



LIGONIER TOWNSHIP

LIGONIER TOWNSHIP
LIGONIER, PENNSYLVANIA

Financial Statements

December 31, 2018

LIGONIER TOWNSHIP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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, 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

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. 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.

Opinions

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, 2018, and the respective changes in financial position-cash basis thereof for the year then ended on the basis of accounting described in Note 1.

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 not 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

March 27, 2019

LIGONIER TOWNSHIP
 GOVERNMENT-WIDE STATEMENT OF NET POSITION - CASH BASIS
 DECEMBER 31, 2018

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,264,272
Total Assets	\$ 1,264,272
<u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ -
Total Liabilities	-
<u>NET POSITION</u>	
Unrestricted	953,798
Restricted	310,474
Total Net Position	1,264,272
Total Liabilities and Net Position	\$ 1,264,272

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

LIGONIER TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
DECEMBER 31, 2018

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	\$ 426,412	\$ 81,717	\$ 84,075	\$ -	\$ (260,620)
Public safety	880,721	-	67,258	-	(813,463)
Public works	899,168	-	477,188	32,981	(388,999)
Planning and zoning	807	-	-	-	(807)
Recreation	28,034	-	5,129	-	(22,905)
Employer paid benefits	183,172	-	-	-	(183,172)
Total Governmental Activities	\$ 2,418,314	\$ 81,717	\$ 633,650	\$ 32,981	(1,669,966)

General Revenues:

Taxes:

Property taxes	508,063
Earned income tax	830,592
Local enabling taxes	187,004
Licenses and permits	108,598
Fines and forfeits	40,847
Unrestricted investment earnings	18,071
Proceeds from asset disposal	20,980
Other revenues	21,095

Total General Revenues and Transfers 1,735,250

Change in Net Position 65,284

Net Position - Beginning of Year 1,198,988

Net Position - End of Year \$ 1,264,272

LIGONIER TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS - CASH BASIS
DECEMBER 31, 2018

	Governmental Fund Types				
	General	Liquid Fuels Fund	Capital Projects	K-9 Fund	Totals
	ASSETS				
Cash	<u>\$ 953,798</u>	<u>\$ 190,488</u>	<u>\$ 72,601</u>	<u>\$ 47,385</u>	<u>\$ 1,264,272</u>
Total Assets	<u><u>\$ 953,798</u></u>	<u><u>\$ 190,488</u></u>	<u><u>\$ 72,601</u></u>	<u><u>\$ 47,385</u></u>	<u><u>\$ 1,264,272</u></u>
	FUND BALANCE				
Fund Balance					
Restricted fund balance	\$ -	\$ 190,488	\$ 72,601	\$ 47,385	\$ 310,474
Unassigned fund balance	<u>953,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>953,798</u>
Total Fund Balance	<u>953,798</u>	<u>190,488</u>	<u>72,601</u>	<u>47,385</u>	<u>1,264,272</u>
Total Fund Balance	<u><u>\$ 953,798</u></u>	<u><u>\$ 190,488</u></u>	<u><u>\$ 72,601</u></u>	<u><u>\$ 47,385</u></u>	<u><u>\$ 1,264,272</u></u>

LIGONIER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS - CASH BASIS
DECEMBER 31, 2018

	Governmental Fund Types				Totals
	General	Liquid Fuels Fund	Capital Projects	K-9 Fund	
<u>Revenues:</u>					
Real estate taxes	\$ 508,063	\$ -	\$ -	\$ -	\$ 508,063
Local enabling taxes	1,017,596	-	-	-	1,017,596
Licenses and permits	108,598	-	-	-	108,598
Fines, forfeits and costs	40,847	-	-	-	40,847
Interest and rents	13,323	4,748	-	-	18,071
Intergovernmental	223,617	410,033	32,981	-	666,631
Other fees and services	81,717	-	-	-	81,717
Miscellaneous revenue, receipts	17,022	-	-	4,073	21,095
Total Revenues	2,010,783	414,781	32,981	4,073	2,462,618
<u>Expenditures:</u>					
General government	426,412	-	-	-	426,412
Employee benefits	135,734	-	-	-	135,734
Insurance	47,438	-	-	-	47,438
Public safety	875,786	-	-	4,935	880,721
Planning and zoning	182	-	-	-	182
Public works - sanitation	7,897	-	-	-	7,897
Public works - highways	663,755	227,516	-	-	891,271
Culture and recreation	28,034	-	-	-	28,034
Other enterprises	625	-	-	-	625
Total Expenditures	2,185,863	227,516	-	4,935	2,418,314
Excess/(Deficiency) of Revenues Over Expenditures	(175,080)	187,265	32,981	(862)	44,304
<u>Other Financing Sources/(Uses):</u>					
Sale of capital assets	20,980	-	-	-	20,980
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
Total Other Financing Sources	20,980	-	-	-	20,980
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(154,100)	187,265	32,981	(862)	65,284
Fund Balance at Beginning of Year	1,107,898	3,223	39,620	48,247	1,198,988
Fund Balance at End of Year	<u>\$ 953,798</u>	<u>\$ 190,488</u>	<u>\$ 72,601</u>	<u>\$ 47,385</u>	<u>\$ 1,264,272</u>

