



## ***LOWER ALSACE TOWNSHIP***

### **FINANCIAL STATEMENTS AND SUPPLEMENTARY AND OTHER INFORMATION**

**Year Ended December 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Supervisors  
Lower Alsace Township  
Reading, Pennsylvania**

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

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

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

## Opinions

In our opinion, the financial statements referred to in the first paragraph 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 Lower Alsace Township as of December 31, 2018, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Lower Alsace Township's basic financial statements. The combining modified cash basis - nonmajor governmental funds and fiduciary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining modified cash basis - nonmajor governmental funds and fiduciary funds financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Lower Alsace Township's basic financial statements. The budgetary comparison information and the pension plan schedule of funding progress and employer contributions, 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.

## 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**April 11, 2019**

LOWER ALSACE TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2018

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 651,772
<b>TOTAL ASSETS</b>	<u>651,772</u>
<b>LIABILITIES</b>	
Payroll tax withholdings	1,331
Escrow deposits	1,001
<b>TOTAL LIABILITIES</b>	<u>2,332</u>
<b>NET POSITION</b>	
Restricted for:	
Fire services	10,335
Emergency medical services	4,765
Highways and streets	3,021
Unrestricted	631,319
<b>TOTAL NET POSITION</b>	<u>\$ 649,440</u>

**LOWER ALSACE TOWNSHIP**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General government	\$ 238,229	\$ 104,465	\$ 3,806	-	\$ (129,958)
Public safety:					
Police	990,711	15,586	-	-	(975,125)
Fire	72,343	-	20,270	-	(52,073)
Ambulance/rescue	83,227	7,564	-	-	(75,663)
Other (planning, zoning, etc.)	122,785	69,991	-	-	(52,794)
Public works - sanitation	10,417	-	8,373	-	(2,044)
Public works - highways and streets	529,752	21,025	215,097	-	(293,630)
Culture and recreation	71,500	-	-	-	(71,500)
Debt service	769,086	-	165,525	398,000	(205,561)
Employer paid benefits and insurance	283,622	-	23,422	-	(260,200)
<b>Total Governmental Activities</b>	<b>\$ 3,171,672</b>	<b>\$ 218,631</b>	<b>\$ 436,493</b>	<b>\$ 398,000</b>	<b>(2,118,548)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes					1,430,503
Earned income taxes					572,962
Other taxes					125,160
Investment earnings					13,390
Miscellaneous income					24,165
<b>Total General Revenues</b>					<b>2,166,180</b>
<b>Change in Net Position</b>					<b>47,632</b>
<b>Net Position - Beginning of year</b>					<b>601,808</b>
<b>Net Position - End of year</b>					<b>\$ 649,440</b>

See accompanying notes.

**LOWER ALSACE TOWNSHIP**

**BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS**

**December 31, 2018**

	General	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 635,535	\$ 16,237	\$ 651,772
Interfund receivable	-	1,884	1,884
<b>TOTAL ASSETS</b>	<b>\$ 635,535</b>	<b>\$ 18,121</b>	<b>\$ 653,656</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payroll tax withholdings	\$ 1,331	\$ -	\$ 1,331
Escrow deposits	1,001	-	1,001
Interfund payable	1,884	-	1,884
<b>TOTAL LIABILITIES</b>	4,216	-	4,216
<b>FUND BALANCES</b>			
Restricted for:			
Fire services	-	10,335	10,335
Emergency medical services	-	4,765	4,765
Highways and streets	-	3,021	3,021
Assigned fund balance	270,246	-	270,246
Unassigned fund balance	361,073	-	361,073
<b>TOTAL FUND BALANCES</b>	631,319	18,121	649,440
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 635,535</b>	<b>\$ 18,121</b>	<b>\$ 653,656</b>

