

## **East Lampeter Township**

### Financial Statements

Year Ended December 31, 2020  
with Independent Auditor's Report

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

# EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2020

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# EAST LAMPETER TOWNSHIP

YEAR ENDED DECEMBER 31, 2020

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## **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, 2020, 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, 2020, 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.

### Change in Accounting Principal

As described in Note 1 to the financial statements, the Township adopted Governmental Accounting Standards Board Statement No. 84, *"Fiduciary Activities,"* which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. Our opinion is not modified with respect to this matter.

### 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, as listed in the table of contents, 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  
January 27, 2022

# EAST LAMPETER TOWNSHIP

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 7,577,757	\$ 3,276,497	\$ 10,854,254
Restricted cash and cash equivalents	10,574,366	2,728,410	13,302,776
Restricted assets - escrow agreements	-	1,332,335	1,332,335
Internal balances	(20,795)	9,046	(11,749)
<b>Total Assets</b>	<b>18,131,328</b>	<b>7,346,288</b>	<b>25,477,616</b>
<b>Liabilities</b>			
Other current liabilities	7,175,041	-	7,175,041
<b>Total Liabilities</b>	<b>7,175,041</b>	<b>-</b>	<b>7,175,041</b>
<b>Net Position</b>			
Restricted for:			
State highway aid	285,876	-	285,876
Industrial and commercial development	231,590	-	231,590
Legal restrictions to parkland projects	9,099	-	9,099
Legal restrictions to police forfeiture funds	470,658	-	470,658
Administrative expenses	-	35,143	35,143
Capital projects and debt service	3,390,226	4,029,343	7,419,569
Unrestricted	6,568,838	3,281,802	9,850,640
<b>Total Net Position</b>	<b>\$ 10,956,287</b>	<b>\$ 7,346,288</b>	<b>\$ 18,302,575</b>

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

**EAST LAMPETER TOWNSHIP**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2020**

Functions/Programs:	Direct Expenses	Indirect Revenue 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	\$ 1,117,968	\$ 1,418	\$ 1,119,386	\$ 333,418	\$ 82,912	\$ -	\$ (703,056)	\$ -	\$ (703,056)
Police	6,580,402	18,566	6,598,968	1,432,900	26,297	4,567	(5,135,204)	-	(5,135,204)
Fire and ambulance	474,242	-	474,242	3,250	129,774	-	(341,218)	-	(341,218)
Inspection, planning, and zoning	321,340	1,314	322,654	274,122	-	-	(48,532)	-	(48,532)
Public works - highways and streets	1,375,171	2,117	1,377,288	108,240	-	667,141	(601,907)	-	(601,907)
Culture and recreation	730,854	864	731,718	11,804	400	8,495	(711,019)	-	(711,019)
Miscellaneous	50,382	-	50,382	-	-	-	(50,382)	-	(50,382)
Debt service	776,580	-	776,580	-	39,061	-	(737,519)	-	(737,519)
Total governmental activities	11,426,939	24,279	11,451,218	2,163,734	278,444	680,203	(8,328,837)	-	(8,328,837)
Business-type activities:									
Sewer	4,456,265	2,135	4,458,400	4,114,832	-	710,200	-	366,632	366,632
Stormwater	210,158	267	210,425	761,154	-	-	-	550,729	550,729
Total business-type activities	4,666,423	2,402	4,668,825	4,875,986	-	710,200	-	917,361	917,361
Total government	<u>\$ 16,093,362</u>	<u>\$ 26,681</u>	<u>\$ 16,120,043</u>	<u>\$ 7,039,720</u>	<u>\$ 278,444</u>	<u>\$ 1,390,403</u>	<u>(8,328,837)</u>	<u>917,361</u>	<u>(7,411,476)</u>
				General revenues:					
				Taxes:					
				Property taxes, levied for general purposes, net			3,456,011	-	3,456,011
				Other taxes levied for general purposes, net			3,556,478	-	3,556,478
				Grants, subsidies, and contributions not restricted			510,351	227,615	737,966
				Investment earnings			62,206	32,045	94,251
				Sale of capital assets			62	11,000	11,062
				Miscellaneous revenues			269,453	24,331	293,784
				Transfers - internal activity			251,286	(251,286)	-
				Total general revenues and transfers			8,105,847	43,705	8,149,552
				<b>Change in Net Position</b>			(222,990)	961,066	738,076
				<b>Net Position:</b>					
				Beginning of year, restated			11,179,277	6,385,222	17,564,499
				End of year			<u>\$ 10,956,287</u>	<u>\$ 7,346,288</u>	<u>\$ 18,302,575</u>