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, 2018

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

Net change in fund balance - total governmental funds (page 6)	\$	65,284
<p>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</p>		
		-
<p>The net effect of various transactions involving capital assets, (i.e. purchases, disposals, etc.) is to increase net assets</p>		
		-
		<hr/>
Change in net position of governmental activities (page 5)	\$	<u>65,284</u>

LIGONIER TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
 DECEMBER 31, 2018

	Uniform Pension Trust Fund	Non-Uniform Pension Trust Fund	Bond Agency Fund	Total
ASSETS				
Cash and Investments	\$ 1,128,742	\$ -	\$ 12,544	\$ 1,141,286
Total Assets	\$ 1,128,742	\$ -	\$ 12,544	\$ 1,141,286
LIABILITIES AND NET POSITION				
Funds held in escrow	\$ -	\$ -	\$ 12,544	\$ 12,544
Net Position:				
Reserve for employer's pension benefits	1,128,742	-	-	1,128,742
Total Net Position	\$ 1,128,742	\$ -	\$ 12,544	\$ 1,141,286

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

LIGONIER TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Uniform Pension Trust Fund	Non-Uniform Pension Trust Fund	Total
<u>Additions</u>			
Contributions - State Aid	\$ 12,707	\$ 72,569	\$ 85,276
Contributions - Employer	16,586	-	16,586
Net appreciation/(depreciation) in fair value of investments	(85,832)	1,975	(83,857)
Investment income	32,889	15,908	48,797
Total Additions	<u>(23,650)</u>	<u>90,452</u>	<u>66,802</u>
<u>Deductions</u>			
Purchased annuities	-	649,246	649,246
Pension benefits	36,133	146,686	182,819
Administrative expenses	1,500	750	2,250
Total Deductions	<u>37,633</u>	<u>796,682</u>	<u>834,315</u>
Decrease in Net Assets	(61,283)	(706,230)	(767,513)
Net Position Held in Trust for Employee Pension Benefits:			
Beginning of the Year	<u>1,190,025</u>	<u>706,230</u>	<u>1,896,255</u>
End of the Year	<u>\$ 1,128,742</u>	<u>\$ -</u>	<u>\$ 1,128,742</u>

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

LIGONIER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 five (5) 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.

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.

The Township follows GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", which replaces the requirements of Statements No. 27, "Accounting for pensions by State and Local Governmental Employers", and No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

As described in Note 5, the Township participates in one (1) defined benefit pension plan, the Uniform Police pension plan, and as reported in the Schedule of Changes in Net Pension Liability and Related Ratios, the most recent actuarial valuations performed as of January 1, 2017, reflect an excess of assets over actuarial accrued liability approximating \$408,156 for the Uniform Police plan.

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 Township's fiduciary funds are pension trust funds, which consists of the Police Pension and Non-uniform Pension plans.

Agency Fund - Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the Township holds for others in an agency capacity. The Township has one agency fund which was created to account for assets held for maintenance bonds related to storm water projects.

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 (5) 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 \$190,488 for expenditures for highway purposes as approved by the Pennsylvania Department of Transportation.

The Capital Projects Fund maintains a restricted fund balance of \$72,601 for future projects and improvements as authorized by Act 13 of 2012.

