

MOUNT PLEASANT TOWNSHIP

HICKORY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
AS OF DECEMBER 31, 2019

MOUNT PLEASANT TOWNSHIP

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Independent Auditor's Report

Mount Pleasant Township
Hickory, Pennsylvania

Ladies and Gentlemen:

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Mount Pleasant Township as of and for the year ended December 31, 2019, 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 as described in Note 1E; 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 the 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 Township's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Township'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.

Opinion

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, each major fund, and the aggregate remaining fund information of Mount Pleasant Township as of December 31, 2019 and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.E.

Basis of Accounting

We draw attention to Note 1.E 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.

Emphasis of Matter - Pension Information

We draw attention to Note 6 of the financial statements. The financial report for the Township's account with the Pennsylvania Municipal Retirement System is not available as of the date of this report. For this reason, the Township's current year activity within this account is not included within the financial statements. 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 that collectively comprise Mount Pleasant Township's basic financial statements. The management's discussion and analysis, the budgetary comparison information, and the combining nonmajor fund financial statements on pages i-iv, 5, and 30-31, respectively, which are the responsibility of management, are presented for purposes of additional analysis and are 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.

CYPHER & CYPHER

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
June 11, 2020

Management's Discussion & Analysis

MOUNT PLEASANT TOWNSHIP

HICKORY, PENNSYLVANIA

Management's Discussion and Analysis (MD&A)

December 31, 2019

Our discussion and analysis of Mount Pleasant Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2019. The MD&A should be read in conjunction with the financial statements and footnotes.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

The Township

The Township is organized under laws of the Commonwealth of Pennsylvania. (the "Commonwealth").

The governing body of the Township is an elected Board of three supervisors.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations. The General Fund, the Capital Projects Fund, and the Liquid Fuels Fund are our major funds that receive and spend most of our resources:

- The General fund reported an increase in fund balance of \$3,788.
- The Capital Projects fund reported an increase in fund balance of \$101,924.
- The Liquid Fuels fund reported an increase in fund balance of \$54,286.
- The Non-major funds reported a net increase in fund balance of \$8,991.

Reporting the Township as a Whole

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Township as a whole and its activities. These statements include all assets and liabilities that reflect

the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

These two statements report the Township's net position and changes in them. The change in net position provides the reader with a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, and facility conditions in arriving at a conclusion regarding the overall health of the Township.

The following table reflects the condensed Statement of Net Position:

Statement of Net Position		
As of December 31		
	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 1,290,856	\$ 1,113,599
Non Current Assets		
Total Assets	<u>1,290,856</u>	<u>1,113,599</u>
Current and Other Liabilities	97,682	89,414
Non Current Liabilities		
Total Liabilities	<u>97,682</u>	<u>89,414</u>
Restricted	908,113	767,687
Unrestricted	285,061	256,498
Total Net Position	<u>\$ 1,193,174</u>	<u>\$ 1,024,185</u>

Assets, Liabilities & Net Position

As of December 31, 2019 the Township had total assets of \$1.29 million. This amount represents cash and equivalents at year end.

Total liabilities as of December 31, 2019 totaled \$97 thousand. This amount consists mainly of escrow account deposits.

The resulting \$1.19 million in net position includes \$908 thousand reserved for various designated purposes and \$285 thousand of undesignated amounts not reserved for specific purposes.

The following table reflects Changes in Net Position:

Fiscal year ended December 31

Changes in Net Position

	Governmental Activities	
	2019	2018
Program Revenues:		
Charges for Services	\$ 43,300	\$ 46,082
Operating Grants and Contributions	354,679	601,401
General Revenues:		
Property Taxes	566,274	555,630
Other Taxes	647,111	593,990
Grants Subsidies and Contributions	511,156	454,798
Other	280,140	657,174
	<u>2,402,660</u>	<u>2,909,075</u>
Expenditures:		
General Government	455,150	671,898
Public Safety	635,487	549,642
Health and Sanitation	3,000	2,540
Highways and Streets	800,010	1,347,989
Culture and Recreation	42,803	58,495
Employee Benefits, Insurance and Miscellaneous	208,008	210,574
Debt Service	39,213	30,441
Other	50,000	
	<u>2,233,671</u>	<u>2,871,579</u>
Change in Net Position	<u>\$ 168,989</u>	<u>\$ 37,496</u>

Revenues

The Township received 51% of its funding from taxes. Revenue from property and earned income taxes is the primary source of revenue for the Township.

Expenditures

Total spending for 2019 totaled \$2.23 million. Highways and streets expenditures amounted to \$800 thousand or 36%. Public safety totaled \$635 thousand or 28%. General government totaled \$455 thousand or 20%, and employee benefits, insurance, and miscellaneous totaled \$208 thousand or 9%. The remaining 7% is composed of health and sanitation, debt service, culture and recreation, and transfers to other governments.

Financial Analysis of Governmental Funds

The following table reflects changes in fund balance:

	General Fund	Capital Projects Fund	Liquid Fuels Fund	Non-Major Funds	Combined Total
December 31, 2018	\$ 291,435	\$ 538,988	\$ 174,647	\$ 19,115	\$ 1,024,185
Increase (Decrease)	3,788	101,924	54,286	8,991	168,989
December 31, 2019	<u>\$ 295,223</u>	<u>\$ 640,912</u>	<u>\$ 228,933</u>	<u>\$ 28,106</u>	<u>\$ 1,193,174</u>

The General Fund includes the balance of the Local Share account, which represents the Township's proceeds of assessments collected from local gaming entities within the county. The Capital Projects Fund includes the remaining proceeds of Act 13 impact fees, which are collected from producers with local gas wells.

Debt Administration

The following table reflects the Township's long term debt obligations:

<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Sick/Vac Days</u>	<u>Total</u>
\$ 415,871	\$ -	\$ 77,152	\$ 493,023

On May 25, 2018, the Township entered into an agreement for a General Obligation Note, Series B of 2018 with Washington Financial Bank in the amount of \$350,000. The Township is to make monthly payments in the amount of \$2,502, with an applicable rate of interest of 3.5%. The final payment is scheduled for June 1, 2033.