LOWER ALSACE TOWNSHIP

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

Year Ended December 31, 2018

	General	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Real estate taxes	\$ 1,310,269	\$ 120,234	\$ 1,430,503
Earned income taxes	572,962	-	572,962
Other taxes	125,160	-	125,160
Licenses, permits, and fines	102,913	-	102,913
Interest and rent	13,258	132	13,390
Intergovernmental	668,968	165,525	834,493
Charges for services	79,261	-	79,261
Other	24,165	-	24,165
	<u>2,896,956</u>	<u>285,891</u>	<u>3,182,847</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current:			
General government	238,229	-	238,229
Public safety:			
Police	990,711	-	990,711
Fire	37,192	35,151	72,343
Ambulance/rescue	1,638	81,589	83,227
Other (planning, zoning, etc.)	122,785	-	122,785
Public works - sanitation	10,417	-	10,417
Public works - highways and streets	529,752	-	529,752
Culture and recreation	71,500	-	71,500
Debt service - principal	554,209	159,667	713,876
Debt service - interest	51,802	3,408	55,210
Employer paid benefits and insurance	283,622	-	283,622
	<u>2,891,857</u>	<u>279,815</u>	<u>3,171,672</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	5,099	6,076	11,175
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	36,457	-	36,457
	<u>41,556</u>	<u>6,076</u>	<u>47,632</u>
<b>NET CHANGE IN FUND BALANCES</b>			
<b>FUND BALANCES - BEGINNING OF YEAR</b>	589,763	12,045	601,808
	<u>\$ 631,319</u>	<u>\$ 18,121</u>	<u>\$ 649,440</u>
<b>FUND BALANCES - END OF YEAR</b>			

See accompanying notes.



**LOWER ALSACE TOWNSHIP**  
**STATEMENT OF NET POSITION -**  
**MODIFIED CASH BASIS - FIDUCIARY FUNDS**

**December 31, 2018**

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	Pension Trust Funds
<b>ASSETS</b>	
Cash	\$ 121,602
Investments	<u>1,343,683</u>
<b>TOTAL ASSETS</b>	<u>1,465,285</u>
<b>NET POSITION - held in trust for pension benefits</b>	<u><u>\$ 1,465,285</u></u>

LOWER ALSACE TOWNSHIP

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

Year Ended December 31, 2018

	Pension Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Township and Commonwealth	\$ 92,222
Employees	12,304
	<hr/>
<b>TOTAL ADDITIONS</b>	104,526
 <b>DEDUCTIONS</b>	
Investment loss	111,234
Benefit payments	126,044
Administrative expenses	19,455
	<hr/>
<b>TOTAL DEDUCTIONS</b>	256,733
<b>CHANGE IN NET POSITION</b>	(152,207)
 <b>NET POSITION - BEGINNING OF YEAR</b>	 1,617,492
	<hr/>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 1,465,285</b>
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## LOWER ALSACE TOWNSHIP

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

Lower Alsace Township (the "Township"), Berks County, Pennsylvania, is a second class township created in 1888. The Township is governed by three (3) elected supervisors in accordance with laws of the Commonwealth of Pennsylvania. The supervisors must be residents who are elected every two years, on a staggered basis, for a six-year term. The supervisors have the power to establish policies to be carried out by the Township.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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As described further in Note 1E., 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 measurement and recognition criteria of the modified cash basis of accounting.

##### A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, if applicable.

The Township used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the Township has determined it has no component units.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**B. Jointly Governed Organizations**

Governments often enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a jointly governed organization whereby governments enter into an arrangement to plan for and address certain activities for their mutual benefit. The following are such relationships:

***Antietam Valley Municipal Authority***

The Township, in conjunction with Mount Penn Borough, has created the Antietam Valley Municipal Authority (the "Authority"). The Antietam Valley Municipal Authority's board is comprised of three members from Mount Penn Borough and two members from the Township. The primary purpose of the Authority is to own and maintain the sewer collection and conveyance system, the pump station, and the wastewater treatment plant. The Authority provides service to sewer customers in the Township, Mount Penn Borough, St. Lawrence Borough, a portion of Exeter Township, and the City of Reading.

***Central Berks Regional Police Commission***

The Township, in conjunction with Mount Penn Borough, has created the Central Berks Regional Police Commission (the "Commission"). The Commission's board is composed of two representatives and one alternate from each municipality. The primary purpose of the Commission is to manage police business and activities of the Central Berks Regional Police. See Note 9 for further details of the agreement.

