



LOWER ALSACE TOWNSHIP

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY AND OTHER INFORMATION**

Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise Lower Alsace Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Alsace Township, as of December 31, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Alsace Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Alsace Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Alsace Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Alsace Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Alsace Township's basic financial statements. The accompanying combining modified cash basis - nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining modified cash basis nonmajor governmental funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information and the pension plan schedule of funding progress and employer contributions but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Herbein + Company, Inc.

Reading, Pennsylvania
April 14, 2022

LOWER ALSACE TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,167,891
Intergovernmental receivable	<u>1,850</u>
TOTAL ASSETS	<u>1,169,741</u>
LIABILITIES	
Payroll withholdings	11
Escrow deposits	<u>2,001</u>
TOTAL LIABILITIES	<u>2,012</u>
NET POSITION	
Restricted for:	
Fire services	4,343
Emergency medical services	464
Highways and streets	31,697
Grant funds	247,752
Unrestricted	<u>883,473</u>
TOTAL NET POSITION	<u><u>\$ 1,167,729</u></u>

LOWER ALSACE TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended December 31, 2021

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
Primary Government					
Governmental Activities:					
General government	\$ 263,930	\$ 88,002	\$ 4,057	\$ -	\$ (171,871)
Public safety:					
Police	1,003,773	7,768	-	-	(996,005)
Fire	99,639	-	19,752	-	(79,887)
Ambulance/rescue	92,901	-	-	-	(92,901)
Other (planning, zoning, etc.)	239,216	76,023	-	-	(163,193)
Public works - sanitation	123,657	75,191	7,010	-	(41,456)
Public works - highways and streets	332,213	1,461	155,982	-	(174,770)
Culture and recreation	2,000	-	-	-	(2,000)
Debt service	153,290	-	-	-	(153,290)
Employer paid benefits and insurance	279,041	-	28,784	-	(250,257)
Total Governmental Activities	\$ 2,589,660	\$ 248,445	\$ 215,585	\$ -	(2,125,630)
General Revenues:					
Taxes:					
Property taxes					1,568,750
Earned income taxes					607,272
Other taxes					176,859
Investment earnings					224
Grants not restricted for specific programs					247,752
Proceeds from general obligation note					948,000
Payment of refunded note principal					(899,000)
Miscellaneous income					43,311
Total General Revenues					2,693,168
Change in Net Position					567,538
Net Position - Beginning of year					600,191
Net Position - End of year					\$ 1,167,729

LOWER ALSACE TOWNSHIP

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

December 31, 2021

	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,120,276	\$ 47,615	\$ 1,167,891
Intergovernmental receivable	1,850	-	1,850
Interfund receivables	11,893	782	12,675
	<u>11,893</u>	<u>782</u>	<u>12,675</u>
TOTAL ASSETS	<u>\$ 1,134,019</u>	<u>\$ 48,397</u>	<u>\$ 1,182,416</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payroll withholdings	\$ 11	\$ -	\$ 11
Escrow deposits	2,001	-	2,001
Interfund payable	782	11,893	12,675
	<u>782</u>	<u>11,893</u>	<u>12,675</u>
TOTAL LIABILITIES	2,794	11,893	14,687
 FUND BALANCES			
Restricted for:			
Fire services	-	4,343	4,343
Emergency medical services	-	464	464
Highways and streets	-	31,697	31,697
Grant funds	247,752	-	247,752
Assigned fund balance	60,118	-	60,118
Unassigned fund balance	823,355	-	823,355
	<u>823,355</u>	<u>-</u>	<u>823,355</u>
TOTAL FUND BALANCES	<u>1,131,225</u>	<u>36,504</u>	<u>1,167,729</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,134,019</u>	<u>\$ 48,397</u>	<u>\$ 1,182,416</u>