On March 29, 2018, the Township entered into a loan agreement with the Department of Community and Economic Development (DCED) for a principal loan amount of \$100,000. The Township is to make quarterly payments of \$1,943 with an applicable interest rate of 2.0%. The final payment is scheduled for July 1, 2033.

General Fund Budgetary Highlights

For the year ended December 31, 2019, General Fund revenues were \$192 thousand above budgeted revenues, while expenditures were \$218 thousand above budgeted expenditures.

Contacting the Township's Financial Management

Our financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to illustrate the Township's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to Mount Pleasant Township, 31 McCarrell Road, Hickory, PA 15340, telephone (724) 356-7974.

Basic Financial Statements

MOUNT PLEASANT TOWNSHIP
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 1,290,856</u>
Total Current Assets	<u>1,290,856</u>
 TOTAL ASSETS	 <u><u>\$ 1,290,856</u></u>
 LIABILITIES	
Current Liabilities:	
Deposits	<u>\$ 97,682</u>
Total Current Liabilities	<u>97,682</u>
 Total Liabilities	 97,682
 NET POSITION	
Restricted for:	
Other Reserves	908,113
Unrestricted	<u>285,061</u>
TOTAL NET POSITION	<u>1,193,174</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,290,856</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Total	
Governmental Activities					
General Government	\$	\$	\$	\$	(447,410)
Public Safety	455,150	7,740			(599,181)
Health and Sanitation	635,487	16,649	19,657		(2,700)
Highways and Streets	3,000	300			(510,903)
Culture and Recreation	800,010	670	288,437		(24,862)
Employee Benefits, Insurance, and Miscellaneous	42,803	17,941			(161,423)
Debt Service	208,008		46,585		(39,213)
	39,213				
Total Governmental Activities	2,183,671	43,300	354,679		(1,785,692)
Total Government	2,183,671	43,300	354,679		(1,785,692)
General Revenues					
Taxes					
Property Taxes					566,274
Other Taxes					647,111
Grants, Subsidies and Contributions, Unrestricted					511,156
Investment Earnings					90,340
Miscellaneous Income					189,800
Transfers Between Governmental Funds and External Parties					(50,000)
Total General Revenues					1,954,681
Change in Net Position					168,989
Net Position - Beginning					1,024,185
Net Position - Ending				\$	1,193,174

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Governmental Funds				Totals
	General Fund	Capital Projects Fund	Liquid Fuels Fund	Non-Major Funds	
ASSETS					
Cash and Cash Equivalents	\$ 363,039	\$ 635,223	\$ 233,564	\$ 59,030	\$ 1,290,856
Interfund Receivable	61,161	32,500		19,002	112,663
TOTAL ASSETS	<u>\$ 424,200</u>	<u>\$ 667,723</u>	<u>\$ 233,564</u>	<u>\$ 78,032</u>	<u>\$ 1,403,519</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Interfund Payable	\$ 51,502	\$ 26,811	\$ 4,631	\$ 29,719	\$ 112,663
Deposits	77,475			20,207	97,682
Total Liabilities	<u>128,977</u>	<u>26,811</u>	<u>4,631</u>	<u>49,926</u>	<u>210,345</u>
FUND BALANCES					
Fund Balances -					
Assigned to -					
Parks and Recreation				11,742	11,742
Street Lighting and Fire Protection				16,635	16,635
Uncompensated Absences	6,103				6,103
Highways			228,933		228,933
Capital Projects		640,912			640,912
Paramedic Fund				3,788	3,788
Unassigned	289,120			(4,059)	285,061
Total Fund Balances	<u>295,223</u>	<u>640,912</u>	<u>228,933</u>	<u>28,106</u>	<u>1,193,174</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 424,200</u>	<u>\$ 667,723</u>	<u>\$ 233,564</u>	<u>\$ 78,032</u>	<u>\$ 1,403,519</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Funds				Totals
	General Fund	Capital Projects Fund	Liquid Fuels Fund	Non-Major Funds	
Revenues					
Real Estate Taxes	\$ 459,577	\$	\$	\$ 106,697	\$ 566,274
Local Enabling Taxes	647,111				647,111
Licenses and Permits	57,662				57,662
Fines and Forfeits	16,270				16,270
Interest and Rents	84,247	3,718	1,298	1,077	90,340
Intergovernmental Revenues	201,262	449,956	214,617		865,835
Departmental Earnings	25,359			17,941	43,300
Special Assessments				58,604	58,604
Miscellaneous	36,057			19	36,076
Total Revenues	1,527,545	453,674	215,915	184,338	2,381,472
Expenditures					
General Government	269,117	178,610		7,423	455,150
Public Safety	495,160	16,997		123,330	635,487
Health and Sanitation	3,000				3,000
Highways and Streets	562,178	68,348	161,629	7,855	800,010
Culture and Recreation	22,544			20,259	42,803
Employee Benefits, Insurance, and Miscellaneous	206,900			14	206,914
Debt Service					
Principal and Interest	1,418	37,795			39,213
Refund of Prior Year Revenues	1,094				1,094
Total Expenditures	1,561,411	301,750	161,629	158,881	2,183,671
Excess (Deficiency) of Revenues Over Expenditures	(33,866)	151,924	54,286	25,457	197,801
Other Financing Sources (Uses)					
Sale of Fixed Assets	21,188				21,188
Transfers to other Governments		(50,000)			(50,000)
Interfund Transfers In	18,500			2,034	20,534
Interfund Transfers (Out)	(2,034)			(18,500)	(20,534)
Total Other Financing Sources (Uses)	37,654	(50,000)		(16,466)	(28,812)
Net Change in Fund Balances	3,788	101,924	54,286	8,991	168,989
Fund Balances - Beginning	291,435	538,988	174,647	19,115	1,024,185
Fund Balances - Ending	\$ 295,223	\$ 640,912	\$ 228,933	\$ 28,106	\$ 1,193,174