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

# EAST LAMPETER TOWNSHIP

## BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2020

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 5,494,954	\$ 285,876	\$ 70,275	\$ 1,526,189	\$ 7,377,294
Restricted cash and cash equivalents	7,175,041	-	3,390,226	9,099	10,574,366
Due from other funds	517,866	-	4,366	-	522,232
<b>Total Assets</b>	<b>\$ 13,187,861</b>	<b>\$ 285,876</b>	<b>\$ 3,464,867</b>	<b>\$ 1,535,288</b>	<b>\$ 18,473,892</b>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Due to other funds	\$ 68,528	\$ -	\$ 392,412	\$ 82,087	\$ 543,027
Restricted funds	7,175,041	-	-	-	7,175,041
<b>Total Liabilities</b>	<b>7,243,569</b>	<b>-</b>	<b>392,412</b>	<b>82,087</b>	<b>7,718,068</b>
Fund Balance:					
Restricted:					
State highway aid	-	285,876	-	-	285,876
Industrial and commercial development	-	-	-	231,590	231,590
Legal restrictions to parkland projects	-	-	-	9,099	9,099
Legal restrictions to police forfeiture funds	-	-	-	470,658	470,658
Capital projects	-	-	3,390,226	-	3,390,226
Committed to:					
Specific street light costs	-	-	-	62,337	62,337
Assigned to:					
Other Post Employment Benefits	2,010,789	-	-	-	2,010,789
Fire apparatus	-	-	-	679,517	679,517
2021 budget	579,917	-	-	-	579,917
Unassigned	3,353,586	-	(317,771)	-	3,035,815
<b>Total Fund Balance</b>	<b>5,944,292</b>	<b>285,876</b>	<b>3,072,455</b>	<b>1,453,201</b>	<b>10,755,824</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 13,187,861</b>	<b>\$ 285,876</b>	<b>\$ 3,464,867</b>	<b>\$ 1,535,288</b>	<b>\$ 18,473,892</b>

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, 2020

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 10,755,824</b>
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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.

200,463
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<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 10,956,287</u></b>
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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, 2020

	General Fund	Highway Aid Fund	Capital Reserve Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 7,012,489	\$ -	\$ -	\$ -	\$ 7,012,489
Licenses and permits	516,404	-	-	-	516,404
Fines and forfeits	110,197	-	-	5,455	115,652
Interest, rents, and royalties	41,272	2,705	16,963	10,497	71,437
Intergovernmental revenues	742,834	554,812	120,823	-	1,418,469
Charges for services	1,437,941	-	-	84,674	1,522,615
Miscellaneous revenues	31,452	-	-	39,061	70,513
Total revenues	<u>9,892,589</u>	<u>557,517</u>	<u>137,786</u>	<u>139,687</u>	<u>10,727,579</u>
<b>Expenditures:</b>					
Current:					
General government	1,085,406	-	19,454	13,108	1,117,968
Police	6,470,981	-	-	109,421	6,580,402
Fire and ambulance	459,242	-	15,000	-	474,242
Inspection, planning, zoning, and other public safety	321,340	-	-	-	321,340
Public works - highways and streets	681,195	442,693	174,415	76,868	1,375,171
Culture and recreation	391,267	-	339,587	-	730,854
Miscellaneous	50,382	-	-	-	50,382
Debt service	680,780	54,848	-	40,952	776,580
Total expenditures	<u>10,140,593</u>	<u>497,541</u>	<u>548,456</u>	<u>240,349</u>	<u>11,426,939</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(248,004)</u>	<u>59,976</u>	<u>(410,670)</u>	<u>(100,662)</u>	<u>(699,360)</u>
<b>Other Financing Sources (Uses):</b>					
Refunds of prior years expenditures	249,301	-	-	-	249,301
Proceeds from sale of capital assets	62	-	-	-	62
Transfers in (out)	253,071	-	-	(1,785)	251,286
Total other financing sources (uses)	<u>502,434</u>	<u>-</u>	<u>-</u>	<u>(1,785)</u>	<u>500,649</u>
<b>Net Change in Fund Balance</b>	<u>254,430</u>	<u>59,976</u>	<u>(410,670)</u>	<u>(102,447)</u>	<u>(198,711)</u>
<b>Fund Balance:</b>					
Beginning of year, restated	5,689,862	225,900	3,483,125	1,555,648	10,954,535
End of year	<u>\$ 5,944,292</u>	<u>\$ 285,876</u>	<u>\$ 3,072,455</u>	<u>\$ 1,453,201</u>	<u>\$ 10,755,824</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, 2020

<b>Net Change in Fund Balance - Governmental Funds</b>	<b>\$ (198,711)</b>
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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.

<u>(24,279)</u>
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<b>Change in Net Position - Governmental Activities</b>	<b><u><u>\$ (222,990)</u></u></b>
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The accompanying notes are an integral part of these financial statements.