**C. Basis of Presentation - Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. The statements include all funds of the reporting entity except for fiduciary funds, which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services. The Township presently does not have any business-type activities.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Township are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Government-Wide Financial Statements - continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type, and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Township presently has no enterprise funds.

**The Township Reports the Following Major Governmental Fund:**

General Fund - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**The Township also Reports the Following Nonmajor Governmental Funds:**

Special Revenue Funds - These funds are established to account for the cash receipts of specific sources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes. The Township's special revenue funds include the following, all of which are reported as nonmajor governmental funds:

- Fire Tax Fund - This fund is used to account for the receipts generated from the .25 mill assessment received from Township residents for the purpose of providing fire protection support throughout the Township.
- Emergency Services Tax Fund - This fund is used to account for the receipts generated from the .50 mill assessment received from Township residents for the purpose of providing emergency medical services to Township residents.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**D. Basis of Presentation - Fund Financial Statements - continued**

- State Highway Aid Fund - This fund is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements are legally restricted to disbursements for highway purposes in accordance with Department of Transportation regulations.

**Additionally, the Township Reports the Following Fund Types:**

Fiduciary Funds - The Township's fiduciary funds are trust 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, therefore, are not available to support the Township's own programs. The Township's two trust funds are:

- *Lower Alsace Township Non-Uniformed Pension Fund* - this fund was established to provide pension benefits to Township employees. This fund is a defined benefit plan.
- *Lower Alsace Township Non-Uniform Defined Contribution Plan* - this fund was established to provide pension benefits to Township employees. This fund is a defined contribution plan.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables/payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable 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.

**1. Measurement Focus**

In the government-wide statement of net position and statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

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:

- All governmental funds utilize the 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 statements present sources and uses of available spendable financial resources during a given period. These funds use net fund balance as their measure of available spendable financial resources at the end of the period.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

**2. Basis of Accounting**

The financial statements are presented in accordance with 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 statement of net position or balance sheet 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, interfund receivables and payables, payroll tax withholdings, and developer escrows arising from cash transactions or events.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**E. Measurement Focus and Basis of Accounting - continued**

**2. Basis of Accounting - continued**

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 of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

**F. Financial Position**

**1. Investments**

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**2. Interfund Activities**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."



LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

3. Capital Assets

In the government-wide and fund financial statements, capital assets arising from cash transactions are recorded as capital outlay expenditures (expenses) upon acquisition. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are recorded as an expenditure in the fund expending the funds. Proceeds from the sale of capital assets are reported as other financing sources in the fund financial statements, and are netted against capital outlay expenditures (expenses) in the government-wide financial statements.

4. Long-Term Debt

Debt proceeds are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses).

5. Net Position/Fund Balance Classifications

**Government-Wide Statements**

Net Position is classified and displayed in two components:

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net positions of the Township, which are not restricted for any project or other purpose.

Flow Assumption - When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental Fund Financial Statements**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

5. Net Position/Fund Balance Classifications - continued

**Governmental Fund Financial Statements - continued**

Committed - Amounts that can be used only for a specific purpose determined by a formal action of the Township's board of supervisors, the government's highest level of decision-making authority. The formal action (resolution) to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned - Amounts that the Township intends to use for a specific purpose. Assignments of fund balance are made by the Township's board of supervisors.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose.

Spending Policy

The Township does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the governmental accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

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

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**G. Revenues, Expenditures, and Expenses**

**1. 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 receipts. The Township has the following program receipts in each activity:

General Government - Charges for services include receipts for licenses and permits and proceeds from the sale of capital assets; operating grants include revenues for general governmental expenditures.

Public Safety - Charges for services include receipts for fines and permits, as well as repayments received from a loan receivable; operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania.

Public Works: Sanitation - Operating grants include recycling performance grants from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Charges for services include receipts for mowing and plowing contracts and proceeds from the sale of capital assets. Operating grants and contributions include proceeds from the Multi-Modal Grant through the Commonwealth of Pennsylvania.