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
BUDGET VS ACTUAL - GENERAL FUND- SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under) Budget - Final
Revenues				
Real Estate Taxes	\$ 442,732	\$ 442,732	\$ 459,577	\$ 16,845
Local Enabling Taxes	556,586	556,586	647,111	90,525
Licenses and Permits	47,825	47,825	57,662	9,837
Fines and Forfeits	13,650	13,650	16,270	2,620
Interest and Rents	5,170	5,170	84,247	79,077
Intergovernmental Revenues	218,886	218,886	201,262	(17,624)
Departmental Earnings	19,185	19,185	25,359	6,174
Miscellaneous	31,500	31,500	36,057	4,557
Total Revenues	1,335,534	1,335,534	1,527,545	192,011
Expenditures				
General Government	138,274	138,274	269,117	130,843
Public Safety	481,731	481,731	495,160	13,429
Health and Sanitation	2,540	2,540	3,000	460
Highways and Streets	540,465	540,465	562,178	21,713
Public Works	1,500	1,500		(1,500)
Culture and Recreation	24,232	24,232	22,544	(1,688)
Employee Benefits, Insurance, and Miscellaneous	151,734	151,734	206,900	55,166
Debt Service				
Principal and Interest	865	865	1,418	553
Refund of Prior Year Revenues	1,999	1,999	1,094	(905)
Total Expenditures	1,343,340	1,343,340	1,561,411	218,071
Excess (Deficiency) of				
Revenues Over Expenditures	(7,806)	(7,806)	(33,866)	(26,060)
Other Financing Sources (Uses)				
Sales of Assets	20,000	20,000	21,188	1,188
Interfund Transfers In	162,806	162,806	18,500	(144,306)
Interfund Transfers (Out)	(175,000)	(175,000)	(2,034)	172,966
Total Other Financing Sources & (Uses)	7,806	7,806	37,654	29,848
Net Change in Fund Balances			3,788	3,788
Fund Balances - Beginning	291,435	291,435	291,435	
Fund Balances - Ending	\$ 291,435	\$ 291,435	\$ 295,223	\$ 3,788

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Non-Uniform Pension Fund</u>	<u>Uniform Pension Fund</u>
ASSETS		
Current Assets:		
Investments	\$ 1,084,421	\$ 279,156
Other receivables		1,020
Total Current Assets	<u>1,084,421</u>	<u>280,176</u>
TOTAL ASSETS	<u>\$ 1,084,421</u>	<u>\$ 280,176</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>\$</u>	<u>\$</u>
Total Current Liabilities		
NET POSITION		
Unrestricted	<u>1,084,421</u>	<u>280,176</u>
Total Net Position	<u>1,084,421</u>	<u>280,176</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,084,421</u></u>	<u><u>\$ 280,176</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MOUNT PLEASANT TOWNSHIP
STATEMENT OF CHANGES IN
FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Non-Uniform Pension Fund	Uniform Pension Fund
Additions		
Investment Earnings	\$ 153,897	\$
Contributions	<u>55,806</u>	
Total Additions	<u>209,703</u>	
Deductions		
Distributions	96,954	
Other Deductions	<u>2,545</u>	-
Total Deductions	<u>99,499</u>	
Changes in Net Position	110,204	
Net Position-Beginning	<u>974,217</u>	<u>280,176</u>
Net Position-Ending	<u><u>\$ 1,084,421</u></u>	<u><u>\$ 280,176</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Mount Pleasant Township

Notes to the Basic Financial Statements

Year Ended December 31, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Mount Pleasant Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Township is a primary government organized within the laws of the Commonwealth of Pennsylvania. The Township is governed by an elected Board of Supervisors. The Township has the power of taxation and the ability to incur long term debt. As such, it is an independent governmental unit.

In evaluating the Township as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the Township to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the Township determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

B. Basis of Presentation

Following are the more significant of the Township's accounting policies:

The Township's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Township as a whole within the limitations of the modified cash basis of accounting. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the Township at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

In the process of aggregating data for the statement of Net Position and the Statement of Activities, some amounts that are reported as inter-fund activity and balances are eliminated.

2. Fund Financial Statements

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

C. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Liquid Fuels Fund are the Township's major governmental funds.

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

Liquid Fuels Fund - The Liquid Fuels Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund includes the Township's Capital Reserve, the Act 13 Impact Fee Fund, and the Public Works Building Construction Fund. The Capital Projects Funds are used to account for major capital facilities and repairs.

The other governmental funds of the Township are used to account for other resources. These include the library tax fund, street lighting fund, the fire protection fund, the paramedic fund, the Parks and Recreation Fund and the sewage escrow fund.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are not available to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains two pension trust funds.

Trust Fund

Pension Trust Fund – Non Uniform Pension Fund and Police Pension Fund – These are trust funds established to account for revenues and pension expenditures to the Township's money purchase and defined benefit plans. Pension trust funds are accounted for in essentially the same manner as governmental funds.

D. Measurement Focus:

In the government-wide Statement of Net Position, and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, 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 sheets. 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.

E. Basis of Accounting:

The financial statements are presented using a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This 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 investments, inter-fund receivables and payables, and short-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and 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 in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

F. Financial Position

1. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

2. Investments

Investments classified in the financial statements consist entirely of either investments, signifying that all are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name; or pooled investment funds which cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value.

3. Due From Other Funds or Governments

Receivables and payables to other funds or governments arising from cash transactions or events are recorded in the financial statements as a modification to the cash basis of accounting.

4. Capital Assets

The Township's modified cash basis of accounting reports capital assets arising from cash transaction or events acquired for use in governmental-wide financial statements and in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash transaction or events is not reported as liabilities in the government-wide and in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures.