LOWER ALSACE TOWNSHIP

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

Year Ended December 31, 2021

	General	Nonmajor Funds	Total Governmental Funds
REVENUES			
Real estate taxes	\$ 1,432,572	\$ 136,178	\$ 1,568,750
Earned income taxes	607,272	-	607,272
Other taxes	176,859	-	176,859
Licenses, permits, and fines	95,134	-	95,134
Interest and rent	148	76	224
Intergovernmental	310,264	153,073	463,337
Charges for services	152,946	-	152,946
Other	43,311	-	43,311
	<u>2,818,506</u>	<u>289,327</u>	<u>3,107,833</u>
TOTAL REVENUES	2,818,506	289,327	3,107,833
EXPENDITURES			
Current:			
General government	263,930	-	263,930
Public safety:			
Police	1,003,773	-	1,003,773
Fire	37,568	62,071	99,639
Ambulance/rescue	-	92,901	92,901
Other (planning, zoning, etc.)	239,216	-	239,216
Public works - sanitation	123,657	-	123,657
Public works - highways and streets	210,046	122,167	332,213
Culture and recreation	2,000	-	2,000
Employer paid benefits and insurance	279,041	-	279,041
Debt service - principal	134,577	-	134,577
Debt service - interest	18,713	-	18,713
	<u>2,312,521</u>	<u>277,139</u>	<u>2,589,660</u>
TOTAL EXPENDITURES	2,312,521	277,139	2,589,660
EXCESS OF REVENUES OVER EXPENDITURES	505,985	12,188	518,173
OTHER FINANCING SOURCES (USES)			
Proceeds from general obligation note	948,000	-	948,000
Payment of refunded note principal	(899,000)	-	(899,000)
Sale of capital assets	365	-	365
	<u>49,365</u>	<u>-</u>	<u>49,365</u>
TOTAL OTHER FINANCING SOURCES (USES)	49,365	-	49,365
NET CHANGE IN FUND BALANCES	555,350	12,188	567,538
FUND BALANCES - BEGINNING OF YEAR	<u>575,875</u>	<u>24,316</u>	<u>600,191</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,131,225</u></u>	<u><u>\$ 36,504</u></u>	<u><u>\$ 1,167,729</u></u>

See accompanying notes.

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

December 31, 2021

	Pension Trust Fund
ASSETS	
Cash	\$ 56,567
Investments	<u>1,900,961</u>
TOTAL ASSETS	<u>1,957,528</u>
NET POSITION - held in trust for pension benefits	<u><u>\$ 1,957,528</u></u>

LOWER ALSACE TOWNSHIP

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

Year Ended December 31, 2021

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Township and Commonwealth	\$ 55,326
Employees	4,764
Investment income	<u>237,438</u>
TOTAL ADDITIONS	297,528
DEDUCTIONS	
Benefit payments	168,843
Administrative expenses	<u>7,474</u>
TOTAL DEDUCTIONS	<u>176,317</u>
CHANGE IN NET POSITION	121,211
NET POSITION - BEGINNING OF YEAR	<u>1,836,317</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,957,528</u></u>

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

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

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, fiduciary activities, 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 legally separate entities 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 a legally separate entity 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 legally separate entity 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 one fiduciary component unit. The Township's pension plan is considered to be a fiduciary component unit and is reported as pension trust fund in the fiduciary fund financial statements.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 the fiduciary funds, which is 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 charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function or 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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 .35 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.
- 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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation - Fund Financial Statements - continued

Additionally, the Township Reports the Following Fund Types:

Fiduciary Fund - The Township's fiduciary fund is a pension trust fund. Pension trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments for pension benefits and therefore are not available to support the Township's own programs. The Township has the following pension trust fund:

- 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.

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 and 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.

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.

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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - continued

1. Measurement Focus - continued

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, intergovernmental receivable for reimbursement of costs, interfund receivables and payables, payroll withholdings, and developer escrows 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 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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

2. Interfund Transactions

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."

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 charges for services 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).

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Net Position/Fund Balance Classifications - continued

Governmental Fund Financial Statements - continued

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.

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 revenues. The Township has the following program revenues in each activity:

General Government - Charges for services include receipts for licenses, permits, and franchise fees; 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 - Charges for services include fees charged for recycling services; 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 Recycling Equipment Grant and the State Motor License Fund through the Commonwealth of Pennsylvania.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues, Expenditures, and Expenses - continued

1. Program Revenues - continued

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. Grants not restricted for a specific purpose includes unspent state and local fiscal recovery fund allocations received.

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 2021 calendar year levied taxes on March 1, 2021, at 8.50 mills for general purposes, a fire tax of .35 mills, and an emergency services tax of .50 mills leading to a total of 9.35 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 \$165,827,900.

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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. All appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2021, no individual fund which had a legally adopted budget had an excess of expenditures over appropriations.

NOTE 3 - CASH AND INVESTMENTS

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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The components of cash and investments, as presented on the financial statements are as follows at December 31, 2021:

Deposits	\$ 1,224,458
Pension investments	<u>1,900,961</u>
	<u>\$ 3,125,419</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, 2021, the carrying amount of the Township's deposits was \$1,224,458 and the bank balance was \$1,250,665. 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 Funds

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.