Debt Service - Operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania; capital grants and contributions include a contribution from the County of Berks to be used for debt reduction.

Employer Paid Benefits and Insurance - Includes general municipal pension system state aid from the Commonwealth of Pennsylvania.

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

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**G. Revenues, Expenditures, and Expenses - continued**

**2. Property Taxes**

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. Property taxes are levied on March 1 and are payable on or before June 30. The tax levy ordinance for the 2018 calendar year levied taxes on March 1, 2018, at 7.93 mills for general purposes, a fire tax of .25 mills, and an emergency services tax of .50 mills leading to a total of 8.68 mills assessed. Taxes paid prior to April 30 are payable at a 2% discount, and taxes paid after June 30 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Berks County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$165,617,800.

**3. Compensated Absences**

Compensated absences for vacation and sick leave are recorded when paid.

**H. Use of Estimates**

The preparation of the financial statements in accordance 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**Budgetary Data**

The Township adopts an annual operating budget, which can be amended by the supervisors throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township; and budgets are adopted for all governmental funds. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect revenue and expenditures (expenses) recognized on the modified cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts.

**Excess of Expenditures over Appropriations**

For the year ended December 31, 2018, the General Fund had excess expenditures over appropriations of \$277,366. The excess expenses were paid through the receipt of unbudgeted grant revenue and contributions.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 3 - CASH AND INVESTMENTS**

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Under Section 3204.1 of the Commonwealth of Pennsylvania Second Class Township Code, the Township is permitted to invest funds in the following types of investments:

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, 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.

Deposits in savings accounts, 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.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The components of cash and investments, as presented on the financial statements are as follows at December 31, 2018:

Deposits	\$ 773,374
Pension investments	<u>1,343,683</u>
	<u>\$ 2,117,057</u>

**Cash**

**Custodial Credit Risk - Deposit**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2018, the carrying amount of the Township's deposits was \$773,374 and the bank balance was \$1,018,010. The Township participates in an insured cash sweep savings account which allocates Township deposits on hand through a variety of banks with allocated funds at each bank being under the FDIC limit.

**Investments**

**Pension Trust Fund**

The pension trust funds' investments are held separately from those of other Township funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

**Investments - continued**

**Pension Trust Fund - continued**

As of December 31, 2018, the Township had the following pension investments:

	<u>Fair Value</u>	<u>Level</u>
Pension Investments:		
Domestic Equity	\$ 708,842	1
Corporate Fixed Income	85,241	2
Mutual Funds	497,147	1
Other instruments (EFT/CEF and Alternative Instruments)	<u>52,453</u>	1
Total Pension Investments	<u>\$ 1,343,683</u>	

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Level 2 investments noted were valued using comparable securities.

**Interest Rate Risk**

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.

**Credit Risk**

The Township does not have an investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk**

The Township places no limit on the amount that may be invested in any one issuer.

**Custodial Credit Risk - Investment**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments held, the Township has a custodial credit risk exposure of \$846,536 because the related securities are uninsured, unregistered and held by the broker or dealer, or by its trust department or agency, but not in the government's name.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 4 - LONG-TERM DEBT

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The Township has the following long-term debt outstanding at December 31, 2018:

General Obligation Notes - Series of 2018

On June 21, 2018, the Township issued General Obligation Note, Series of 2018 in the amount of \$1,160,000. Principal payments are due annually on November 1st commencing November 1, 2018 and interest is due semi-annually on May 1st and November 1st. Final payment of outstanding principal and accrued interest is due on November 1, 2037. The note bears interest at a fixed rate of 3.96%. The note was used to refinance the outstanding principal of the General Obligation Notes of 2013. Present value savings from the refinancing was approximately \$440,000 which includes a debt reduction payment from the County of Berks totaling \$398,000.

\$ 1,071,000

Infrastructure Bank Loan of 2014

In August 2014, the Township entered into the infrastructure bank loan of 2014 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$600,000. Principal and interest payments are due annually on July 18<sup>th</sup> of each year beginning on July 18, 2015. The note bears interest at 1.625% through maturity on July 18, 2024. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note will be used for infrastructure improvements.