The K-9 Fund maintains a restricted fund balance of \$47,385 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 7. 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, 2018</u>
Assets:	
Current Assets	\$ 1,513,723
Capital Assets	17,340,994
Non-Current Assets	<u>66,929</u>
Total Assets	<u>\$ 18,921,646</u>
Liabilities	
Current Liabilities	\$ 379,487
Non-Current Liabilities	<u>5,010,849</u>
Total Liabilities	<u>\$ 5,578,360</u>
Net Position	
Restricted	\$ ---
Unrestricted	1,449,513
Invested in Capital Assets	<u>12,081,797</u>
Total Net Position	<u>\$ 13,531,310</u>

Condensed Statement of Activities

	<u>December 31, 2018</u>
Service fees	\$ 1,858,625
Other operating revenue	18,100
Other non-operating revenue	<u>8,724</u>
Total Revenues	<u>1,885,449</u>
Depreciation expense	587,950
Other operating expense	1,171,865
Non-operating expense	<u>126,272</u>
Total Expenses	<u>1,886,087</u>
(Decrease) in Net Position	(638)
Beginning Net Position	<u>13,531,948</u>
Ending Net Position	<u>\$ 13,531,310</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.

Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The Township is required to adopt Statement No. 83 for its 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Township is required to adopt Statement No. 84 for its 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Township is required to adopt Statement No. 87 for its 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Township is required to adopt Statement No. 88 for its 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Township is required to adopt Statement No. 89 for its 2020 financial statements.

The Township has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

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 \$371,451. 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.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using price models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-based agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of fiduciary net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds: Valued at the closing price reported on the active market on which the securities are traded.

	Fair Value Measurements at Reporting Date			
	December 31, 2018	Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds		\$ <u>1,128,742</u>	\$ ---	\$ ---
		\$ <u>1,128,742</u>	\$ ---	\$ ---

NOTE 3 PROPERTY TAXES

The current tax rate is four (4) mills on real estate for each dollar of assessed value. The assessed valuation for 2018 totaled \$100,261,740 which would generate approximately \$401,000 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, 2018:

Mailing Date --- March 1, 2018
Discount Period at 2% --- March 1, 2018 to April 30, 2018
Face Period --- May 1, 2018 to June 30, 2018
Penalty Period at 10% --- July 1, 2018
Lien Date --- January 15, 2019

NOTE 4 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 5 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

Plan administration

The Ligonier Township Police Pension Plan is a single-employer defined benefit pension plan. The plan is controlled by the provisions of Ordinance No. 99-14, as amended, adopted pursuant to Act 600. The plan is governed by the board of Township Supervisors which is responsible for the management of plan assets. The board of Township Supervisors has delegated the authority to manage plan assets to PNC Advisors.

Method used to value investments

Plan investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan membership

The plan covers the Township’s full-time police officers. As of December 31, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not receiving benefits	0
Active plan members	<u>6</u>
Total	<u>8</u>

Benefits provided

The plan provides normal retirement, vesting, survivor, and disability benefits to plan members and their beneficiaries in accordance with Ordinance No. 99-14, as amended, adopted pursuant to Act 600. Retirement benefits for plan members are calculated as fifty percent (50%) of the final thirty-six (36) month average compensation if hired on or after August 10, 1999. For members hired prior to August 10, 1999, retirement benefits are calculated as seventy percent (70%) of the final thirty-six (36) month average compensation. Plan members with twenty-five (25) years of service are eligible to retire at age fifty-five (55).

Survivor benefits before retirement eligibility amount to a refund of contributions and interest prescribed by the Plan. Survivor benefits after retirement eligibility will receive fifty percent (50%) of the amount that the participant was receiving or was eligible to receive, for life. In the event of the spouse’s death, the participant’s children under age eighteen (18) will share the benefit.

Disability retirement benefits are only received if the cause of service is related and the benefits are determined as fifty percent (50%) of the average monthly salary at the time of disability, offset by any benefits payable under the Social Security Act because of the same injuries. Disability benefits are not provided to participants for incidents that are non-service related.

Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Act 205 requires that annual contributions to the pension plan be based upon the minimum municipal obligation (MMO). The MMO is determined from the plan's latest actuarial valuation report along with estimates of payroll, employee contributions, and administrative costs. For the year ended December 31, 2018, the Township's required contribution was \$12,707.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Supervisors by a majority vote of its members. It is the policy of the Township Supervisors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Township's adopted asset allocation policy as of December 31, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Domestic Equity	40%	40%
International Equity	10%	11%
Fixed Income	50%	47%
Cash & Equivalents	<u>0%</u>	<u>2%</u>
TOTAL	<u>100%</u>	<u>100%</u>