# EAST LAMPETER TOWNSHIP

## BALANCE SHEET - PROPRIETARY FUNDS - MODIFIED CASH BASIS

DECEMBER 31, 2020

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 2,696,072	\$ 560,599	\$ 3,256,671	\$ 220,289
Restricted cash and cash equivalents	2,728,410	-	2,728,410	-
Restricted assets - escrow agreements	1,332,335	-	1,332,335	-
Due from other funds	310,074	-	310,074	-
<b>Total Assets</b>	<b>\$ 7,066,891</b>	<b>\$ 560,599</b>	<b>\$ 7,627,490</b>	<b>\$ 220,289</b>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 301,028	\$ 301,028	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>301,028</b>	<b>301,028</b>	<b>-</b>
<b>Net Position</b>				
Restricted for:				
Payment of administrative expenses	35,143	-	35,143	-
Payment of capital projects and debt service	4,029,343	-	4,029,343	-
Unrestricted	3,002,405	259,571	3,261,976	220,289
<b>Total Net Position</b>	<b>\$ 7,066,891</b>	<b>\$ 259,571</b>	<b>\$ 7,326,462</b>	<b>\$ 220,289</b>
<b>Reconciliation of Net Position to the Statement of Net Position:</b>				
<b>Net Position - Enterprise Funds</b>	<b>\$ 7,066,891</b>	<b>\$ 259,571</b>	<b>\$ 7,326,462</b>	
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.	17,623	2,203	19,826	
<b>Net Position of Business-Type Activities</b>	<b>\$ 7,084,514</b>	<b>\$ 261,774</b>	<b>\$ 7,346,288</b>	

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, 2020

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
<b>Operating Revenues:</b>				
Wastewater/sewerage charges	\$ 4,082,206	\$ 761,154	\$ 4,843,360	\$ -
Other charges for services	-	-	-	726,054
Other operating revenues	32,626	-	32,626	-
Total operating revenues	4,114,832	761,154	4,875,986	726,054
<b>Operating Expenses:</b>				
Salaries	351,947	73,348	425,295	-
Employee benefits	150,959	18,920	169,879	506,696
Wastewater/sewerage collection and treatment	993,996	-	993,996	-
Other purchased operating goods and services	1,272,119	117,890	1,390,009	-
Other purchased administrative goods and services	43,451	-	43,451	246,039
Total operating expenses	2,812,472	210,158	3,022,630	752,735
<b>Operating Income (Loss)</b>	<b>1,302,360</b>	<b>550,996</b>	<b>1,853,356</b>	<b>(26,681)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Earnings on investments	32,034	11	32,045	-
State sources	27,081	200,534	227,615	-
Refunds of prior years expenditures	21,871	2,460	24,331	-
Proceeds from sale of capital assets	5,700	5,300	11,000	-
Debt service expense	(1,643,793)	-	(1,643,793)	-
Total nonoperating revenues (expenses)	(1,557,107)	208,305	(1,348,802)	-
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>(254,747)</b>	<b>759,301</b>	<b>504,554</b>	<b>(26,681)</b>
Capital contributions - tapping fees	710,200	-	710,200	-
Transfers out	(227,601)	(23,685)	(251,286)	-
<b>Change in Net Position</b>	<b>227,852</b>	<b>735,616</b>	<b>963,468</b>	<b>(26,681)</b>
<b>Net Position:</b>				
Beginning of year	6,839,039	(476,045)	6,362,994	246,970
End of year	\$ 7,066,891	\$ 259,571	\$ 7,326,462	\$ 220,289
<b>Reconciliation of Change in Net Position to the Statement of Activities:</b>				
<b>Change in Net Position - Enterprise Funds</b>	\$ 227,852	\$ 735,616	\$ 963,468	
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.	(2,135)	(267)	(2,402)	
<b>Change in Net Position of Business-Type Activities</b>	<b>\$ 225,717</b>	<b>\$ 735,349</b>	<b>\$ 961,066</b>	

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, 2020

		Enterprise Funds		Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
<b>Cash Flows From Operating Activities:</b>				
Received from users	\$ 4,082,206	\$ 761,154	\$ 4,843,360	\$ 726,054
Received from other operating revenue	32,626	-	32,626	-
Payments to employees for services	(351,947)	(73,348)	(425,295)	-
Payments for employee benefits	(150,959)	(18,920)	(169,879)	(506,696)
Payments for sewerage collection and treatment	(993,996)	-	(993,996)	-
Payments for purchased goods and services	(1,229,302)	(292,907)	(1,522,209)	-
Payments for other operating expenses	(43,451)	-	(43,451)	(246,039)
Net cash provided by (used in) operating activities	1,345,177	375,979	1,721,156	(26,681)
<b>Cash Flows From Non-Capital Financing Activities:</b>				
State sources	27,081	200,534	227,615	-
Refunds of prior year expenditures	21,871	2,460	24,331	-
Transfers out	(227,601)	(23,685)	(251,286)	-
Net cash provided by (used in) non-capital financing activities	(178,649)	179,309	660	-
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Tapping fees received	710,200	-	710,200	-
Proceeds from sale of capital assets	5,700	5,300	11,000	-
Debt service paid	(1,643,793)	-	(1,643,793)	-
Net cash provided by (used in) capital and related financing activities	(927,893)	5,300	(922,593)	-
<b>Cash Flows From Investing Activities:</b>				
Earnings on investments	31,527	11	31,538	-
Investment in escrow agreements	(544,200)	-	(544,200)	-
Net cash used in investing activities	(512,673)	11	(512,662)	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(274,038)	560,599	286,561	(26,681)
<b>Cash and Cash Equivalents:</b>				
Beginning of year	5,698,520	-	5,698,520	246,970
End of year	\$ 5,424,482	\$ 560,599	\$ 5,985,081	\$ 220,289