6. Net Position/Fund Balance Classification

Government-Wide Statements

Net position is classified and displayed in three components:

- Net investment in capital assets – consists of capital assets, included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets and adjustments for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- Restricted – consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislations.
- Unrestricted – net amount of assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets for the restricted component of net position.

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

Fund Balances

The difference in the total of assets and deferred outflows less the total of liabilities and deferred inflows of governmental funds is reported as fund balances and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at December 31, 2019 by the Township are non-spendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action taken by the Board of Supervisors, the Township's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Supervisors.
- Assigned – includes amounts that the Township intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Board of Supervisors.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Supervisors has provided otherwise in its commitment or assignment actions.

The Township has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Fund balances in the Township's major funds are \$295,223 for the general fund, which includes \$6,103 that is assigned for designated purposes, and \$289,120 that is unassigned. Fund balances in the capital projects fund total \$640,912 and fund balances in the liquid fuels fund consist of \$228,933 that is assigned for highways.

Fund balances in the Township's non-major funds consist of a deficit of \$(4,059) that is unassigned, \$11,742 that is assigned for the Parks and Recreation, \$16,635 that is assigned for street lighting and fire protection and \$3,788 that is assigned for the paramedic fund.

G. Revenues, Expenditures and Expenses

In the Statement of Activities, modified cash-basis 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:

General Government – Sale of Government Documents

Public Safety – Permits and Foreign Fire Relief

Highways and Streets – Commercial vehicle and gasoline excise tax shared by the State

Culture and Recreation – Funds raised specifically for culture and recreation

Employee Benefits – Pension State Aid

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

H. Budgets and Budgetary Accounting:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to December 31, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

The Township is not permitted to amend the budget during the year to change the original appropriation. The control level at which the budget must report is function and object.

The General Fund is the only fund for which a budget is required to be adopted.

At December 31st of each year, appropriations lapse and may not be carried forward.

Encumbrances are utilized to the extent necessary for the Township to maintain proper control over the budget. Open encumbrances at year-end lapse and are reappropriated in the next year's budget.

I. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Inter-fund Receivables/Payables

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as "Inter-fund Receivable" or "Inter-fund Payable" on the balance sheet.

K. Subsequent Events

The Township evaluated subsequent events for recognition and disclosure through June 11, 2020, the date the financial statements were available to be issued. The Township's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain.

Note 2 – Cash and Investments

Deposits

Below is a summary of the Township's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the Township's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<u>FDIC</u> <u>Insured</u>	<u>Pooled</u> <u>Collateral</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Cash and Cash Equivalents	<u>\$ 250,000</u>	<u>\$ 1,215,761</u>	<u>\$ 1,465,761</u>	<u>\$ 1,290,856</u>

Investments

The Township's investments at December 31, 2019 consist of:

	<u>Carrying Amount</u>	<u>Fair Value/Other Measurement Value</u>
CUNA	\$ 1,084,421	\$ 1,084,421
Pennsylvania Municipal Retirement System	<u>279,156</u>	<u>279,156</u>
Total	<u>\$1,363,577</u>	<u>\$ 1,363,577</u>

The Board of Supervisors has designated CUNA and Pennsylvania Municipal Retirement System as custodial and trustee of Mount Pleasant Township's retirement assets. When applicable, the Township measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principles, recognize a three-tiered fair value hierarchy as follows:

- **Level 1 inputs:** Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- **Level 2 inputs:** The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.
- **Level 3 inputs:** Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

CUNA

For the portion of township pension assets invested with CUNA, the fair value measurements have been reported in the quarterly participant account report provided to the township by CUNA. CUNA measures and records its investments at fair market value, unless otherwise stated by the issuer of the investment. The Township's portfolio in CUNA includes a fixed annuity contract measured at cash surrender value. Cash surrender value is the sum of money an insurance company pays to the policyholder or annuity holder in the event his policy is voluntarily terminated before it's maturity or the insured event occurs.

At December 31, 2019, the following table reflects the Township investments held by CUNA:

CUNA INVESTMENTS PORTFOLIO

As of December 31, 2019

FAIR VALUE MEASUREMENTS USING INVESTMENTS BY FAIR VALUE LEVEL

	2019	Level 1	Level 2	Level 3
Mutual Funds	\$ 1,084,421	\$ 1,084,421		
Total investments by fair value level	1,084,421	1,084,421		
Total investments	<u>\$ 1,084,421</u>			

Pennsylvania Municipal Retirement System (PMRS)

The amounts above reflecting the Pennsylvania Municipal Retirement System include balances as of December 31, 2018. Updated account information for the 2019 year was not available at the time of this report's issuance. For the portion of township pension assets invested with the Pennsylvania Municipal Retirement System, the fair value measurements have been derived from the December 31, 2018 CAFR issued by PMRS which measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles.

Investments valued at the net asset value (NAV) per share (or its equivalent) include investments considered to be Alternative Investments defined by the AICPA. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, exchanges, or NASDAQ). These types of investments include real estate and commingled funds and can be held within any of the asset classes used by PMRS based on underlying portfolio holdings and analysis of risk and return relationships. The commingled funds are open-ended funds and may be utilized in equity or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks and bonds). PMRS owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

Short-term investments are reported at amortized cost.

At December 31, 2018, the following table reflects the Township share of the investment portfolio of the Pennsylvania Municipal Retirement System:

TOWNSHIP SHARE OF PMRS INVESTMENT PORTFOLIO

As of December 31, 2018

FAIR VALUE MEASUREMENTS USING INVESTMENTS BY FAIR VALUE LEVEL				
	2018	Level 1	Level 2	Level 3
Common and preferred stock	\$ 136,180	\$ 136,180		
Total investments by fair value level	136,180	136,180		
INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds - debt	41,034	-	Daily, monthly	1-15 Days
Commingled funds - equity	36,329	-	Daily, monthly	1-15 Days
Real estate	57,473	-	Not eligible	Not eligible
Total investments measured at NAV	134,836			
INVESTMENTS AT OTHER THAN FAIR VALUE				
Cash equivalents	8,140			
Total investments at other than fair value	8,140			
Total investments	\$ 279,156			

PMRS is exposed to the risk of loss of investments due to errors and omissions on behalf of its advisors is covered by the contractual obligation for the advisors to maintain errors and omissions insurance. The investment managers also must provide proof of a fidelity bond covering the advisor, the office, and its employees.