Concentrations

As of December 31, 2018, the pension plan held the following investments that represented five percent (5%) or more of the pension plan's fiduciary net position:

<u>Investment</u>	<u>Balance</u>
Blackrock Core Bond Portfolio	\$ 206,194
T. Rowe Price Growth Stock	102,516
Blackrock US Govt Bond Portfolio	183,261
Baird Aggregate Bond Fund	123,356
I Shares Core S&P 500	113,225
I Shares Russell 1000 Value	66,630

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability/(Asset) of the Township

The components of the net pension asset of the Township at December 31, 2018, were as follows:

Total Pension Plan Liability	\$ 874,614
Plan Fiduciary Net Position	<u>(1,130,231)</u>
Township's Net Pension Liability/(Asset)	\$ <u>(255,617)</u>

Plan Fiduciary Net Position as a percentage of the total pension asset is 129.2%.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	4.0%, average, including inflation
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the UP-94 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements. The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long Term Expected Real Rate of Return
Net of Investment Expense & Inflation

Asset Class	Before Inflation	After Inflation
Domestic Equity	7.5%	5.0%
International Equity	9.2%	6.7%
Fixed Income	3.0%	0.5%
Cash	<u>0.0%</u>	<u>0.0%</u>
TOTAL	<u>5.4%</u>	<u>2.9%</u>

Discount rate

The discount rate used to measure the total pension liability/(asset) was 5.5%. The projection of cash flows used to determine the discount rate assumed that Township contributions will be made at amounts equal to the difference between the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability/(asset) of the Township, calculated using the discount rate of 5.5%, as well as what the Township's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current rate:

	<u>-1% (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>+1% (6.5%)</u>
Township net pension liability/(asset)	\$(126,516)	\$(255,617)	\$(362,098)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Components of Pension Expense	<u>12/31/18</u>
Service cost	\$ 55,652
Interest on total pension liability	46,551
Recognition of differences between expected and actual experience	(3,997)
Recognition of changes in assumptions	(1,054)
Employee contributions	---
Projected earnings on pension plan investments	(65,183)
Recognition of differences between projected and actual actual earnings on plan investments	7,223
Pension plan administrative expense	10,979
Other changes in fiduciary net position	<u>(16,586)</u>
Total pension expense	<u>\$ 33,585</u>

At December 31, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension expense from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between the expected and actual experience	\$ ---	\$ (66,871)
Changes of assumptions	---	(17,629)
Net difference between projected and actual earnings on plan investments	<u>90,854</u>	<u>(49,426)</u>
Total	<u>\$ 90,854</u>	<u>\$ (133,926)</u>

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

<u>Year ended</u>	<u>Amount</u>
2019	\$ 2,172
2020	2,172
2021	2,172
2022	16,677
2023	(5,051)
Thereafter	<u>(61,214)</u>
Total	<u>\$ (43,072)</u>

Ligonier Township
Uniform Pension Plan
Schedule of Changes in the Township's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 55,652		\$ 34,319	\$ 34,506	\$ 34,319
Interest	46,551		45,265	43,010	40,850
Change in benefit terms	-		-	-	-
Differences between expected and actual experience	-		(78,862)	-	(43,384)
Change in assumptions	-		(20,791)	-	53,295
Benefit payments, including refunds of member contributions	(36,133)		(36,133)	(36,133)	(36,133)
Net change in pension liability	66,070	60,485	(56,202)	41,383	48,947
Total pension liability/(asset) - beginning	808,544	748,059	804,261	762,878	713,931
Total pension liability/(asset) - ending (A)	<u>\$ 874,614</u>	<u>\$ 808,544</u>	<u>\$ 748,059</u>	<u>\$ 804,261</u>	<u>\$ 762,878</u>
Plan fiduciary net position					
General Municipal State Aid	\$ -		\$ -	\$ -	\$ 1,989
Contributions - employer	12,707		-	-	-
Contributions - member	-		-	-	-
Net investment income	(43,465)		48,838	(7,408)	69,400
Benefit payments, including refunds of member contributions	(36,133)		(36,133)	(36,133)	(36,133)
Administrative expenses	(10,979)		(1,500)	(3,850)	(3,400)
Other	16,586		-	-	-
Net change in plan fiduciary net position	(61,284)	94,560	11,205	(47,391)	31,856
Plan fiduciary net position - beginning	1,191,515	1,096,955	1,085,750	1,133,141	1,101,285
Plan fiduciary net position - ending (B)	<u>\$ 1,130,231</u>	<u>\$ 1,191,515</u>	<u>\$ 1,096,955</u>	<u>\$ 1,085,750</u>	<u>\$ 1,133,141</u>
Township's net pension liability/(asset) - ending (A-B)	<u>\$ (255,617)</u>	<u>\$ (382,971)</u>	<u>\$ (348,896)</u>	<u>\$ (281,489)</u>	<u>\$ (370,263)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>129.23%</u>	<u>147.37%</u>	<u>146.64%</u>	<u>135.00%</u>	<u>148.54%</u>
Covered employee payroll	<u>\$ 274,057</u>		<u>\$ 252,611</u>	<u>\$ 119,913</u>	<u>\$ 153,625</u>
Township's net pension liability as a percentage of covered employee payroll	<u>-93.27%</u>		<u>-138.12%</u>	<u>-234.74%</u>	<u>-241.02%</u>