(Continued)

# EAST LAMPETER TOWNSHIP

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020  
(Continued)

		Enterprise Funds		Internal Service Fund
	Sewer Fund	Stormwater Fund	Total Enterprise Funds	Insurance Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 1,302,360	\$ 550,996	\$ 1,853,356	\$ (26,681)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Construction paid from restricted assets	281,864	-	281,864	-
Increase in due from other funds	(239,047)	-	(239,047)	-
Decrease in due to other funds	-	(175,017)	(175,017)	-
Total adjustments	42,817	(175,017)	(132,200)	-
Net cash provided by (used in) operating activities	\$ 1,345,177	\$ 375,979	\$ 1,721,156	\$ (26,681)
<b>Supplemental Disclosure of Non-Cash Financing and Investing Activities:</b>				
Interest income in escrow accounts	\$ 507	\$ -	\$ 507	\$ -
Construction costs paid from restricted assets	\$ 281,864	\$ -	\$ 281,864	\$ -
				(Concluded)

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

# EAST LAMPETER TOWNSHIP

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

DECEMBER 31, 2020

<b>Assets</b>	
Cash and cash equivalents	\$ 699,836
Investments	26,300,488
Due from General Fund	11,749
<b>Total Assets</b>	<b>27,012,073</b>
<b>Liabilities</b>	
Due to other funds	-
<b>Total Liabilities</b>	<b>-</b>
<b>Net Position</b>	
Restricted for pension benefits	27,012,073
<b>Total Net Position</b>	<b>\$ 27,012,073</b>

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, 2020

### Additions:

#### Contributions:

State pension aid	\$ 492,383
Employee	202,371
Township	<u>207,335</u>

Total contributions	<u>902,089</u>
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#### Investment income:

Interest and investment income	1,815,119
Less investment expense	<u>(183,014)</u>

Net investment income	<u>1,632,105</u>
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Total additions	<u>2,534,194</u>
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### Deductions:

Administrative expense	18,155
Retirement benefits paid	<u>874,534</u>

Total deductions	<u>892,689</u>
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<b>Change in Net Position</b>	<b>1,641,505</b>
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### Net Position:

Beginning of year	<u>25,370,568</u>
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End of year	<u><u>\$ 27,012,073</u></u>
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The accompanying notes are an integral part of these financial statements.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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 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. During 2020, the Township transferred ownership of the stormwater system and the Authority began stormwater operations. After the transfer of the stormwater system, the Authority became an operating authority.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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. The Township has the ability to significantly influence operations as the Township sets the tax rates. Finally, there is a financial burden between the Township and the ICA. Therefore, the ICA is to be presented as a blended component unit for financial reporting purposes. The ICA has prepared and issued separate audited financial statements. The financial statements for the ICA can be obtained on the Township's website under the Finance Department option.

### ***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, 2020

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### 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, 2020

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- 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 and other government agencies. 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.
- ICA – The ICA created a project plan for the Tax Increment Financing (TIF) District for transportation and related infrastructure improvements in the Lincoln Highway TIF District within the Township. TIF revenue is collected to carry out the proposed improvements.

### *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 nine 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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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 enterprise funds to account for its Sewer Fund and its Stormwater Fund, which are both major funds.

#### *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.

### ***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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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 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.

### 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

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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statements. In addition, the measurement of reported assets and liabilities does not involve adjustment to fair value.

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.

#### Restricted Funds

The Township maintains various escrow cash accounts for funds advanced to the Township by developers for road improvement, water and sewer connections, and for the completion of certain infrastructure items required by the development plan.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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.

### 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, 2020, the unassigned balance was 33.1% 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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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*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.

### ***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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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.

### 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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### *Debt Service -*

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.

### 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 2020. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Adopted Governmental Accounting Standards Board (GASB) Statements***

The requirements of the following Governmental Accounting Standards Board (GASB) Statement was adopted for the financial statements:

GASB Statement No. 84, *"Fiduciary Activities,"* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement have been adopted and incorporated into these financial statements. The primary impact of this pronouncement on the Township's financial statements is certain funds no longer meet the definition of fiduciary activity and were therefore reclassified into the General Fund and Governmental Activities as of January 1, 2020. As a result, the beginning balance of the General Fund and beginning net position of the Governmental Activities were restated by \$2,000,242.

