relay facility. Monthly rent of \$500 is incurred for the period up to and including November 30, 2016. Thereafter, the Township is responsible for monthly installments of \$550 for 24 months, followed by another 72 months at \$600 per month. Annual lease rental payments payable during the next five years and thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 7,200
2020	7,200
2021	7,200
2022	7,200
2023	7,200
2024	6,600
	<u>\$ 42,600</u>

Lease rentals of \$6,650 were paid in 2018.

12. Post-Employment Healthcare Plans

Police Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (Police Retiree Health Plan). The plan provides hospitalization and health benefits to fully retired police officers and their spouses until the police officer is eligible for Medicare. Post retirement benefits will be for the medical insurance and prescription drug plans with coverage at the same levels provided to active officers. The police officer must notify the Township prior to retirement in order to be eligible. In the event that the retired officer is employed by an employer who provides medical insurance and the retired officer is eligible at any level of benefit, Township provided post-retirement benefits shall become secondary to the

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

employer benefit. The retired officer shall also be required to pay 50% of the Township's premium costs. Spouses are not covered if they have available health coverage through their employer. Spouses are covered in the plan for a maximum of 15 years. Officers hired after October 27, 2015 shall be entitled to officer only coverage for a period of five years from date of retirement.

Funding Policy

The contribution requirements are based on the level of coverage provided to active police officers. Currently, the Township is covering 100% of the cost of medical insurance and prescription drug plans to its active police officers. The required contribution is based on projected pay-as-you-go financing requirements.

Contributions

For the year ending December 31, 2018, the Township contributed \$23,228 to the plan.

Non-Uniformed Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (Non-Uniformed Retiree Health Plan). The plan provides hospitalization and health benefits to fully retired non-uniformed employees and their spouses until the employee is eligible for Medicare. Post-retirement benefits are provided for employees hired before January 1, 2007 and retired after January 1, 2001 with a monthly pension benefit, are at least 55 years of age, and have served the Township at least 20 years. Post-retirement benefits are provided for employees hired on or after January 1, 2007, retired with a monthly pension benefit, are at least 55 years of age, and have served the Township at least 25 years. Post-retirement benefits will be for the medical insurance and prescription drug plans with coverage at the same levels provided to active employees. The employee must notify the Township prior to retirement in order to be eligible. In the event that the retired employee is employed by an employer who provides medical insurance and the retired employee is eligible at any level of benefit, Township provided post-retirement benefits shall cease and the retired employee can not be reinstated. Spouses are not covered if they have available health coverage through their employer. Spouses are covered under the plan for a maximum of 10 years.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Funding Policy

The Contribution requirements are based on the level of coverage provided to active non-uniformed employees. In 2018, the Township is covering 100% of the cost of medical insurance and prescription drug plans to its active employees. The required contribution is based on projected pay-as-you-go financing requirements.

Contributions

For the year ending December 31, 2018, the Township contributed \$0 to the plan as there were no eligible non-uniformed retirees.

Alternative Measurement Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

As of December 31, 2018, the plan has 34 active full-time police officers, 26 active full-time non-uniformed employees, and one retired police officer who are entitled to receive benefits. Since the total number of members, including retired police officers, is less than 100 members, and the Township meets the requirements to use the alternative measurement method, it has elected to use the alternative measurement method in disclosing the basis of all significant assumptions or methods used, including general considerations, expected point at which benefits begin, mortality, and turnover.

The assumptions are as follows:

1. The probability of an employee remaining employed until retirement is based on data maintained by the U.S. Office of Personnel Management regarding the experience of the employee group covered by the federal employee retirement system.
2. Assumed age of retirement is the later of their current age or the earliest age an employee qualifies for retirement.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

3. All benefits are calculated by adjusting the 2018 Cobra premium for (a) the default factor of age-adjusted premiums (1.87 police and 1.48 non-uniform), (b) the effects of assumed healthcare cost inflation of 5.6%, and (c) the effects of marital status.
4. Discount rate – 2.98%.
5. 34 active full-time police officers and 26 active full-time non-uniformed employees as of December 31, 2018.
6. For non-uniformed employees, only spouses that are currently covered are assumed to be eligible for OPEB. For police officers, all spouses are assumed to be eligible for OPEB.