Note: The years presented in this schedule are all of the years in which information is available.

Ligonier Township
Uniform Pension Plan
Schedule of Township's Contributions
Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 12,707	\$ 3,799	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	12,707	3,799	-	-	1,989
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,989)</u>
Covered employee payroll	<u>\$ 274,057</u>	<u>\$ -</u>	<u>\$ 252,611</u>	<u>\$ 119,913</u>	<u>\$ 167,819</u>
Township's contribution as a percentage of covered employee payroll	<u>4.64%</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.19%</u>

Notes to Schedule:

Valuation Date: 1/1/2017

Methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Act 205, Level dollar
Remaining amortization period	None remaining
Asset valuation method	Act 205, fair market value
Inflation	2.50%
Salary increases	4.00%
Investment rate of return	5.50%, net of pension plan investment expense, including inflation
Retirement age	See accompanying footnotes to the financial statements
Mortality	See accompanying footnotes to the financial statements

Other:

Note: The years presented in this schedule are all of the years in which information is available.

Ligonier Township
Uniform Pension Plan
Schedule of Investment Return
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>-3.67%</u>	<u>██████████</u>	<u>4.58%</u>	<u>-0.67%</u>	<u>6.41%</u>

Note: The years presented in this schedule are all of the years in which information is available.

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, 2018, was \$72,569.

At December 31, 2018, participants in the plan were as follows:

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

Allocated Individual Retirement Accounts

As of December 31, 2018, the plan owned eight (8) allocated insurance contracts issued by the Northwestern Mutual Life Insurance Company which had a total annuity value of \$552,670. Under an allocated funding arrangement, the insurer receives and retains consideration in exchange for legally enforceable obligation to pay future benefits. Consequently, allocated insurance contracts are excluded from plan assets and, therefore, will not appear on the pension plan's statement of plan net assets.

NOTE 6 RELATED PARTY TRANSACTIONS

The Township shares certain operating costs with Ligonier Township Municipal Authority. Some of those costs include fuel, utilities, building security and cleaning services, insurance, office supplies, and copier maintenance. The agreement also includes rent to the Township from the Ligonier Township Municipal Authority for the space leased to the Municipal Authority. Total costs paid by the Municipal Authority amounted to approximately \$12,402 for the year.

NOTE 7 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.

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.

Police Department Agreement

Effective October 15, 2018, a consolidated police department was established to service Ligonier Township and Ligonier Borough, known as the Ligonier Valley Police Department. The Department is under the direction and control of the Ligonier Valley Consolidated Police Commission. The initial term of the agreement is through December 31, 2023, and shall renew automatically from year to year thereafter.

Under the terms of the agreement, Ligonier Township will be responsible for seventy percent (70%) of the cost of operation. After the first twelve (12) months of operation, any net increase in the cost of operations over the base rate will be apportioned to the Charter Municipalities based on population according to the most recent US census data.

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, 2018</u>	<u>Year of</u> <u>Maturity</u>
2010 PENNVEST Loan	\$ 2,183,702	2032
2013 Sewer Revenue Bonds	\$ 2,952,285	2020

NOTE 9 SUBSEQUENT EVENTS

In January 7, 2019, the Township signed an agreement to assign funds related to the Township K-9 program to the Ligonier Valley Police Department as well as all police vehicles, equipment, materials, and supplies.

Subsequent events have been evaluated through March 27, 2019, which is the date that financial statements were available to be issued.