### ***Pending Governmental Accounting Standards Board (GASB) Statements***

GASB has issued statements that will become effective in future years including Statement Nos. 87 (Leases), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans).

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, 2020

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Deposits and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 10,854,254
Restricted cash and cash equivalents	13,302,776
Fiduciary funds:	
Cash and cash equivalents	699,836
Investments	<u>26,300,488</u>
Total deposits and investments	<u>\$ 51,157,354</u>

Deposits and investments as of December 31, 2020 consist of the following:

Cash on hand	\$ 1,350
Deposits with financial institutions	12,973,182
PLGIT	11,662,045
Benecon Investment pool	220,289
Investments:	
Morgan Stanley:	
Corporate bonds	6,641,456
U.S. Government agency obligations	279,030
Stocks	14,831,809
Mutual funds - equity	1,414,587
Alternative investments	<u>3,133,606</u>
Total deposits and investments	<u>\$ 51,157,354</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, 2020

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

Investment Type	Amount	Rating
Corporate bonds	\$ 221,180	A
Corporate bonds	659,738	A-
Corporate bonds	227,103	B+
Corporate bonds	1,514,008	BBB+
Corporate bonds	1,863,966	BBB
Corporate bonds	2,155,461	BBB-
U.S. government agency obligations	279,030	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, 2020, the Township's book balance, excluding the Benecon Investment Pool of \$220,289, was \$24,636,577, and the bank balance was \$22,655,992. Of the bank balance, \$1,446,039 was covered by the federal depository insurance and \$9,516,392 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 \$11,662,045 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](http://www.plgit.com). The Township has \$1,653,199 invested in PLGIT-Class shares, which require no minimum balance, no minimum initial investments, and have a

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

one-day minimum investment period. The Township has \$7,978,849 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 \$2,029,997 invested in PLGIT/Reserve share which require no minimum balance, no minimum initial investments, and have a one-day minimum investment period. 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, 2020, PLGIT carries an AAAM 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, 2020, the Township has the following investments subject to interest rate risk:

Investment Type	Cost	Investment Maturity			
		2021	2022-2026	2027-2031	2032+
Corporate bonds	\$ 6,641,456	\$ -	\$ 4,162,946	\$ 2,203,767	\$ 274,743
U.S. Government agency obligations	279,030	279,030	-	-	-
Total	<u>\$ 6,920,486</u>	<u>\$ 279,030</u>	<u>\$ 4,162,946</u>	<u>\$ 2,203,767</u>	<u>\$ 274,743</u>

### ***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 regarding concentration of credit risk but utilizes "sound business practice" in choosing investments mandated by the State Code.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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, 2020 is \$1,332,335.

### 4. Interfund Balances and Transfers

Interfund balances are as follows:

Due to General Fund:	
From non-major funds	\$ 81,850
Due to General Fund:	
From the Stormwater Fund	43,605
Due to General Fund:	
From the Capital Reserve Fund	392,412
Due to Sewer Fund:	
From non-major funds	237
Due to Sewer Fund:	
From the General Fund	56,779
Due to Sewer Fund:	
From the Stormwater Fund	253,057
Due to Capital Reserve Fund:	
From the Stormwater Fund	4,366
Due to Pension Trust funds:	
From the General Fund	11,749
	<u>\$ 844,055</u>

The amounts due to the General Fund from Non-Major Funds, Stormwater Fund and the Capital Reserve Fund represent reimbursements due for expenditures paid on behalf of those funds. The amount due to the Sewer Fund from the General Fund represents a large receipt collected by the General Fund on behalf of the Sewer Fund less expenditures paid by

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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the General Fund on behalf of the Sewer Fund. The amount due to the Sewer Fund from the Stormwater fund represents the sewer charges being collected by the Stormwater Fund. The amount due to the Pension Trust Funds from the General Fund represents a receipt collected by the General Fund on behalf of the Pension Trust Funds. The amount due to the Capital Reserve Fund from the Stormwater Fund represents a reimbursement due for an expenditure paid on behalf of the Stormwater Fund. The amount due to the Sewer Fund from the Non-Major Funds represents a reimbursement due for an expenditure paid on behalf of the Non-Major Funds.

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	\$ 227,601
From the Stormwater Fund	23,685
From non-major funds	<u>1,785</u>
	<u><u>\$ 253,071</u></u>

The transfers into the General Fund from the Sewer Fund, the Stormwater Fund and the non-major funds were for the allocation of administrative expenses.