In accordance with a contract between the Treasurer of the Commonwealth of Pennsylvania and the Treasurer's custodial agent, PMRS may participate in a securities lending program. Under this program, the custodial agent, acting as the lending agent, lends securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for collateral in amounts up to 105 percent of the fair value of securities lent. Collateral is marked-to-market daily. If the fair value of the collateral held falls below the minimum guidelines for securities lent, additional collateral is obtained. In lieu of securities or cash, the borrower may deliver to the lending agent irrevocable bank letters of credit, government securities, or repurchase agreements as collateral. If the collateral obtained consists in whole or in part of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the State Treasurer.

All securities loans can be terminated on demand by either PMRS or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The relationship between the maturities of the investment pool and PMRS's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's pool, which PMRS cannot determine. PMRS cannot pledge or sell collateral securities received unless the borrower defaults.

As of December 31, 2018 and 2017, PMRS had no credit risk exposure to borrowers because participation in the securities lending program was halted in 2008.

Investment Risks

Custodial Credit Risk - Custodial credit risk is the risk of loss resulting from the failure of the custodian such that PMRS or CUNA would not be able to recover the value of its investments or

collateral securities in the possession of the custodian. The Township is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

For the portion of Township pension assets invested with PMRS, since the State Treasurer, as custodian, holds all investments in the name of PMRS, PMRS's investments are not exposed to custodial credit risk. The Treasury Department has formally adopted a written investment policy which addresses custodial credit risk.

For the portion of township pension assets invested with CUNA, because the investment securities are uninsured, unregistered, and in the possession of the counterparty or its safekeeping department, the investment securities are subject to custodial credit risk. However, because the investments in CUNA are participant directed, custodial credit risk falls on the participant and not the Township.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income 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.

For the portion of Township pension assets invested with PMRS, based on the total portfolio that PMRS is invested in, approximately 14% of the total assets were subject to this risk.

For the portion of Township pension assets invested with CUNA, because the investments in CUNA are participant directed, the interest rate risk falls on the participant and not the Township.

Concentration of Credit Risk – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan's net position. The Township places no limit on the amount it may invest in any one issue.

The portion of Township pension assets invested with PMRS had no single issuer that exceeded 5 percent of total investments at December 31, 2018. Therefore, the Township is not subject to this risk.

The portion of Township pension assets invested with CUNA had five single issuers that exceed 5 percent of total investments at December 31, 2019. However, because the investments in CUNA are participant directed, this risk falls on the participant and not the Township.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

As part of PMRS's program of diversification, the system invests in non-U.S. markets. At December 31, 2018, less than 6.6% of the PMRS total investments of \$2.156 billion was subject to this risk.

Investments in CUNA are directed by participants and therefore could be subject to foreign currency risk.

Note 3 – Property Taxes

Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on March 15 and are payable in one installment. The Township bills and collects its own property taxes through locally elected tax collectors. The tax levy for 2019 was based on assessed values on January 1, 2019 of \$294,655,830. The Township tax rate for the year ended December 31, 2019 is 1.92 mills as levied by the Township.

Taxes may be paid at a 2% discount until May 15, at face until July 15, and at a 10% penalty until the second Monday in January of the following year. At that time, they will be leined with the County, who then are responsible for their collections.

Note 4 – Changes in Capital Assets

Capital assets are not accounted for in the Township's financial statements due to the use of the modified cash basis of accounting.

A summary of changes in capital assets follows:

	Balance 1-1-19	Additions	Deletions	Balance 12-31-19
Land & Buildings	\$ 809,039	\$ 60,712	\$ -0-	\$ 869,751
Machinery and Equipment	2,810,353	35,800	-0-	2,867,341
	<u>\$3,619,392</u>	<u>\$ 96,512</u>	<u>\$ -0-</u>	<u>\$3,737,092</u>

Note 5 – General Long-Term Debt

Long-term debt is not accounted for in the Township's financial statements due to the use of the modified cash basis of accounting. The following is a summary of debt transactions of the Township for the year ended December 31, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, Loans & Leases Payable					
General Obligation Notes	\$ 440,085	\$ -	\$ (24,214)	\$ 415,871	\$ 24,986
Lease Purchase Agreements				-	
	<u>440,085</u>	<u>-</u>	<u>(24,214)</u>	<u>415,871</u>	<u>24,986</u>
Other Liabilities:					
Post Retirement Benefits &					
Compensated Absences	<u>76,567</u>	<u>43,035</u>	<u>(42,450)</u>	<u>77,152</u>	
Total other Liabilities	<u>76,567</u>	<u>43,035</u>	<u>(42,450)</u>	<u>77,152</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 516,652</u>	<u>\$ 43,035</u>	<u>\$ (66,664)</u>	<u>\$ 493,023</u>	<u>\$ 24,986</u>

General Obligation Notes

On March 15, 2000, the Township authorized the issuance of a guaranty agreement securing a portion of a note to be issued by the Midway Sewerage Authority in the total amount of \$350,000 to the Pennsylvania Infrastructure Investment Authority (PennVest) and a guaranty agreement securing a portion of a note to be issued by the Midway Sewerage Authority in the total amount of \$320,000 to PNC Bank, N.A. to finance the costs of a sanitary sewage collection and treatment facilities project to be undertaken together with the Townships of Smith, Cecil, Robinson and the Borough of Midway.

On May 25, 2018, the Township entered into an agreement for a General Obligation Note, Series B of 2018 with Washington Financial Bank in the amount of \$350,000. The Township is to make monthly payments in the amount of \$2,502, with an applicable rate of interest of 3.5%. The final payment is scheduled for June 1, 2033.

