

Audited  
Financial  
Statements

December 31,  
2020

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East Hempfield Township

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Supervisors  
East Hempfield Township  
Landisville, Pennsylvania

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Hempfield Township, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise East Hempfield Township's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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*, issued by the Comptroller General of the United States. 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 entity'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 entity'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Hempfield Township as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***OTHER MATTERS***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, the schedules related to pension and OPEB liabilities on pages 62-65, and the budgetary comparison schedule - general fund on page 66 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Hempfield Township's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The Schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2021, on our consideration of East Hempfield Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Hempfield Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Hempfield Township's internal control over financial reporting and compliance.

*Smith & Woot Neams Company, LLC*

Chambersburg, Pennsylvania  
August 25, 2021

## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

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This section of the financial statements for East Hempfield Township ("Township") presents a narrative overview of the Township's financial performance for the fiscal year ended December 31, 2020.

#### ***FINANCIAL HIGHLIGHTS***

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- The Township total net position at the end of 2020 was \$ 27,565,176, an increase of \$ 4,253,957 or 18.2%
- The General Fund unassigned fund balance was \$ 5,543,253 at the end of 2020.
- Total Governmental Activities revenues were \$ 16,973,966 during 2020, of which \$ 11,277,272 was expended for Public Safety and Public Works.

#### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Township's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the Township's Police Pensions and Non-Uniformed Trust Funds, budget to actual figures for the General Fund, and Post-Employment Benefits Other Than Pensions.

The basic financial statements present two different views of the Township.

- *Government-wide financial statements*, the first two statements, provide information about the Township's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the Township's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
  - *Governmental funds statements* show how general government services such as public safety, public works for highways and streets, and health and welfare were financed in the short term, as well as what remains for future spending.
  - *Proprietary funds statements* offer short-term and long-term financial information about the activities the Township operates like a business, such as the golf course fund.

## **EAST HEMPFIELD TOWNSHIP**

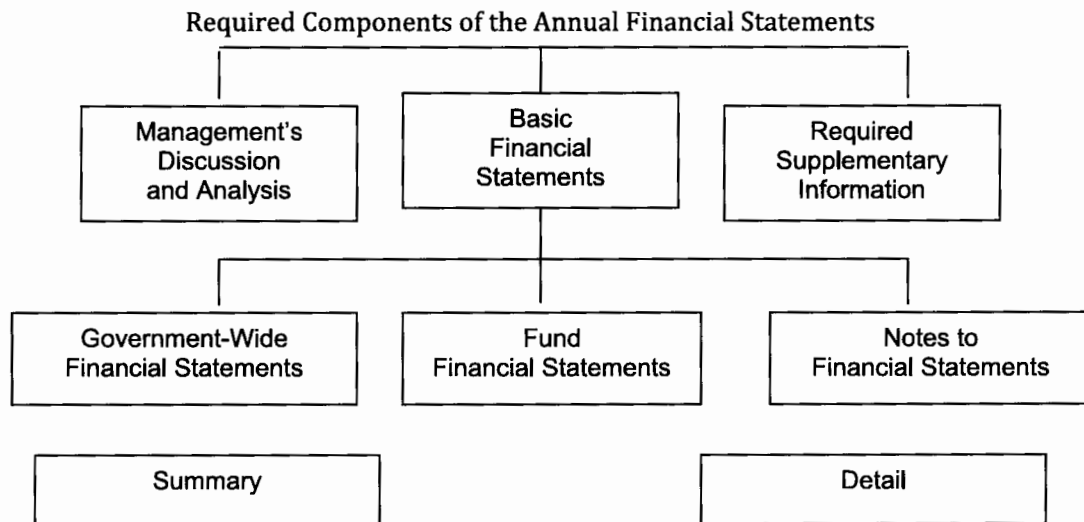
### **Management's Discussion and Analysis**

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- *Fiduciary funds statements* reflect activities involving resources that are held by the Township as a trustee or agent for the benefit of others, including employees of the Township like the Police Pension Trust Fund. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the Township's programs.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**Table A-1: Organization of the Township's Annual Financial Report**



## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

Table A-2 summarizes the major features of the Township's financial statements, including the area of the Township's activities they cover and the types of information they contain.