### 5. Notes Receivable

The Debt Service Fund holds a note receivable of \$40,935 from the Witmer Fire Company. Interest payments are receivable semi-annually at a variable rate through November 2022. At December 31, 2020, interest is receivable at a rate of 2.275% 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, 2020, interest is receivable at a rate of 0.08% plus a 1.25% fee per annum. Principal is due and payable annually beginning February 2013 and continues through February 2030.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

### 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 2020 is as follows:

Tax levy date	March 1, 2020
2% discount period	March 1 - April 30, 2020
Face payment period	May 1 - June 30, 2020
10% penalty period	July 1 - December 31, 2020
Lien filing date	January 1, 2021

Due to the economic impact of COVID-19, the Board of Supervisors approved a resolution to extend the "Face payment period" until November 30, 2020. The resolution therefore changed the "10% penalty period" to be December 1 – December 31, 2020.

The tax rate for all purposes in 2020 was 1.90 mills (\$1.90 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). After adjusting for any claims by Township employees or other participating municipalities, the excess deposits are refunded to the Township during the next calendar year. As of December 31, 2020, funds totaling \$220,289 remain in the account and will be

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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refunded during 2021. Activity related to this agreement is reported in the Insurance Fund, an Internal Service Fund.

### 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, 2020

	Police Pension	Non-Uniformed Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 571,439	\$ 128,397	\$ 699,836
Investments	22,342,887	3,957,601	26,300,488
Due from General Fund	-	11,749	11,749
Total assets	<u>22,914,326</u>	<u>4,097,747</u>	<u>27,012,073</u>
<b>LIABILITIES</b>			
Internal Balance	<u>(109)</u>	<u>109</u>	<u>-</u>
Total liabilities	<u>\$ (109)</u>	<u>\$ 109</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u>22,914,435</u>	<u>4,097,638</u>	<u>27,012,073</u>
Total net position	<u>\$ 22,914,435</u>	<u>\$ 4,097,638</u>	<u>\$ 27,012,073</u>

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Combining Statement of Changes in Fiduciary Net Position - Modified Cash Basis  
Year Ended December 31, 2020

	Police Pension	Non-Uniformed Pension	Total
<b>Additions:</b>			
Contributions:			
State pension aid	\$ 364,364	\$ 128,019	\$ 492,383
Employee	189,618	12,753	202,371
Township	207,335	-	207,335
Total contributions	761,317	140,772	902,089
Investment income:			
Interest and investment income	1,533,814	281,305	1,815,119
Less investment expense	(155,209)	(27,805)	(183,014)
Net investment income	1,378,605	253,500	1,632,105
Total additions	2,139,922	394,272	2,534,194
<b>Deductions:</b>			
Administrative expense	9,975	8,180	18,155
Retirement benefits paid	713,211	161,323	874,534
Total deductions	723,186	169,503	892,689
<b>Change in Net Position</b>	1,416,736	224,769	1,641,505
<b>Net Position:</b>			
Beginning of year	21,497,699	3,872,869	25,370,568
End of Year	<u>\$ 22,914,435</u>	<u>\$ 4,097,638</u>	<u>\$ 27,012,073</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, 2020

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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 31<sup>st</sup> 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, 2020

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### *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 55 and completes 25 years of service (for employees hired between January 1, 1994 and December 31, 2018 – attainment of age 50 with 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

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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had he/she been terminated at the time of death and survived to normal retirement date.

### *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 1<sup>st</sup> 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, 2019 actuarial valuation consisted of the following:

	Police Pension	Non-uniformed Pension
Active employees	34	25
Inactive employees or beneficiaries currently receiving benefits	20	17
Inactive employees entitled to but not yet receiving benefits	1	7
	<u>55</u>	<u>49</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

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# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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.

### 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, 2020, 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
2018	\$ 522,266	\$ 522,266	100%
2019	517,429	517,440	100%
2020	571,699	571,699	100%

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Calendar Year	Non-uniformed Pension		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2018	\$ 72,984	\$ 112,425	154%
2019	112,810	138,253	123%
2020	116,270	128,019	110%

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:						
1/1/2019	\$ 23,563,314	\$ 23,740,252	\$ 176,938	99.3%	\$ 3,243,241	5.5%
Non-Uniformed Pension Plan:						
1/1/2019	\$ 4,266,970	\$ 4,147,639	\$ (119,331)	102.9%	\$ 1,311,877	-9.1%

The actuarial accrued liability is determined based on assumptions in the most recent actuarial valuation dated January 1, 2019. 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%	5.5%

Mortality rates were based on the PUB-2010 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, 2020

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### Deferred Retirement Option Plan ("DROP")

Effective January 1, 2020, the Township amended the East Lampeter Township Police Pension Plan to add a deferred retirement option to the pension plan for eligible officers. An eligible officer is any plan member who has reached their normal retirement date and is employed full-time as an officer on or after January 1, 2020. The officer's participation in the DROP must not exceed 36 months. During this participation period, all other aspects of employment shall remain the same as other full-time officers except as it relates to contributions to the plan and to the calculation of retirement benefits. The date an officer enters the DROP is the date the officer's retirement benefit is calculated. From that point until the end of the participation period, the officer's monthly benefit is deposited into an account within the pension plan designated for the DROP participant. The account is in "book entry" form only and is not segregated from the rest of the pension plan assets. During the participation period, the account continues to earn a specified rate of return. As of December 31, 2020, only one officer has become a DROP participant.