On March 29, 2018, the Township entered into a loan agreement with the Department of Community and Economic Development (DCED) for a principal loan amount of \$100,000. The Township is to make quarterly payments of \$1,943 with an applicable interest rate of 2.0%. The final payment is scheduled for July 1, 2033.

The amounts necessary to amortize this outstanding notes payable to maturity are:

	Principal	Interest	Total
2020	\$ 24,986	\$ 12,810	\$ 37,796
2021	25,783	12,013	37,796
2022	26,606	11,189	37,795
2023	27,457	10,338	37,795
2024	28,336	9,459	37,795
2025-2029	155,929	33,047	188,976
2030-20303	126,774	7,450	134,224
Total	<u>\$ 415,871</u>	<u>\$ 96,306</u>	<u>\$ 512,177</u>

Note 6 – Pension Plans

The Township maintains two pension plans, the Mount Pleasant Township Board of Supervisors Pension Plan and the Mount Pleasant Township Police Pension Plan.

Board of Supervisors Pension Plan

The Township maintains a pension plan known as The Mount Pleasant Township Board of Supervisors Pension Plan, covering all employees who have completed six months of service for the Township. It is a money purchase pension plan where the amount of pension benefits is determined by the monies accumulated in the individual employee accounts at retirement.

The Township makes mandatory contributions of 10% of the covered payroll for employees hired before 1/1/2011 and 5% of the covered payroll for employees hired after 1/1/2011.

Total Payroll for 2019	<u>\$698,428</u>
Total Covered Payroll for 2019	<u>\$331,072</u>
Total Employees covered for 2019	<u>10</u>

Employer contributions for 2019 were \$22,923.

Vesting of the employees share in the Plan occurs over three years. Normal retirement is age sixty or early retirement may be elected at age fifty-five with three years of vesting service.

Pension assets are invested with CUNA Investments. As of December 31, 2019, the total value of plan assets was \$1,084,421.

Police Pension Plan

The annual report from the Pennsylvania Municipal Retirement System was not available at the time of this report's issuance. The financial activity and information included within this report reflects balances as of December 31, 2018 and no activity for the 2019 year.

Plan Description. The Mount Pleasant Township Police Pension Plan (MPTPPP) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 123 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. MTPPPP provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living allowances are provided at the discretion of the plan. PMRS issues a separate Comprehensive

Annual Financial Report (CAFR) The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Basis of Accounting. The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

Contributions. Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

In accordance with the plan's governing Ordinance or Resolution as applicable, members are required to contribute 5.00% of compensation to the plan.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

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

Annual Pension Costs. For 2019, the Township's annual pension cost of \$28,080 for MPTPPP was equal to the Township's required contribution. The required contribution was determined as part of the January 1, 2017 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5.5% investment rate of return and (b) projected salary increases based on the age-related scale for merit/seniority.

Five Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/15	\$15,970	100.0%	\$-0-
12/31/16	\$24,094	100.0%	\$-0-
12/31/17	\$20,630	100.0%	\$-0-
12/31/18	\$20,755	100.0%	\$-0-
12/31/19	\$28,080	100.0%	\$-0-

Required Supplementary Information
Schedule of Funding Progress for MPTPPP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL – Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Covered Payroll (c)	UAAL as percentage of Covered Payroll ((b-a)/c)
1/1/2011	<u>\$33,460</u>	<u>\$65,969</u>	<u>\$32,509</u>	<u>\$97,561</u>	<u>33.32%</u>
1/1/2013	<u>\$55,846</u>	<u>\$114,306</u>	<u>\$58,460</u>	<u>\$104,798</u>	<u>55.78%</u>
1/1/2015	<u>\$100,461</u>	<u>\$129,056</u>	<u>\$28,595</u>	<u>\$86,327</u>	<u>33.12%</u>
1/1/2017	<u>\$166,897</u>	<u>\$191,256</u>	<u>\$24,359</u>	<u>\$166,140</u>	<u>14.58%</u>

Summary financial information as of December 31, 2018 follows:

Total Assets	\$ 280,176
Total Liabilities	-0-
Net Position	<u>\$ 280,176</u>
 Total Additions	 \$ -0-
Total Expenditures and Other Uses	-0-
Change in Net Position	<u>\$ -0-</u>

The following information relates to Governmental Accounting Standards Board Statements #68. This data is not reflected in the Township's financial statements due to the use of the modified cash basis of accounting.

Change in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2017	\$ 225,611	\$ 217,714	\$ 7,897
Changes for the year:			
Service Cost	24,730		24,730
Interest	13,143		13,143
Changes of assumptions	-		-
Differences between expected and actual experience	10,414		10,414
Contributions - employer		53,552	(53,552)
Contributions - PMRS Assessment		80	(80)
Contributions - employee		8,577	(8,577)
PMRS investment income		11,614	(11,614)
Market value investment income		(29,866)	29,866
Benefit Payments			-
PMRS administrative expense		(80)	80
Additional Administrative expense		(518)	518
Net changes	<u>48,287</u>	<u>43,359</u>	<u>4,928</u>
Balances at 12/31/2018	<u>\$ 273,898</u>	<u>\$ 261,073</u>	<u>\$ 12,825</u>

This report does not reflect changes in benefits or assumptions after January 1, 2019. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2017 actuarial valuation, per GASB 68 paragraph 22, with liabilities rolled forward to December 31, 2017 and reflecting the impact of plan changes if applicable. The end of year TPL is based on the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018. Except as noted below, the TPL as of December 31, 2018 was based on the data, actuarial methods and assumptions, and plan provisions described in Appendices A and E.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position."