369,622

Infrastructure Bank Loan of 2014 - Equipment Loan

In July 2014, the Township entered into the infrastructure bank loan of 2014 - equipment loan with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$55,000. Principal and interest payments are due annually on July 15<sup>th</sup> of each year beginning on July 15, 2015. The note bears interest at 1.625% through maturity on July 15, 2019. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for purchase of capital assets.

11,359

Infrastructure Bank Loan of 2011

In September 2011, the Township entered into the infrastructure bank loan of 2011 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$500,000. Principal and interest payments are due annually on September 15<sup>th</sup> of each year beginning on September 15, 2012. The note bears interest at 1.625% through maturity on September 15, 2021. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for infrastructure improvements.

158,548

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 4 - LONG-TERM DEBT - CONTINUED**

Infrastructure Bank Loan of 2009

In September 2009, the Township entered into the infrastructure bank loan of 2009 with the Commonwealth of Pennsylvania, Department of Transportation in the amount of \$1,050,000. Principal and interest payments are due annually on November 18<sup>th</sup> of each year beginning on November 18, 2010. The note bears interest at 1.625% through maturity on November 18, 2019. The note is secured through future Township liquid fuels tax allocations. Proceeds from the note were used for infrastructure improvements.

112,777

Total long-term debt \$ 1,723,306

Maturities of long-term debt are as follows:

	General Obligation Notes - Series of 2018	Infrastructure Bank Loan of 2014	Infrastructure Bank Loan of 2014 - Equipment	Infrastructure Bank Loan of 2011	Infrastructure Bank Loan of 2009	Total Long- Term Debt	Interest
2019	\$ 84,000	\$ 59,455	\$ 11,359	\$ 52,000	\$ 112,777	\$ 319,591	\$ 53,993
2020	88,000	60,421	-	52,845	-	201,266	46,854
2021	91,000	61,403	-	53,703	-	206,106	41,545
2022	95,000	62,400	-	-	-	157,400	36,086
2023	36,000	63,414	-	-	-	99,414	31,327
2024 - 2028	200,000	62,529	-	-	-	262,529	121,642
2029 - 2033	245,000	-	-	-	-	245,000	75,834
2034 - 2037	232,000	-	-	-	-	232,000	23,364
	<u>\$ 1,071,000</u>	<u>\$ 369,622</u>	<u>\$ 11,359</u>	<u>\$ 158,548</u>	<u>\$ 112,777</u>	<u>\$ 1,723,306</u>	<u>\$ 430,645</u>

Funds to pay outstanding long-term debt will be provided by future tax revenues, liquid fuel tax allocations, and other general revenues. Total interest expense during the year ended December 31, 2018, was \$55,210.

The following is a summary of the Township's long-term debt transactions for the year:

	Balance 01/01/2018	Additions	Deductions	Balance 12/31/2018	Due within one year
General Obligation Notes, 2013	\$ 1,518,000	\$ -	\$ 1,518,000	\$ -	\$ -
General Obligation Notes, 2018	-	1,160,000	89,000	1,071,000	84,000
Infrastructure Bank Loans	884,681	-	232,375	652,306	235,591
	<u>\$ 2,402,681</u>	<u>\$ 1,160,000</u>	<u>\$ 1,839,375</u>	<u>\$ 1,723,306</u>	<u>\$ 319,591</u>



LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

**NOTE 5 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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The following is a summary of interfund receivables and payables at December 31, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ -	\$ 1,884
Nonmajor fund- Fire Tax	628	-
Nonmajor fund- Emergency Services Tax	<u>1,256</u>	<u>-</u>
	<u>\$ 1,884</u>	<u>\$ 1,884</u>

Interfund receivables/ payables exist because of a time lag between dates when payments between funds are made. These amounts will be repaid within one year.

**NOTE 6 - LOWER ALSACE TOWNSHIP PENSION PLAN**

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Lower Alsace Township administers and contributes to one single-employer defined benefit plan - Lower Alsace Township Non-Uniformed Pension Plan, and one single-employer defined contribution plan - Lower Alsace Township Non-Uniform DC Plan. The assets of the plans are invested separately and may be used only for payment of benefits to the members of the plan in accordance with the terms of the plans.