### **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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### 10. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2020:

	Balance January 1, 2020	Issues or Additions	Principal Payments or Deletions	Balance December 31, 2020	Interest Paid
<b>Governmental Activities</b>					
General obligation notes and bonds	\$ 8,679,935	\$ -	\$ 504,000	\$ 8,175,935	\$ 217,732
Direct borrowing - Lease purchase agreements	105,986	-	52,384	53,602	2,464
Total Governmental Activities	<u>\$ 8,785,921</u>	<u>\$ -</u>	<u>\$ 556,384</u>	<u>\$ 8,229,537</u>	<u>\$ 220,196</u>
<b>Business-Type Activities</b>					
Guaranteed sewer revenue:					
Note and bonds	\$ 12,770,000	\$ -	\$ 1,180,000	\$ 11,590,000	\$ 429,777
Direct borrowing - Lease purchase agreements	65,042	-	32,033	33,009	1,983
Total Business-Type Activities	<u>\$ 12,835,042</u>	<u>\$ -</u>	<u>\$ 1,212,033</u>	<u>\$ 11,623,009</u>	<u>\$ 431,760</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 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, 2020, the outstanding balance is \$40,935 and the interest rate is 2.275%. 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

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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November 15. Principal payments occur annually on November 15, 2017 through 2028. As of December 31, 2020, the outstanding balance is \$2,735,000. This note is being liquidated by the General Fund.

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, 2020, the outstanding balance is \$1,010,000 and the interest rate is 0.08% plus a 1.25% fee. This note is being liquidated through payments made from the Lafayette Fire Company (Note 5).

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. As of December 31, 2020, the outstanding balance is \$4,390,000.

The Township guarantees the principal and interest of the Bonds, and pledges its full faith, credit and taxing power for such payment.

### Guaranteed Sewer Revenue Bonds, Series of 2019

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. As of December 31, 2020, the outstanding balance is \$5,010,000.

The Township guarantees the principal and interest of the Bonds, and pledges its full faith, credit and taxing power for such payment.

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# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### Guaranteed Sewer Revenue Bonds, Series A and Series B of 2019

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 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. As of December 31, 2020, the outstanding balance is \$6,580,000.

The Township guarantees the principal and interest of the Bonds, and pledges its full faith, credit and taxing power for such payment.

### 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, 2020, the outstanding balance is \$53,602. 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, 2020, the outstanding balance is \$33,009. This lease is being liquidated by the Sewer Fund.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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	
2021	\$ 530,000	\$ 199,932	\$ 1,225,000	\$ 418,932	\$ 2,373,864
2022	620,935	180,443	1,285,000	357,681	2,444,059
2023	640,000	160,974	1,440,000	275,306	2,516,280
2024	665,000	140,847	1,440,000	191,806	2,437,653
2025	690,000	119,978	1,510,000	124,956	2,444,934
2026-2030	3,710,000	372,750	4,495,000	197,350	8,775,100
2031-2032	1,320,000	41,633	195,000	4,388	1,561,021
Total Payments	<u>\$ 8,175,935</u>	<u>\$ 1,216,557</u>	<u>\$ 11,590,000</u>	<u>\$ 1,570,419</u>	<u>\$ 22,552,911</u>

Debt service requirements on lease purchase agreements, based on interest rates in effect at December 31, are as follows:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 53,602	\$ 1,246	\$ 33,009	\$ 1,006	\$ 88,863
Total Payments	<u>\$ 53,602</u>	<u>\$ 1,246</u>	<u>\$ 33,009</u>	<u>\$ 1,006</u>	<u>\$ 88,863</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, 2020 is \$611,714.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 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.

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. In December 2020, the Township paid \$50,000 towards the liability. During 2021, after review and modification of the additional billing, the Township made a payment of \$186,441 in full satisfaction of the liability.

#### 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.

During 2020, the Township notified the lessor of its intention to terminate the lease. The final lease payment was made August 2020.

Lease rentals of \$4,800 were paid in 2020.

### 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

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# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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 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. Officers hired after December 31, 2018 are not entitled to any coverage under this plan.

### 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 eligible, retired police officers. The required contribution is based on projected pay-as-you-go financing requirements.

### Contributions

For the year ending December 31, 2020, the Township contributed \$708 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

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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.

### Funding Policy

The Contribution requirements are based on the level of coverage provided to active non-uniformed employees. In 2020, the Township is covering 100% of the cost of medical insurance and prescription drug plans to its eligible, retired employees. The required contribution is based on projected pay-as-you-go financing requirements.

### Contributions

For the year ending December 31, 2020, the Township contributed \$4,956 to the plan.