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality account pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

Sensitivity of Net Pension Liability to Changes in Discount Rate			
	1% Decrease 4.25%	Discount Rate 52.25%	1% Increase 6.25%
Total Pension Liability	\$ 334,085	\$ 273,898	\$ 225,538
Plan Fiduciary Net Position	261,073	261,073	261,073
Net Pension Liability	<u>\$ 73,012</u>	<u>\$ 12,825</u>	<u>\$ (35,535)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.1%	95.3%	115.8%

The following table contains the number of active employees, inactive employees entitled to but not yet receiving benefits, and inactive employees or beneficiaries currently receiving benefits from the Plan based on the most recent actuarial valuation date of January 1, 2019.

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	4
Total Participant Count	4

Required Supplementary Information

The schedules of Required Supplementary Information will eventually build up to 10 years of information. The schedule below shows the changes in NPL and related ratios required by GASB.

Schedule of Changes in Net Pension Liability

	Measurement Year 12/31/2018	Measurement Year 12/31/2017	Measurement Year 12/31/2016	Measurement Year 12/31/2015	Measurement Year Ending 12/31/2014
Total Pension Liability					
Service cost (beginning of year)	\$ 24,730	\$ 23,101	\$ 21,620	\$ 20,260	\$ 19,549
Interest (includes interest on service cost)	13,143	11,254	9,035	8,202	8,651
Changes of benefit terms					
Differences between expected and actual experience	10,414		8,690	-	(36,472)
Changes of assumptions			9,260	(14,485)	
Benefit payments, including refunds of member contributions				(382)	(827)
Net change in total pension liability	48,287	34,355	48,605	13,595	(9,099)
Total pension liability - beginning	225,611	191,256	142,651	129,056	138,155
Total pension liability - ending	\$ 273,898	\$ 225,611	\$ 191,256	\$ 142,651	\$ 129,056
Plan Fiduciary Net Position					
Contributions - employer	\$ 53,552	\$ 21,048	\$ 24,486	\$ 15,890	\$ 21,840
Contributions - PMRS Assessment	80	80	80	120	
Contributions - employee	8,577	8,012	7,793	6,008	4,478
PMRS investment income	11,614	9,199	7,467	5,832	4,385
Market value investment income	(29,866)	20,721	1,074	(7,639)	(623)
Benefit payments, including refunds of member contributions				(382)	(827)
PMRS administrative expense	(80)	(80)	(80)	(120)	(60)
Additional Administrative expense	(518)	(423)	(366)	(243)	(168)
Net change in plan fiduciary net position	43,359	58,557	40,454	19,466	\$ 29,025
Plan fiduciary net position - beginning	217,714	159,157	118,703	99,237	70,212
Plan fiduciary net position - ending	\$ 261,073	\$ 217,714	\$ 159,157	\$ 118,703	\$ 99,237
Net pension liability - ending	\$ 12,825	\$ 7,897	\$ 32,099	\$ 23,948	\$ 29,819
Plan fiduciary net position as a percentage of the total pension liability	95.32%	96.50%	83.22%	83.21%	76.89%
Covered employee payroll	\$ 171,538	\$ 160,239	\$ 155,873	\$ 120,174	\$ 109,200
Net pension liability as a percentage of covered employee payroll	7.48%	4.93%	20.59%	19.93%	27.31%

An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the minimum municipal obligation as defined in ACT 205 which conforms to these standards.

Schedule of Employer Contributions					
Last 10 Measure Years (if available)					
	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 20,708	\$ 21,129	\$ 24,566	\$ 15,705	\$ 11,840
Contributions in Relation to the Actuarially Determined Contribution	53,632	21,128	24,566	16,010	21,840
Contribution Deficiency/(Excess)	\$ (32,924)	\$ 1	\$ -	\$ (305)	\$ (10,000)
Covered-Employee Payroll	\$ 171,538	\$ 160,239	\$ 155,873	\$ 120,174	\$ 109,200
Contributions as a Percentage of Covered- Employee Payroll	31.27%	13.19%	15.76%	13.32%	20.00%

*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

**Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation. These amounts may not match the MMO payroll.

Notes to Schedules:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2018 is based upon the January 1, 2015 valuation.

A summary of the key assumptions and methods used to determine the 2016 contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2015 actuarial valuation report.

Assets, Liabilities, and Funded Ratios

Measurement Year Ending	2013	2014	2015	2016	2017	2018
1. Total Pension Liability	\$ 138,155	\$ 129,056	\$ 142,651	\$ 191,256	\$ 225,611	\$ 273,898
2. Actuarial Value of Assets	\$ 70,850	\$ 100,461	\$ 127,572	\$ 166,897	\$ 204,695	\$ 280,176
3. AVA Funded Ratio (2/1)	51.3%	77.8%	89.4%	87.3%	90.7%	102.3%
4. Market Value of Assets	\$ 70,212	\$ 99,237	\$ 118,703	\$ 159,157	\$ 217,714	\$ 261,073
5. MVA Funded Ratio (4/1)	50.8%	76.9%	83.2%	83.2%	96.5%	95.3%

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,342	\$ 16,497
Changes in assumptions	11,265	7,277
Net difference between projected and actual earnings on pension plan investments		12,558
Total	\$ 37,607	\$ 36,332

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

Year ended December 31:

2019	\$ 2,336
2020	810
2021	1,023
2022	5,169
2023	(805)
Thereafter	\$ (9,808)

The recognition period for experience and assumptions change gains/losses is 14.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

Calculation of Collective Pension Expense		
	12/31/2018	12/31/2017
Change in Net Pension Liability	\$ 4,928	\$ (24,202)
Change in Deferred Outflows	(20,946)	5,254
Change in Deferred Inflows	(16,874)	11,212
Employer Contributions	53,632	21,128
Pension Expense	\$ 20,740	\$ 13,392
Pension Expense as % of Payroll	12.09%	10.09%
Operating Expenses		
Service Cost	\$ 24,730	\$ 23,101
Employee contributions	(8,577)	(8,012)
PMRS administrative expense	80	80
Additional Administrative expense	518	423
Total	\$ 16,751	\$ 15,592
Financing Expenses		
Interest Cost	\$ 13,143	\$ 11,254
Expected return on assets	(11,614)	(9,199)
Total	\$ 1,529	\$ 2,055
Changes		
Recognition of assumption changes	(144)	(144)
Recognition of liability gains and losses	(661)	(1,405)
Recognition of investment gains and losses	3,265	(2,706)
Total	2,460	(4,255)
Pension Expense	\$ 20,740	\$ 13,392

Note 7 – Contingent Liabilities

Mount Pleasant Township participates in grant programs sponsored by other governments. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended December 31, 2019 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts to be immaterial.