**Defined Benefit Plan**

**Plan Description**

The Lower Alsace Township Non-Uniformed Pension Plan ("the DB Plan") provides retirement, disability, and death benefits to plan members and beneficiaries. The DB Plan is governed by the Lower Alsace Township, which is responsible for the management of plan assets. The DB Plan is considered part of the Township's financial reporting entity and is included in the Township's financial statements as a pension trust fund.

**Funding Policy**

The contribution requirements of plan members and the Township are established and may be amended by the Township board of supervisors. For the year ended December 31, 2018, active members contributed 5% of total compensation to the DB Plan. The contributions required of the Township are based on actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended December 31, 2018, the rate of Township contributions for the DB Plan was 17.52%. The Township's contributions to the Plan for the years ended December 31, 2018, 2017, and 2016 were \$88,905, \$87,942, and \$92,935, respectively, which are equal to or exceed the required contribution for each year.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 6 - LOWER ALSACE TOWNSHIP PENSION PLAN - CONTINUED**

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**Defined Contribution Plan**

**Plan Description**

The Lower Alsace Non-Uniform DC Plan (“the DC Plan”) is a single-employer defined contribution plan that covers all full-time, non-uniformed employees of the Lower Alsace Township hired after the DC Plan adoption resolution approved on January 28, 2015. The DC Plan is governed by the Township board of supervisors who are responsible for the management of Plan assets. The Township board of supervisors has delegated the authority to manage certain DC Plan assets to the Morgan Stanley Smith Barney LLC. The DC Plan provides for retirement, disability, and death benefits. The DC Plan is considered part of the Township’s financial reporting entity and is included in the Township’s fiduciary fund financial statements as a Pension Trust Fund.

**Funding Policy**

The contribution requirements of plan members and the Township are based on the plan document which has a stated rate for the Township of 8% of employee compensation as of December 31, 2018. The Township contributed \$3,317 to the Non-Uniform DC Plan for the year ended December 31, 2018.

**NOTE 7 - RISK MANAGEMENT**

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The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2018 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 8 - INTERMUNICIPAL AGREEMENTS**

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**County of Berks Public Safety Radio System Loans**

During 2012, the Township entered into interest-free lease agreements with the County of Berks, Pennsylvania, for public safety system hardware and accessory hardware on behalf of the Community Volunteer Fire Company of Lower Alsace Township and Lower Alsace Ambulance Association. Annual payments of \$13,333 will be made beginning June 1, 2013 through 2019. The annual payments consist of \$11,459 for the Community Volunteer Fire Company of Lower Alsace Township and \$1,874 for Lower Alsace Ambulance Association.

Annual payments for all leases for the year ended December 31, 2018, were \$13,333.

The future minimum lease payments are \$13,333 for the year ended December 31, 2019.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 8 - INTERMUNICIPAL AGREEMENTS - CONTINUED**

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**Lower Alsace Volunteer Ambulance Association Loan**

During 2015, the Township entered into a loan agreement with Lower Alsace Volunteer Ambulance Association in the amount of \$66,562. Under the agreement, payments of \$3,782, which include principal and interest accrued at 2.5%, are payable to the Township semi-annually. Payments to the Township commenced October 1, 2015, with all unpaid principal and interest being due March 1, 2025. Proceeds from the loan were used to purchase an advanced life support ambulance which is the Township's security for the loan.

Total principal and interest payments received on the loan for the year ended December 31, 2018, were \$7,564, which includes principal of \$6,317 and interest of \$1,247.