Funded Status and Schedule of Funding Progress:

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Retiree Health Plan:						
12/31/2018	\$ -	\$ 11,652,701	\$ 11,652,701	0.0%	\$ 3,243,242	359.3%
Non-Uniformed Retiree Health Plan:						
12/31/2018	\$ -	\$ 1,998,559	\$ 1,998,559	0.0%	\$ 995,303	200.8%

13. Commitments and Contingencies

Conestoga Valley Regional Open Space, Greenway, and Recreation Plan

The Township has entered into a grant agreement with the Commonwealth Department of Conservation and Natural Resources (DCNR). The proposed project incorporated elements of comprehensive recreation, park, open space planning, community greenway, and connectivity planning, as well as conceptual planning for specific park facilities in the region. The total cost of the project is \$102,950. This cost will be shared by the Lancaster County Planning Commission (\$4,000), Conestoga Valley School District (\$3,495), Upper Leacock Township (\$17,135), East Lampeter Township (\$28,320), and DCNR (\$50,000).

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Fire Apparatus Replacement

The Township has agreed to assist the four Township fire companies in the purchase of fire apparatus through 2025. On a rotating basis, the Township has agreed to reimburse the fire companies 60% of the cost of approved apparatus. During the year ended December 31, 2018, the Township expended \$356,910 under this obligation. There is no obligation for the year ended December 31, 2019.

Fees from Developers

Developers are required to remit various fees to the Township to obtain final plan approval. These fees may include fees in lieu of parkland, traffic study fees and similar charges. Some of these fees may be refundable if not expended within a certain period of time.

Letters of Credit

Developers and others are periodically required to issue an irrevocable letter of credit to secure the completion of public improvements in accordance with Township ordinances and regulations. These letters of credit are released upon completion of the improvements. A developer may deposit the amount of the required letter of credit into an interest-bearing escrow account maintained by the Township. These funds are refunded plus interest earned upon completion of the improvements.

Construction

During the year ended December 31, 2018, the Township entered into various construction contracts totaling \$270,530. The remaining commitment on these contracts at December 31, 2018 was \$214,478. Invoices for the remaining balances of these contracts were received and paid in full by the Township during 2019.

During the year ended December 31, 2017, the Township entered into reimbursement agreements with the Pennsylvania Department of Transportation. Under the agreements, the Township has committed to funding \$343,420 of the Route 30 Streetscape project. No amounts have been paid under the agreement as of December 31, 2018. Invoices for this project were received by the Township during 2019. See Subsequent Events.

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Litigation

A developer has challenged whether certain fees of \$289,000 contributed in lieu of parkland were properly used in accordance with the Township's Subdivision and Land Development Ordinance. During 2018, the outcome of this litigation was the Township properly used the funds and resulted in no amount being returned to the developer.

14. Subsequent Events

Inter-Municipal Waste Water Treatment Agreements

During 2019, The Authority and the City reached an agreement regarding the disputed liabilities for sewage treatment charges. The amount the parties agreed to as the liability was \$127,960. This amount has been paid.

In addition, during 2019 all of the parties to the inter-municipal sewage treatment and sewer plant construction contract agreement agreed to amendment of the agreement.

Lancaster Area Sewer Authority had a dispute with the City of Lancaster regarding the proper amount of sewage treatment costs the City may bill them. During 2019, the dispute was settled. Because the amount Lancaster Area Sewer Authority bills the Township is dependent on the costs Lancaster Area Sewer Authority is charged by the City, The Township received a bill for additional sewage treatment costs. The additional amount billed for 2003 through 2019 treatment costs was \$266,592. This amount remains unpaid.

Long-term Debt

On July 3, 2019, the Authority issued Guaranteed Sewer Revenue Bonds, Series of 2019, in the amount of \$5,075,000. The Bonds were issued in order to refinance the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2014, and pay the costs of issuing the Bonds. The Bonds are secured by the Ninth Supplemental Trust Indenture dated July 3, 2019. The Township guarantees the payment of the principal and interest on the Bonds by making lease rental payments to the Authority. Principal maturities occur annually on April 1, 2020 through 2027. Interest rates vary from 1.5% to 2.05% depending on date of maturity.

On December 3, 2019, the Authority issued Guaranteed Sewer Revenue Bonds, Series A and Series B of 2019 in the total amount of \$7,695,000. The Bonds were issued in order to refinance the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series 2016 and

EAST LAMPETER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Series 2018, pay the costs of issuing the Bonds and borrow additional money to fund various capital projects of the Authority. The Bonds are secured by the Tenth Supplemental Trust Indenture dated December 3, 2019. The Township guarantees the payment of the principal and interest on the Bonds by making lease rental payments to the Authority. Principal maturities occur annually on October 1, 2020 through 2031. Interest rates vary from 1.41% to 2.43% depending on date of maturity.