Note 8 – Interfund Balances

Individual fund inter-fund receivable and payable balances at December 31, 2019 were:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
General Fund	\$ 61,161	General Fund	\$ 51,502
Capital Reserve Fund	32,500	Capital Reserve Fund	26,811
Street Lighting Fund	8,548	Library Tax Fund	10,582
Library Tax Fund	5,191	Street Lighting Fund	8,810
Paramedic Fund	4,538	Fire Protection Fund	8,810
Sewage Escrow Fund	725	Liquid Fuels Fund	4,631
		Paramedic Fund	1,065
		Parks and Recreation Fund	452
Total	<u>\$ 112,663</u>		<u>\$ 112,663</u>

The interfund balances noted above are the result of various expenses being paid by one fund that were the responsibility of another fund.

During the year ended December 31, 2019, the following fund level transfers were made:

<u>Receiving Fund</u>	<u>Amount</u>	<u>Expending Fund</u>	<u>Amount</u>
General Fund	\$ 18,500	Paramedic Fund	\$ 13,500
Fire Protection Fund	1,542	Fire Protection Fund	5,000
Paramedic Fund	248	General Fund	2,034
Library Tax Fund	<u>244</u>		<u> </u>
	<u>\$ 20,534</u>		<u>\$ 20,534</u>

The transfer between the General Fund and the Paramedic Fund was made to reimburse for employee wages. The transfer between the General Fund and the Fire Protection Fund was made to supplement expenditures paid by the General Fund.

Note 9 – Risk Management and Litigation

The Township is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages most risk through the general fund with the purchase of commercial insurance coverage. There has been no reduction in insurance coverage from the previous year, nor have amounts of settlements exceeded coverage levels in the past three years.

The Township estimates that the amount of actual or potential claims against the Township as of December 31, 2019, will not materially affect the financial condition of the Township and will be covered under the present insurance coverage.

MOUNT PLEASANT TOWNSHIP
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Library Tax Fund	Street Lighting Fund	Sewage Escrow Fund	Fire Protection Fund	Paramedic Fund	Parks and Recreation Fund	Total
ASSETS							
Cash and Cash Equivalents	\$ 1,332	\$ 22,846	\$ 19,482	\$ 2,861	\$ 315	\$ 12,194	\$ 59,030
Interfund Receivable	5,191	8,548	725		4,538		19,002
TOTAL ASSETS	<u>\$ 6,523</u>	<u>\$ 31,394</u>	<u>\$ 20,207</u>	<u>\$ 2,861</u>	<u>\$ 4,853</u>	<u>\$ 12,194</u>	<u>\$ 78,032</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Interfund Payable	\$ 10,582	\$ 8,810	\$ 20,207	\$ 8,810	\$ 1,065	\$ 452	\$ 29,719
Deposits							20,207
Total Liabilities	<u>10,582</u>	<u>8,810</u>	<u>20,207</u>	<u>8,810</u>	<u>1,065</u>	<u>452</u>	<u>49,926</u>
Fund Balances							
Fund Balances							
Assigned to Street Lighting and Fire Protection		22,584		(5,949)			16,635
Assigned to Paramedics					3,788	11,742	3,788
Assigned to Parks and Recreation							11,742
Unassigned	(4,059)						(4,059)
Total Fund Balances	<u>(4,059)</u>	<u>22,584</u>		<u>(5,949)</u>	<u>3,788</u>	<u>11,742</u>	<u>28,106</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,523</u>	<u>\$ 31,394</u>	<u>\$ 20,207</u>	<u>\$ 2,861</u>	<u>\$ 4,853</u>	<u>\$ 12,194</u>	<u>\$ 78,032</u>

MOUNT PLEASANT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Library Tax Fund	Street Lighting Fund	Sewage Escrow Fund	Fire Protection Fund	Paramedic Fund	Parks and Recreation Fund	Total
Revenues and Other Financing Sources							
Revenues							
Real Estate Taxes	\$ 12,977	\$ -	\$ -	\$ 80,744	\$ 12,976	\$ -	\$ 106,697
Interest and Rents	19	613	-	118	13	314	1,077
Departmental Earnings						17,941	17,941
Special Assessments		58,604					58,604
Miscellaneous						19	19
Total Revenues	12,996	59,217		80,862	12,989	18,274	184,338
Expenditures							
General Government	582	2,637		3,622	582		7,423
Public Safety		48,330		75,000			123,330
Highways and Streets		7,855					7,855
Culture and Recreation	12,000					8,259	20,259
Employee Benefits, Insurance, and Miscellaneous		14					14
Total Expenditures	12,582	58,836		78,622	582	8,259	158,881
Excess (Deficiency) of Revenues Over Expenditures	414	381		2,240	12,407	10,015	25,457
Other Financing Sources (Uses)							
Interfund Transfers (Out)				(5,000)	(13,500)		(18,500)
Interfund Transfers In	244			1,542	248		2,034
Total Other Financing Sources (Uses)	244			(3,458)	(13,252)		(16,466)
Net Change in Fund Balances	658	381		(1,218)	(845)	10,015	8,991
Fund Balance - January 1, 2019	(4,717)	22,203		(4,731)	4,633	1,727	19,115
Fund Balance - December 31, 2019	\$ (4,059)	\$ 22,584	\$ -	\$ (5,949)	\$ 3,788	\$ 11,742	\$ 28,106