### 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, 2020, the plan has 34 active full-time police officers, 19 active full-time non-uniformed employees, one retired police officer, and one non-uniformed retired employee who are entitled to receive benefits. Since the total number of members, including retired employees, 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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.
3. All benefits are calculated by adjusting the 2020 Cobra premium for (a) the default factor of age-adjusted premiums (1.8 police and 1.6 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 19 active full-time non-uniformed employees as of December 31, 2020.
6. For non-uniformed employees, only spouses that are currently covered are assumed to be eligible for Other Post-Employment Benefits (OPEB). For police officers, all spouses are assumed to be eligible for OPEB.
7. Police officers are assumed to elect to receive medical benefits under the plan when eligible for the first year of coverage, then 50% elect coverage for the second year, 37.5% elect coverage for the third year and 25% elect coverage for all subsequent years. All non-uniformed retirees are assumed to elect to receive medical benefits under the plan when eligible.

### 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:						
12/31/2020	\$ -	\$ 3,522,005	\$ 3,522,005	0.0%	\$ 3,589,127	98.1%
Non-Uniformed Retiree Health Plan:						
12/31/2020	\$ -	\$ 2,029,744	\$ 2,029,744	0.0%	\$ 1,155,538	175.7%

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### **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).

This project was completed during 2020 and all parties have satisfied their obligations.

#### ***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, 2020, the Township did not expend any amount under this obligation. During the year ended December 31, 2020, the Township approved to reimburse approximately \$360,000 during 2021 for Lafayette Fire Company to purchase equipment. The Township made a reimbursement of \$358,490 during 2021.

#### ***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.

# EAST LAMPETER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 14. Subsequent Events

#### 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.

#### Union Contract

In January 2021, the Township reached an agreement with the union representing certain non-uniformed employees. The contract is effective for the calendar years 2021 and 2022. In addition to the change in wage scales, the only other major change was the elimination of post-retirement medical coverage for employees hired after December 31, 2020.

## **OTHER INFORMATION**

# EAST LAMPETER TOWNSHIP

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 7,763,573	\$ 7,763,573	\$ 7,012,489	\$ (751,084)
Licenses and permits	355,000	355,000	516,404	161,404
Fines and forfeits	124,500	124,500	110,197	(14,303)
Interests, rents, and royalties	128,325	128,325	41,272	(87,053)
Intergovernmental revenues	1,911,500	1,911,500	742,834	(1,168,666)
Charges for services	349,450	349,450	1,437,941	1,088,491
Miscellaneous revenues	3,050	3,050	31,452	28,402
Total revenues	<u>10,635,398</u>	<u>10,635,398</u>	<u>9,892,589</u>	<u>(742,809)</u>
<b>Expenditures:</b>				
Current:				
General government	1,244,919	1,244,919	1,085,406	159,513
Police	6,944,904	6,944,904	6,470,981	473,923
Fire and ambulance	489,350	489,350	459,242	30,108
Inspection, planning, zoning, and other public safety	387,951	387,951	321,340	66,611
Public works - highways and streets	834,076	834,076	681,195	152,881
Culture and recreation	511,456	511,456	391,267	120,189
Miscellaneous	47,650	47,650	50,382	(2,732)
Debt service	680,019	680,019	680,780	(761)
Total expenditures	<u>11,140,325</u>	<u>11,140,325</u>	<u>10,140,593</u>	<u>999,732</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(504,927)</u>	<u>(504,927)</u>	<u>(248,004)</u>	<u>256,923</u>
<b>Other Financing Sources:</b>				
Refunds of prior years expenditures	230,000	230,000	249,301	19,301
Sale of capital assets	-	-	62	62
Transfers in	60,300	60,300	253,071	192,771
Total other financing sources	<u>290,300</u>	<u>290,300</u>	<u>502,434</u>	<u>212,134</u>
<b>Net Change in Fund Balance</b>	<u>\$ (214,627)</u>	<u>\$ (214,627)</u>	<u>\$ 254,430</u>	<u>\$ 469,057</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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Interests, rents, and royalties	\$ 12,000	\$ 12,000	\$ 2,705	\$ (9,295)
Intergovernmental revenues	544,110	544,110	554,812	10,702
Total revenues	556,110	556,110	557,517	1,407
<b>Expenditures:</b>				
Current:				
Public works - highways and streets	665,426	665,426	442,693	222,733
Debt service	54,849	54,849	54,848	1
Total expenditures	720,275	720,275	497,541	222,734
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(164,165)	(164,165)	59,976	224,141
<b>Net Change in Fund Balance</b>	<u>\$ (164,165)</u>	<u>\$ (164,165)</u>	<u>\$ 59,976</u>	<u>\$ 224,141</u>

See accompanying notes to other information - budgetary comparison schedules.

# EAST LAMPETER TOWNSHIP

## NOTES TO OTHER INFORMATION - BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2020

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### 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:		
Miscellaneous	\$ 47,650	\$ 50,382
Debt service	680,019	680,780

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