As of December 31, 2021, the Township had the following pension investments:

	<u>Fair Value</u>	<u>Level</u>
Pension investments:		
Exchange traded funds	\$ 1,900,961	1

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.

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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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. The Township has no investments that are exposed to this risk.

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 11,893	\$ 782
Nonmajor fund - Fire Tax	322	-
Nonmajor fund - Emergency Services Tax	460	-
Nonmajor fund - State Highway Aid	<u>-</u>	<u>11,893</u>
	<u>\$ 12,675</u>	<u>\$ 12,675</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.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 - LONG-TERM DEBT

The Township has the following long-term debt outstanding at December 31, 2021:

General Obligation Note - Series of 2021

On August 5, 2021, the Township issued General Obligation Note, Series of 2021 in the amount of \$948,000. Principal payments are due annually on November 1st commencing November 1, 2021 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 1.99%. The note was used to refinance the outstanding principal of the General Obligation Notes of 2018 and to pay costs of issuance. Present value savings from the refinancing was approximately \$87,394.

\$ 929,000

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 18th 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.

186,634

Total long-term debt

\$ 1,115,634

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 - LONG-TERM DEBT - CONTINUED

Maturities of long-term, which are all direct borrowings, are as follows:

	General Obligation Note - Series of 2021	Infrastructure Bank Loan of 2014	Total Long- Term Debt	Interest
2022	\$ 108,000	\$ 62,989	\$ 170,989	\$ 21,520
2023	48,000	64,012	112,012	18,347
2024	48,000	59,633	107,633	16,327
2025	50,000	-	50,000	14,428
2026	50,000	-	50,000	13,433
2027 - 2031	268,000	-	268,000	51,780
2032 - 2036	295,000	-	295,000	23,980
2037	62,000	-	62,000	1,234
	<u>\$ 929,000</u>	<u>\$ 186,634</u>	<u>\$ 1,115,634</u>	<u>\$ 161,049</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, 2021, was \$18,713.

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

	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021	Due within one year
Direct Borrowings					
General Obligation Note	\$ 899,000	\$ 948,000	\$ 918,000	\$ 929,000	\$ 108,000
Infrastructure Bank Loans	302,210	-	115,576	186,634	62,989
	<u>\$ 1,201,210</u>	<u>\$ 948,000</u>	<u>\$ 1,033,576</u>	<u>\$ 1,115,634</u>	<u>\$ 170,989</u>

Event of Default

In the event of default on the general obligation note, all remaining principal payments and accrued interest is immediately due and payable. The infrastructure bank loans will be satisfied by future state motor license fund allocations to the Township in the event of default on those loans.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 - LOWER ALSACE TOWNSHIP PENSION PLANS

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-Uniformed 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 a fiduciary component unit of the Township 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, 2021, 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, 2021, the rate of Township contributions for the DB Plan was 12.94%. The Township’s contributions to the DB Plan for the years ended December 31, 2021, 2020, and 2019 were \$55,326, \$87,710, and \$86,677, respectively, which are equal to or exceed the required contribution for each year.

Defined Contribution Plan

Plan Description

The Lower Alsace Non-Uniformed 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 DC Plan provides for retirement, disability, and death benefits. The DC Plan is not considered a fiduciary component unit or a fiduciary fund of the Township and therefore is not included in the Township’s financial statements.

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, 2021. The Township contributed \$17,310 to the Non-Uniformed DC Plan for the year ended December 31, 2021.

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 - RISK MANAGEMENT

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 2021 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 8 - INTERMUNICIPAL AGREEMENTS

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.

There were no payments received on the loan for the year ended December 31, 2021.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 13,784	\$ 1,344	\$ 15,128
2023	7,153	411	7,564
2024	7,333	231	7,564
2025	<u>3,735</u>	<u>47</u>	<u>3,782</u>
	<u>\$ 32,005</u>	<u>\$ 2,033</u>	<u>\$ 34,038</u>

LOWER ALSACE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - INTERGOVERNMENTAL COOPERATION AGREEMENT

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 proportionately by the participating municipalities: Lower Alsace Township, Mount Penn Borough, Oley Township, and Saint Lawrence 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 2021, the Township’s cost for police services was \$967,488.

NOTE 10 - FUND BALANCE

Fund balance classifications of the Township for the year ended December 31, 2021, were as follows:

General Fund

The general fund has restricted fund balance of \$247,752 for coronavirus fiscal recovery funds, assigned funds of \$60,118 which is the appropriation of fund balance for the 2022 budget, , and unassigned funds of \$823,355.

Nonmajor Funds

The nonmajor special revenue funds have restricted funds of \$4,343 in undistributed fire protection service assessments, \$464 in unspent emergency services funds assessments, and \$31,697 in unspent highway state aid funds.

SUPPLEMENTARY INFORMATION

LOWER ALSACE TOWNSHIP

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

December 31, 2021

	<u>Fire Tax</u>	<u>Emergency Services Tax</u>	<u>State Highway Aid</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 4,021	\$ 4	\$ 43,590	\$ 47,615
Interfund receivable	322	460	-	782
TOTAL ASSETS	<u>\$ 4,343</u>	<u>\$ 464</u>	<u>\$ 43,590</u>	<u>\$ 48,397</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Interfund payable	\$ -	\$ -	\$ 11,893	\$ 11,893
FUND BALANCES				
Restricted	4,343	464	31,697	36,504
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,343</u>	<u>\$ 464</u>	<u>\$ 43,590</u>	<u>\$ 48,397</u>

LOWER ALSACE TOWNSHIP

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

December 31, 2021

	Fire Tax	Emergency Services Tax	State Highway Aid	Totals
REVENUES				
Real estate taxes	\$ 55,954	\$ 80,224	\$ -	\$ 136,178
Interest and rent	11	17	48	76
Intergovernmental	-	-	153,073	153,073
TOTAL REVENUES	55,965	80,241	153,121	289,327
EXPENDITURES				
Public Safety:				
Fire	62,071	-	-	62,071
Ambulance/rescue	-	92,901	-	92,901
Public works - highways and streets	-	-	122,167	122,167
TOTAL EXPENDITURES	62,071	92,901	122,167	277,139
NET CHANGE IN FUND BALANCES	(6,106)	(12,660)	30,954	12,188
FUND BALANCES - BEGINNING OF YEAR	10,449	13,124	743	24,316
FUND BALANCES - END OF YEAR	\$ 4,343	\$ 464	\$ 31,697	\$ 36,504

OTHER INFORMATION

LOWER ALSACE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

(UNAUDITED)

Year Ended December 31, 2021

	*		
	Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 1,365,500	\$ 1,432,572	\$ 67,072
Earned income taxes	573,500	607,272	33,772
Other taxes	140,200	176,859	36,659
Licenses, permits, and fines	94,150	95,134	984
Interest and rent	1,000	148	(852)
Intergovernmental	58,300	310,264	251,964
Charges for services	158,800	152,946	(5,854)
Other	18,000	43,311	25,311
	TOTAL REVENUES	2,818,506	409,056
EXPENDITURES			
Current:			
General government	302,265	263,930	38,335
Public safety:			
Police	1,055,390	1,003,773	51,617
Fire	41,520	37,568	3,952
Ambulance/rescue	1,000	-	1,000
Other (planning, zoning, etc.)	216,740	239,216	(22,476)
Public works - sanitation	111,800	123,657	(11,857)
Public works - highways and streets	297,831	210,046	87,785
Culture and recreation	7,700	2,000	5,700
Employer paid benefits and insurance	247,520	279,041	(31,521)
Debt service - principal	206,577	134,577	72,000
Debt service - interest	40,511	18,713	21,798
	TOTAL EXPENDITURES	2,312,521	216,333
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	505,985	625,389
OTHER FINANCING SOURCES (USES)			
Proceeds from general obligation note	30,000	948,000	918,000
Payment of refunded note principal	-	(899,000)	(899,000)
Sale of capital assets	200	365	165
	TOTAL OTHER FINANCING SOURCES (USES)	49,365	19,165
	NET CHANGE IN FUND BALANCE	555,350	\$ 644,554
FUND BALANCE - BEGINNING OF YEAR		575,875	
FUND BALANCE - END OF YEAR		\$ 1,131,225	

* 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)
01/01/21	\$ 1,836,317	\$ 2,117,757	\$ 281,440	86.7%	\$ 99,570	282.7%
01/01/19	1,639,106	1,976,347	337,241	82.9%	222,486	151.6%
01/01/17	1,583,169	1,849,331	266,162	85.6%	210,590	126.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS*

Fiscal Year	Annual Required Contribution	Percentage Contributed
2021	\$ 55,326	100.0%
2020	87,710	100.0%
2019	86,677	100.0%
2018	85,865	103.5%
2017	83,498	104.8%
2016	89,655	103.7%

* Schedules prepared in accordance with PA Act 205