The future loan payments receivable are as follows at December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,476	\$ 1,088	\$ 7,564
2020	6,639	925	7,564
2021	6,806	758	7,564
2022	6,978	586	7,564
2023	7,153	411	7,564
2024 - 2025	<u>11,068</u>	<u>278</u>	<u>11,346</u>
	<u>\$ 45,120</u>	<u>\$ 4,046</u>	<u>\$ 49,166</u>

**NOTE 9 - INTERGOVERNMENTAL COOPERATION AGREEMENT**

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**Central Berks Regional Police Commission**

The Township receives police services from the Central Berks Regional Police ("Police"), which is governed by the Central Berks Regional Police Commission ("Commission"). The operating budget for the Police is approved by the Commission and is funded equally by the participating municipalities; Lower Alsace Township and Mount Penn Borough. The intergovernmental agreement for the Commission is renewed annually and participating municipalities are required to give a one-year notice in writing to withdraw. In 2018, the Township's cost for police services was \$959,202.

**LOWER ALSACE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE 10 - FUND BALANCE**

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Fund balance classifications of the Township for the year ended December 31, 2018, were as follows:

**General Fund**

The general fund has assigned funds of \$270,246 consisting of \$25,000 for future recreation grant matches and \$245,246, which is the appropriation of fund balance for the 2019 budget, and unassigned funds of \$361,073.

**Nonmajor Funds**

The nonmajor special revenue funds have restricted funds of \$10,335 in undistributed fire protection service assessments, \$4,765 in unspent emergency services funds assessments, and \$3,021 in unspent highway state aid funds.

**OTHER INFORMATION**

**LOWER ALSACE TOWNSHIP**

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2018**

	<u>Fire Tax</u>	<u>Emergency Services Tax</u>	<u>State Highway Aid</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 9,707	\$ 3,509	\$ 3,021	\$ 16,237
Interfund receivable	<u>628</u>	<u>1,256</u>	<u>-</u>	<u>1,884</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,335</u></u>	<u><u>\$ 4,765</u></u>	<u><u>\$ 3,021</u></u>	<u><u>\$ 18,121</u></u>
<b>FUND BALANCES</b>				
Restricted	<u>\$ 10,335</u>	<u>\$ 4,765</u>	<u>\$ 3,021</u>	<u>\$ 18,121</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 10,335</u></u>	<u><u>\$ 4,765</u></u>	<u><u>\$ 3,021</u></u>	<u><u>\$ 18,121</u></u>

**LOWER ALSACE TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2018**

	Fire Tax	Emergency Services Tax	State Highway Aid	Totals
<b>REVENUES</b>				
Real estate taxes	\$ 40,081	\$ 80,153	\$ -	\$ 120,234
Interest and rent	3	34	95	132
Intergovernmental	-	-	165,525	165,525
	<u>40,084</u>	<u>80,187</u>	<u>165,620</u>	<u>285,891</u>
<b>TOTAL REVENUES</b>	<b>40,084</b>	<b>80,187</b>	<b>165,620</b>	<b>285,891</b>
<b>EXPENDITURES</b>				
Public Safety:				
Fire	35,151	-	-	35,151
Ambulance/rescue	-	81,589	-	81,589
Debt Service - principal	-	-	159,667	159,667
Debt Service - interest	-	-	3,408	3,408
	<u>35,151</u>	<u>81,589</u>	<u>163,075</u>	<u>279,815</u>
<b>TOTAL EXPENDITURES</b>	<b>35,151</b>	<b>81,589</b>	<b>163,075</b>	<b>279,815</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,933</b>	<b>(1,402)</b>	<b>2,545</b>	<b>6,076</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>5,402</u>	<u>6,167</u>	<u>476</u>	<u>12,045</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 10,335</u></u>	<u><u>\$ 4,765</u></u>	<u><u>\$ 3,021</u></u>	<u><u>\$ 18,121</u></u>

LOWER ALSACE TOWNSHIP

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

December 31, 2018

	Defined Benefit Pension Fund	Defined Contribution Pension fund	Total Pension Trust Funds
<b>ASSETS</b>			
Cash	\$ 116,917	\$ 4,685	\$ 121,602
Investments	1,335,729	7,954	1,343,683
<b>TOTAL ASSETS</b>	<u>1,452,646</u>	<u>12,639</u>	<u>1,465,285</u>
<b>NET POSITION - held in trust for pension benefits</b>	<u>\$ 1,452,646</u>	<u>\$ 12,639</u>	<u>\$ 1,465,285</u>