On December 3, 2019, the Township issued General Obligation Bonds, Series of 2019 and Series A of 2019 in the total amount of \$4,580,000. The Bonds were issued in order to refinance the Township's outstanding General Obligation Notes, Series B of 2016, and pay the costs of issuing the Bonds and borrow additional money to fund various capital projects of the Township. Principal maturities occur annually on November 15, 2020 through 2032. Interest rates vary from 1.41% to 2.49% depending on date of maturity.

Construction

In November 2019, the Township received invoices from the Pennsylvania Department of Transportation for the Route 30 Streetscape project identified in Note 13. The total of the invoices was \$386,560. Of the total, \$272,049 was required to be paid within 30 days. The remaining amount is required to be paid in 12 equal, monthly installments of \$9,543. The \$272,049 has been paid as well as 2 of the required 12 monthly installments.

In March 2019, the Township awarded two contractors a total of \$457,798 in order to perform a paving project.

Litigation

The Township currently has a dispute with a contractor regarding work performed on a roadway project. The contractor has billed the Township \$61,491. The Township does not believe it owes this amount. However, the Township has offered a reduced amount to settle the dispute. No resolution to this dispute has been reached.

OTHER INFORMATION

EAST LAMPETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 7,430,008	\$ 7,430,008	\$ 7,648,988	\$ 218,980
Licenses and permits	436,130	436,130	365,170	(70,960)
Fines and forfeits	121,500	121,500	130,300	8,800
Interests, rents, and royalties	21,345	21,345	59,394	38,049
Intergovernmental revenues	1,815,311	1,815,311	1,794,231	(21,080)
Charges for services	190,162	190,162	200,913	10,751
Miscellaneous revenues	3,420	3,420	72,631	69,211
Total revenues	<u>10,017,876</u>	<u>10,017,876</u>	<u>10,271,627</u>	<u>253,751</u>
Expenditures:				
Current:				
General government	947,513	947,513	978,179	(30,666)
Police	6,131,090	6,131,090	5,837,973	293,117
Fire and ambulance	480,309	480,309	464,265	16,044
Inspection, planning, zoning, and other public safety	347,748	347,748	324,983	22,765
Public works - highways and streets	782,155	782,155	775,227	6,928
Culture and recreation	362,829	362,829	330,657	32,172
Miscellaneous	543,994	543,994	567,294	(23,300)
Debt service	759,600	759,600	727,992	31,608
Total expenditures	<u>10,355,238</u>	<u>10,355,238</u>	<u>10,006,570</u>	<u>348,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(337,362)</u>	<u>(337,362)</u>	<u>265,057</u>	<u>602,419</u>
Other Financing Sources (Uses):				
Refunds of prior years expenditures	259,000	259,000	317,718	58,718
Transfers in (out)	(112,084)	(112,084)	(417,045)	(304,961)
Total other financing sources (uses)	<u>146,916</u>	<u>146,916</u>	<u>(99,327)</u>	<u>(246,243)</u>
Net Change in Fund Balance	<u>\$ (190,446)</u>	<u>\$ (190,446)</u>	<u>\$ 165,730</u>	<u>\$ 356,176</u>

See accompanying notes to other information - budgetary comparison schedules.

EAST LAMPETER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Interests, rents, and royalties	\$ 2,500	\$ 2,500	\$ 10,401	\$ 7,901
Intergovernmental revenues	547,745	547,745	556,909	9,164
Total revenues	550,245	550,245	567,310	17,065
Expenditures:				
Current:				
Public works - highways and streets	723,900	723,900	484,494	239,406
Debt service	54,848	54,848	54,848	-
Total expenditures	778,748	778,748	539,342	239,406
Net Change in Fund Balance	\$ (228,503)	\$ (228,503)	\$ 27,968	\$ 256,471

See accompanying notes to other information - budgetary comparison schedules.

EAST LAMPETER TOWNSHIP

NOTES TO OTHER INFORMATION - BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2018

1. Budgetary Accounting

The Township prepares its budget on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements.

2. Budget Matters

The Board of Supervisors annually adopts a budget for each fund.

3. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund:		
General Government	\$ 947,513	\$ 978,179
Miscellaneous	543,994	567,294
	<u>\$ 1,491,507</u>	<u>\$ 1,545,473</u>

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund.