

LIGONIER TOWNSHIP
LIGONIER, PENNSYLVANIA

Financial Statements

December 31, 2013

LIGONIER TOWNSHIP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

May 16, 2014

Township Supervisors
Ligonier Township
Ligonier, Pennsylvania

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ligonier Township as of and for the year ended December 31, 2013, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 partnership'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 partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ligonier Township as of December 31, 2013, and the respective changes in financial position-cash basis thereof for the year then ended on the basis of accounting described in Note 1.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has elected in the current year to change its basis of accounting from modified accrual to the cash basis. Our opinion is not modified with respect to that matter.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although no a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.



WESSEL & COMPANY
Certified Public Accountants

LIGONIER TOWNSHIP
 GOVERNMENT-WIDE STATEMENT OF NET POSITION - CASH BASIS
 DECEMBER 31, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 945,746
Total Assets	<u>\$ 945,746</u>
<u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ -
Total Liabilities	<u>-</u>
<u>NET POSITION</u>	
Unrestricted	814,445
Restricted	<u>131,301</u>
Total Net Position	<u>945,746</u>
Total Liabilities and Net Position	<u>\$ 945,746</u>

LIGONIER TOWNSHIP
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 249,664	\$ 27,635	\$ 67,968	\$ -	\$ (154,061)
Public safety	420,995	-	68,558	-	(352,437)
Public works	828,499	-	312,698	46,933	(468,868)
Planning and zoning	7,492	-	4,105	-	(3,387)
Recreation	63,375	-	7,355	-	(56,020)
Debt Service	89,966	-	-	-	(89,966)
Employer Paid Benefits	459,302	-	-	-	(459,302)
Total Governmental Activities	\$ 2,119,293	\$ 27,635	\$ 460,684	\$ 46,933	(1,584,041)

General Revenues:

Taxes:

Property taxes	595,243
Earned Income Tax	774,405
Local enabling taxes	231,518
Licenses and permits	55,897
Fines and forfeits	23,584
Unrestricted investment earnings	(5,222)
Other revenues	35,739

Total General Revenues and Transfers 1,711,164

Change in Net Position 127,123

Net Position - Beginning of Year 818,623

Net Position - End of Year \$ 945,746

See Independent Auditor's Report and
 Accompanying Notes to Financial Statements

LIGONIER TOWNSHIP
 BALANCE SHEET - GOVERNMENTAL FUNDS - CASH BASIS
 DECEMBER 31, 2013

	Governmental Fund Types				Totals
	General	Liquid Fuels Fund	Capital Projects	K-9 Fund	
ASSETS					
Cash	\$ 814,445	\$ 12,436	\$ 103,701	\$ 15,164	\$ 945,746
Total Assets	<u>\$ 814,445</u>	<u>\$ 12,436</u>	<u>\$ 103,701</u>	<u>\$ 15,164</u>	<u>\$ 945,746</u>
FUND BALANCE					
Fund Balance					
Restricted fund balance	\$ -	\$ 12,436	\$ 103,701	\$ 15,164	\$ 131,301
Unassigned fund balance	814,445	-	-	-	814,445
Total Fund Balance	<u>814,445</u>	<u>12,436</u>	<u>103,701</u>	<u>15,164</u>	<u>945,746</u>
Total Fund Balance	<u>\$ 814,445</u>	<u>\$ 12,436</u>	<u>\$ 103,701</u>	<u>\$ 15,164</u>	<u>\$ 945,746</u>

LIGONIER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS - CASH BASIS
DECEMBER 31, 2013

	Governmental Fund Types				Totals
	General	Liquid Fuels Fund	Capital Projects	K-9 Fund	
Revenues:					
Real estate taxes	\$ 595,243	\$ -	\$ -	\$ -	\$ 595,243
Local enabling taxes	1,005,923	-	-	-	1,005,923
Licenses and permits	55,897	-	-	-	55,897
Fines, forfeits and costs	23,584	-	-	-	23,584
Interest and rents	(5,293)	71	-	-	(5,222)
Intergovernmental	174,917	285,767	46,933	-	507,617
Other fees and services	27,525	-	-	110	27,635
Miscellaneous revenue, receipts	34,234	-	-	1,505	35,739
Total Revenues	1,912,030	285,838	46,933	1,615	2,246,416
Expenditures:					
General government	249,664	-	-	-	249,664
Employee Benefits	159,096	-	-	-	159,096
Insurance	300,206	-	-	-	300,206
Public safety	417,758	-	-	3,237	420,995
Public works - Sanitation	7,615	-	-	-	7,615
Public works - Highways	554,048	266,836	-	-	820,884
Culture and recreation	63,375	-	-	-	63,375
Other enterprises	7,492	-	-	-	7,492
Debt Service	9,818	80,148	-	-	89,966
Total Expenditures	1,769,072	346,984	-	3,237	2,119,293
Excess/(Deficiency) of Revenues Over Expenditures	142,958	(61,146)	46,933	(1,622)	127,123
Other Financing Sources/(Uses):					
Short term debt proceeds	200,000	-	-	-	200,000
Short term debt payments	(200,000)	-	-	-	(200,000)
Operating transfers in	50,117	50,424	56,768	16,786	174,095
Operating transfers (out)	(123,978)	(50,117)	-	-	(174,095)
Total Other Financing Sources	(73,861)	307	56,768	16,786	-
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	69,097	(60,839)	103,701	15,164	127,123
Fund Balance at Beginning of Year	449,701	130,042	-	-	579,743
Prior Period Adjustment	295,647	(56,767)	-	-	238,880
Fund Balance at Beginning of Year	745,348	73,275	-	-	818,623
Fund Balance at End of Year	\$ 814,445	\$ 12,436	\$ 103,701	\$ 15,164	\$ 945,746

LIGONIER TOWNSHIP
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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

Net change in fund balance - total governmental funds (page 7)	\$	127,123
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities

-

The net effect of various transactions involving capital assets, (i.e. purchases, disposals, etc.) is to increase net assets

-

Change in net position of governmental activities (page 5)

	\$	<u>127,123</u>
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LIGONIER TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
 DECEMBER 31, 2013

	<u>Uniform Pension Trust Fund</u>	<u>Non-Uniform Pension Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and Investments	<u>\$ 1,091,629</u>	<u>\$ 707,522</u>	<u>\$ 1,799,151</u>
Total Assets	<u><u>\$ 1,091,629</u></u>	<u><u>\$ 707,522</u></u>	<u><u>\$ 1,799,151</u></u>

LIABILITIES AND NET POSITION

Net Position:			
Reserve for employer's pension benefits	<u>\$ 1,091,629</u>	<u>\$ 707,522</u>	<u>\$ 1,799,151</u>
Total Net Position	<u><u>\$ 1,091,629</u></u>	<u><u>\$ 707,522</u></u>	<u><u>\$ 1,799,151</u></u>

LIGONIER TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2013

	Uniform Pension Trust Fund	Non-Uniform Pension Trust Fund	Total
<u>Additions</u>			
Contributions - State Aid	\$ 7,400	\$ 53,739	\$ 61,139
Contributions - Employer	-	664	664
Net appreciation/(depreciation) in fair value of investments	130,832	249,672	380,504
Investment income	23,073	31,129	54,202
Total Additions	<u>161,305</u>	<u>335,204</u>	<u>496,509</u>
<u>Deductions</u>			
Pension benefits	36,133	160,531	196,664
Administrative expenses	1,525	322	1,847
Total Deductions	<u>37,658</u>	<u>160,853</u>	<u>198,511</u>
Increase in Net Assets	123,647	174,351	297,998
Net Position Held in Trust for Employee Pension Benefits:			
Beginning of the Year	<u>967,982</u>	<u>533,171</u>	<u>1,501,153</u>
End of the Year	<u>\$ 1,091,629</u>	<u>\$ 707,522</u>	<u>\$ 1,799,151</u>

LIGONIER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ligonier Township, the Township, is currently incorporated as a Second Class Township under the Commonwealth of Pennsylvania Municipalities Act. The Township operates under the Township Supervisors form of government whereby the three (3) Township Supervisors are elected officials. The Township provides municipal services, code enforcement and street services to approximately 6,600 residents.

a. Basis of Accounting

The accompanying financial statement has been prepared on the cash basis of accounting, a comprehensive basis of accounting other than U.S. GAAP. Under this basis, the only asset recognized is cash, no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of accounts receivable, capital assets and related depreciation, accounts payable, long-term debt obligations, and other liabilities are not included in the financial statement.

In the current year, management has elected to change its basis of accounting from modified accrual to the cash basis. The financial statement effects of the change in basis of accounting is further disclosed in Note 9.

b. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial position of the governmental activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the

program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

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

c. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There is one (1) category of fund: governmental.

Governmental Funds

Governmental funds are those which most governmental functions of the Township are financed. The Governmental funds follow the modified cash basis of accounting. The following are the Township's major governmental funds:

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

Liquid Fuels Fund – Revenue recorded within this special revenue fund is received annually by virtue of the Commonwealth of Pennsylvania Liquid Fuels Tax Act and expenditures are restricted to certain appropriations for highway purposes as approved by the Pennsylvania Department of Transportation. Unexpended allocations of such revenues are available for carryover and reappropriation to the succeeding year.

Capital Projects Fund - Capital Projects Fund is used to account for the revenues and expenditures related to significant capital projects.

K-9 Fund – The K-9 Fund is used to account for the revenues and expenditures related to the Township Police Departments K9 program.

Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds. The cash basis of accounting is utilized for fiduciary funds. The Borough's fiduciary funds are pension trust funds, which consists of the Police Pension and Non-uniform Pension plans.

d. Budgets

The Township Supervisors submit the proposed operating budgets in accordance with the Administrative Code. Prior to the inception of the calendar year, the budgets are legally enacted by the Township Supervisors through passage of budget resolutions. Any transfers of budgeted amounts between departments, as well as all budget amendments, require the approval of the Township Supervisors.

The budgets are prepared on the cash receipts and disbursements basis of accounting, for the following funds:

- General Fund

Formal budgetary integration is employed as a management control device on a cash receipts and disbursements basis of accounting during the year for the aforementioned funds. However, since the budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP), the budgetary comparisons presented in this report are on a non-GAAP budgetary basis. In this instance, however, the comparison between the two bases results in immaterial differences. The individual financial statements of the budgetary funds of the Township present comparisons of non-GAAP budgets to actual results.

e. Encumbrances

Encumbrance accounting is not utilized by the Township. This is the procedure under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Reservations of fund balances are, therefore, not provided for in the financial statements.

f. Fund Balance

The Township follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be reclassified into the following five new categories:

Nonspendable - fund balance permanently restricted and unavailable for current operations

Restricted - fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation

Committed - fund balance temporarily restricted for specified purposes established by a formal action by the Township Supervisors. Formal action by Township Supervisors is also necessary to modify or rescind a fund balance commitment

Assigned - fund balance intended for specific purpose that does not meet the criteria to be classified as restricted or committed. The Township Supervisors are authorized to assign fund balance to a specific purpose.

Unassigned - fund balance available for operations without any restriction

The Township Supervisors will spend the most restricted dollars before less restricted in the order as defined above.

Other Governmental Fund Types

The Liquid Fuels Fund maintains a restricted fund balance of \$12,436 for expenditures for highway purposes as approved by the Pennsylvania Department of Transportation.

The Capital Projects Fund maintains a restricted fund balance of \$103,701 for future projects and improvements as authorized by Act 13 of 2012.

The K-9 Fund maintains a restricted fund balance of \$15,164 for expenditures associated with the Township Police Department's K-9 programs and activities.

g. Reporting Entity

The Township follows the Statement of Governmental Accounting Standards Board No. 61, "The Financial Reporting Entity." The criteria for including organizations as component units within the Township's reporting entity include whether:

- The Township is legally separate (can sue and be sued in their own name)
- The Township holds the corporate powers of the organization
- The Township appoints a voting majority of the organization's board
- The organization has the potential to impose a financial benefit/burden on the Township
- There is fiscal dependency by the organization on the Township

Based on the aforementioned criteria, the Township has determined that Ligonier Township Municipal Authority is a discretely presented component unit.

Ligonier Township Municipal Authority

The Township appoints the board members of the Authority, but it is not financially accountable for the Authority. The Township guarantees certain obligations of the Authority which is discussed further in Note 8. These guarantees have the potential to impose a financial burden on the Township.

Financial Information

Selected financial information from the most recently issued reports of Ligonier Township Municipal Authority is presented below. Complete financial statements are available at their administrative offices.

Condensed Statement of Net Position

	<u>December 31, 2013</u>
Assets:	
Current Assets	\$ 1,387,301
Capital Assets	17,626,998
Non-Current Assets	<u>386,767</u>
Total Assets	<u>\$ 19,401,066</u>
Liabilities	
Current Liabilities	\$ 1,331,668
Non-Current Liabilities	<u>6,053,829</u>
Total Liabilities	<u>\$ 7,385,497</u>
Net Position	
Restricted	\$ 4,509
Unrestricted	1,064,437
Invested in Capital Assets	<u>10,946,623</u>
Total Net Position	<u>\$ 12,015,569</u>

Condensed Statement of Activities

	<u>December 31, 2013</u>
Service fees	\$ 915,845
Other operating revenue	359,966
Other operating revenue	<u>2,092</u>
Total Revenues	<u>1,277,903</u>
Depreciation expense	285,215
Other operating expense	628,325
Non-operating expense	<u>59,612</u>
Total Expenses	<u>973,152</u>

Income before Capital contributions	304,751
Capital contributions	<u>3,545,922</u>
Increase in Net Position	3,850,673
Beginning Net Position	<u>8,164,896</u>
Ending Net Position	<u>\$ 12,015,569</u>

h. GASB Statement 45 – Post Employment Benefits

The Township does not provide any other post-retirement benefit (OPEB) other than pension benefits; therefore GASB 45 does not apply.

NOTE 2 - CASH AND INVESTMENTS

The Township has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. When certificates of deposit are purchased, the Township or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

Pennsylvania Law limits investment and deposit types the Township may purchase as follows:

- (a) U.S. Treasury bills.
- (b) Short-term obligations of the U.S. government or its agencies.
- (c) Demand, savings and time deposits with institutions insured by the FDIC or the National Credit Union Share Funds or collateralized with securities as provided by law.
- (d) Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies providing the obligations are backed by the full faith and credit of the political subdivision.

Deposits include items described in (b) and (c).

Deposits

The Township maintains its cash and investment accounts in various financial institutions. Accounts at the financial institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to deposits of \$250,000. The amount in excess of the FDIC limit totaled \$562,036. This amount is collateralized using the pooled asset method; however, because funds are not collateralized with securities registered in the Township's name, they are considered uncollateralized. The amounts are included on the statements of net position as cash and cash equivalents.

NOTE 3 - DEBT OBLIGATIONS

The Township's short and long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Outstanding December 31, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding December 31, 2013</u>	<u>Amounts Due Within One Year</u>
2010 Note Payable	\$ 27,250	\$ ---	\$ (27,250)	\$ ---	\$ ---
2012 Note Payable	56,973	---	(56,973)	---	---
2013 Note Payable	---	24,098	(2,201)	21,897	5,340
2013 TAN	---	200,000	(200,000)	---	---
Total Obligations	<u>\$ 84,223</u>	<u>\$ 224,098</u>	<u>\$(286,424)</u>	<u>\$ 21,897</u>	<u>\$ 5,340</u>

2010 Note Payable

In 2010, the Township entered into a general obligation note for the purchase of a dump truck. The original amount of the note was for \$57,128, with a term of 60 months with an interest rate of 4.25%. The note was fully satisfied as of December 31, 2013.

2012 Note Payable

In 2012, the Township entered into a general obligation note for the purchase of a truck. The original amount of the note was for \$62,808, with a term of 60 months with an interest rate of 3.24%. The note was fully satisfied as of December 31, 2013.

2013 Note Payable

On August 25, 2013, the Township entered into a general obligation note for the purchase of a Ford Explorer. The original amount of the note was for \$24,098, with a term of 60 months. The current interest rate on this note is 3.99%. The amount outstanding on the note at December 31, 2013, amounted to \$21,897.

Principal and interest requirements to retire the above long-term note payables are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,534	\$ 806	\$ 5,340
2015	4,717	623	5,340
2016	4,908	432	5,340
2017	5,107	233	5,340
2018	<u>2,631</u>	<u>39</u>	<u>2,670</u>
Total	<u>\$ 21,897</u>	<u>\$ 2,133</u>	<u>\$ 24,030</u>

NOTE 4 - PROPERTY TAXES

The current tax rate is five (5) mills on real estate for each dollar of assessed value. The assessed valuation for 2013 totaled \$98,601,320 which would generate approximately \$493,000 of property tax revenue. The real estate tax is used entirely for general purposes.

The following is a summary of the tax calendar for the year ended December 31, 2013:

Mailing Date --- March 1, 2013
Discount Period at 2% --- March 1, 2013 to April 30, 2013
Face Period --- May 1, 2013 to June 30, 2013
Penalty Period at 10% --- July 1, 2013
Lien Date --- January 15, 2014

NOTE 5 - LIQUID FUELS TAX

Revenues recorded within the Highway Aid Fund are received annually by virtue of the Commonwealth of Pennsylvania Liquid Fuels Tax Act and expenditures are restricted to certain appropriations for highway purposes as approved by the Pennsylvania Department of Transportation. Unexpended allocations of such revenues are available for carryover and reappropriation to the succeeding year.

NOTE 6 - PENSION PLANS

Plan Description

The Township maintains two (2) single employer pension plans, the Uniform pension plan (defined benefit) and the Non-Uniform pension plan (defined contribution). The pension plans benefit provisions are established and may be amended by the Township Supervisors. The Township Supervisors have the authority to manage the plan assets. The Township issues a separate financial report on each pension plan. A copy of these financial reports can be obtained at the Township Municipal Building.

The Commonwealth of Pennsylvania has enacted the "Municipal Pension Plan Funding and Recovery Act" (Act 205). This Act establishes certain standards and requirements for municipal pensions in the areas of: (1) actuarial reporting; (2) employer contribution requirements; and (3) revising the State insurance allocations. The Township's actuarial reports for the pension have been changed to meet the reporting requirements of Act 205. The disclosure requirements for the respective plans are provided below.

Uniform Plan

The plan covers all full time employees of the Police Department. The members are vested after 12 years. Normal retirement is at age fifty-five (55) with twenty-five years of service. Benefits will be fifty percent (50%) of average compensation for employees hired after August 10, 1999. Average compensation is the average of monthly pay received for the thirty-six (36) latest months prior to a given date. Benefit provisions of the plan are established by Ordinance No. 99-14, as amended, adopted pursuant to Act 600.

Schedule of Contributions

The employee contribution requirements were established and may be amended by the Township Supervisors. The contribution required by the employer is based on an actuarial valuation and is expressed as a percentage of annual compensation. Ligonier Township's required contribution to the Police Pension Plan for the year ended December 31, 2013 was \$7,400. The employer's contribution for 2013 amounted to \$7,400 as employee contributions are currently suspended. The amount of payroll covered by the plan was approximately \$170,801.

At December 31, 2013, participants in the plan were as follows:

Active Employees	4
Retirees and beneficiaries	<u>2</u>
Total	<u>6</u>

The pension obligations were computed as part of the most recent actuarial valuation performed as of January 1, 2013. The following is a list of significant actuarial assumptions used in the valuation:

Rate of return on investments	5.5%
Projected salary increases	4.0%
Inflation	2.75%
Cost of Living Adjustment	None
Actuarial cost method	Entry Age Normal

The funding of the plan is made in accordance with Act 205, which establishes the minimum municipal obligation. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

Funding Status and Progress

The amount shown as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due. The measure is independent of the actuarial funding method used to determine contributions to the plan, discussed above.

Ligonier Township
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEARS ENDED DECEMBER 31, 2013, 2011 AND 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	\$ 1,043,704	\$ 678,765	\$ (364,939)	153.77%	\$ 170,801	213.66%
1/1/2011	1,043,732	772,596	(271,136)	135.09%	158,763	170.78%
1/1/2009	1,057,221	689,340	(367,881)	153.37%	120,661	304.89%

Uniform:

NOTE: Actuarial Reports for the Uniform pension plans is performed every other year.

Non-Uniform Employees

The plan covers full-time, non-uniform employees. The plan is controlled by the provisions of a money purchase plan document, restated as of January 1, 1997, as amended. The plan is governed by the Township supervisors which is responsible for the management of plan assets. The plan provides normal retirement, vesting, survivor and disability benefits to plan members and their beneficiaries in accordance with the provisions of the plan document above.

Contributions

Employer contributions for hourly employees are established pursuant to the terms of the applicable collective bargaining agreement. Employer contributions for salaried supervisory employees are established by the Board of Township Auditors. Employer contributions for salaried non-supervisory employees are established by the Township Supervisors.

Effective January 1, 2009, the employer contribution rate for eligible participants was set at 10.0% of compensation. Plan members are not required to contribute.

Ligonier Township's contribution to the Non-Uniform Pension Plan for the year ended December 31, 2013 was \$54,403.

At December 31, 2013, participants in the plan were as follows:

Active employees	9
Retirees and beneficiaries	0
Terminated employees entitled to benefits – Not yet receiving them	<u>2</u>
	<u>11</u>

Allocated Individual Retirement Accounts

As of December 31, 2013, the plan maintained four allocated individual retirement investment accounts. These allocated retirement accounts are excluded from plan assets and, therefore, will not appear on the pension plan's statement of net assets.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Township shares certain operating costs with Ligonier Township Municipal Authority. Some of those costs include fuel, propane, office supplies, internet and copier maintenance. The Township invoices the Municipal Authority on a quarterly basis which amounted to approximately \$13,600 for the year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of operations, the Township is involved in various disputes and grievances. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the Township's financial position.

Stormwater Maintenance Agreement

In previous years, the Township received security bonds for various Stormwater Maintenance projects amounting to approximately \$241,000. Since the Township does not maintain a fiduciary fund to track this activity, any repayment of security bonds would come from the Township's General Fund.

Grant Programs

The Township participates in various state and federal grant programs which are subject to program compliance audits by the grantors or their representatives. Although the Township believes it has complied with applicable rules and regulations of the grants, it is potentially liable for any expenditures which may be disallowed pursuant to the terms of the grants.

Ligonier Township Municipal Authority Loan Guarantees

Currently the Township guarantees two (2) Municipal Authority loans, summarized as follows:

	<u>Principal Balance</u> <u>As of December 31, 2013</u>	<u>Year of</u> <u>Maturity</u>
2010 PENNVEST Loan	\$ 2,700,867	2050
2013 Sewer Revenue Bonds	\$ 3,171,000	2053

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

In the current year, management has elected to change its basis of accounting from modified accrual to the cash basis. The financial statement effect of the change in basis of accounting is detailed as follows:

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
Fund Balance/Net Position at		
December 31, 2012, as originally stated	\$ 449,701	\$ 130,042
Bank reconciliation adjustments	(3,534)	---
Eliminate interfund transactions	56,767	(56,767)
Eliminate liability amounts	<u>242,414</u>	<u>---</u>
Fund Balance/Net Position at		
December 31, 2012, as restated	<u>\$ 745,348</u>	<u>\$ 73,275</u>

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 16, 2014, which is the date that financial statements were available to be issued.