**LOWER ALSACE TOWNSHIP**

**COMBINING STATEMENT OF CHANGES IN NET POSITION -  
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

**Year Ended December 31, 2018**

	Defined Benefit Pension Fund	Defined Contribution Pension fund	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Township and Commonwealth Employees	\$ 88,905 10,645	\$ 3,317 1,659	\$ 92,222 12,304
<b>TOTAL ADDITIONS</b>	99,550	4,976	104,526
<b>DEDUCTIONS</b>			
Investment loss	110,605	629	111,234
Benefit payments	126,044	-	126,044
Administrative expenses	19,255	200	19,455
<b>TOTAL DEDUCTIONS</b>	255,904	829	256,733
<b>CHANGE IN NET POSITION</b>	(156,354)	4,147	(152,207)
<b>NET POSITION - BEGINNING OF YEAR</b>	1,609,000	8,492	1,617,492
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,452,646</u>	<u>\$ 12,639</u>	<u>\$ 1,465,285</u>

**SUPPLEMENTARY INFORMATION**

LOWER ALSACE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

(UNAUDITED)

Year Ended December 31, 2018

	*		
	Budget	Actual	Variance
<b>REVENUES</b>			
Real estate taxes	\$ 1,315,055	\$ 1,310,269	\$ (4,786)
Earned income taxes	575,000	572,962	(2,038)
Other taxes	114,222	125,160	10,938
Licenses, permits, and fines	113,150	102,913	(10,237)
Interest and rent	5,845	13,258	7,413
Intergovernmental	60,008	668,968	608,960
Charges for services	95,135	79,261	(15,874)
Other	10,000	24,165	14,165
<b>TOTAL REVENUES</b>	<b>2,288,415</b>	<b>2,896,956</b>	<b>608,541</b>
<b>EXPENDITURES</b>			
Current:			
General government	278,933	238,229	40,704
Public safety:			
Police	991,389	990,711	678
Fire	47,009	37,192	9,817
Ambulance/rescue	1,874	1,638	236
Other (planning, zoning, etc.)	134,739	122,785	11,954
Public works - sanitation	14,728	10,417	4,311
Public works - highways and streets	605,985	529,752	76,233
Culture and recreation	8,000	71,500	(63,500)
Debt service - principal	187,301	554,209	(366,908)
Debt service - interest	52,326	51,802	524
Employer paid benefits and insurance	292,207	283,622	8,585
<b>TOTAL EXPENDITURES</b>	<b>2,614,491</b>	<b>2,891,857</b>	<b>(277,366)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(326,076)</b>	<b>5,099</b>	<b>331,175</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(25,000)	-	25,000
Sale of capital assets	15,000	36,457	21,457
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,000)</b>	<b>36,457</b>	<b>46,457</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (336,076)</b>	<b>41,556</b>	<b>\$ 377,632</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>589,763</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 631,319</b>	

\* Original and Final Budget are the same.

**LOWER ALSACE TOWNSHIP**

**NON-UNIFORMED PENSION PLAN SCHEDULE OF  
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**(UNAUDITED)**

**SCHEDULE OF FUNDING PROGRESS\***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ 1,583,169	\$ 1,849,331	\$ 266,162	85.6%	\$ 210,590	126.4%
01/01/15	1,478,430	1,762,599	284,169	83.9%	238,555	119.1%
01/01/13	1,211,292	1,631,515	420,233	74.2%	273,886	153.4%

NOTE: For the 1/1/17 actuarial valuation, the interest rate assumption decreased from 7.75% to 7.50% and the salary projection assumption decreased from 4.75% to 4.5%, which resulted in an additional liability of \$37,437. The Township also changed the valuation of pension assets from market value to a five year smoothed market value, which resulted in a reduction of the actuarial liability by \$166,396.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS\***

Fiscal Year	Annual Required Contribution	Percentage Contributed
2018	\$ 85,865	103.5%
2017	83,498	104.8%
2016	89,655	103.7%
2015	88,941	100.0%
2014	93,024	100.0%
2013	86,510	109.0%

\* Schedules prepared in accordance with PA Act 205