**Table A-2: Major Features of the Government-Wide and Fund Financial Statements**

|   | <b>Government-wide Statements</b>  | <b>Fund Financial Statements</b>  |  |   |
|---|--|---|--|---|
|   |  | <b>Governmental</b>   | <b>Proprietary</b>   | <b>Fiduciary</b>  |
| Scope                                   | Entire entity (except fiduciary funds)   | The day-to-day operating activities of the Township, such as public safety and public works   | The activities of the Township such as the Trash Collection/ Recycling Fund  | Instances in which the Township administers resources on behalf of others, such as the Police Pension Fund  |
| Required Financial Statements           | <ul style="list-style-type: none"> <li>- Statement of net position</li> <li>- Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>- Balance Sheet</li> <li>- Statement of revenues, expenditures, and changes in fund balance</li> </ul>                                   | <ul style="list-style-type: none"> <li>- Statement of net position</li> <li>- Statement of revenues, expenses, and changes in net position</li> <li>- Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>- Statement of fiduciary net position</li> <li>- Statement of changes in fiduciary net position</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources measurement focus   | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset and liability information | All assets and liabilities, both financial and capital, short-term and long-term                                 | Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, short-term and long-term   | All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow and outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services and have been received and the related liability is due and payable | All revenues and expenses during the year; regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.



## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

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#### ***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

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Government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except fiduciary funds, with the difference being reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Township's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the Township's financial position. Over time, increases or decreases in the Township's net position is one indicator of whether the Township's financial position is improving or deteriorating. However, other non-financial factors such as changes in the Township's real property tax base and general economic conditions must be considered to assess the overall position of the Township.

There are two categories of activities for the primary government:

- *Governmental activities* include the Township's basic services such as general government, public safety, public works for highways and streets, community development, health and welfare and culture and recreation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* such as the Township's Trash Collection/Recycling fund charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities

## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

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- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
  - Net investment in capital assets
  - Restricted net position is net position with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted net position is net position that does not meet any of the above restrictions

### ***FUND FINANCIAL STATEMENTS***

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Fund financial statements provide more detailed information on the Township's most significant funds, not the Township as a whole. Funds are accounting devices, i.e., a group of related accounts; the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The Township has three kinds of funds:

- *Governmental funds* include most of the Township's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and; (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Township's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The Township adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the Township's general fund is presented as required supplementary information.

- *The proprietary fund* reports business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary fund reports use full accrual accounting.
- *Fiduciary funds* are funds for which the Township is the trustee or fiduciary. These include the Police Pension Plan and the Non-Uniformed Pension Plan and certain agency funds or clearing accounts for assets held by the Township in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The Township is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**EAST HEMPFIELD TOWNSHIP**  
**Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The Township's total assets and deferred outflows of resources were \$ 39,611,768 at December 31, 2019 and \$ 44,888,219 at December 31, 2020. Of this amount, \$ 25,078,379 and \$ 27,223,230 were capital assets at December 31, 2019 and 2020, respectively.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years.

**Table A-3: East Hempfield Township  
Condensed Statement of Net Position**

|  | Governmental<br>Activities |               | Business-Type<br>Activities |              | Total         |               |
|--|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|  | 2019                       | 2020          | 2019                        | 2020         | 2019          | 2020          |
| Capital assets   | \$ 20,896,147              | \$ 23,095,631 | \$ 4,182,232                | \$ 4,127,599 | \$ 25,078,379 | \$ 27,223,230 |
| Other assets   | 12,455,056                 | 15,131,153    | 658,780                     | 1,070,729    | 13,113,836    | 16,201,882    |
| Total assets   | 33,351,203                 | 38,226,784    | 4,841,012                   | 5,198,328    | 38,192,215    | 43,425,112    |
| Deferred Outflows of Resources                                   | 1,419,553                  | 1,465,587     | -                           | -            | 1,419,553     | 1,465,587     |
| Total assets and deferred outflows of resources                  | \$ 34,770,756              | \$ 39,692,371 | \$ 4,841,012                | \$ 5,198,328 | \$ 39,611,768 | \$ 44,890,699 |
| Current liabilities  | \$ 1,436,966               | \$ 2,249,237  | \$ 240,317                  | \$ 362,763   | \$ 1,677,283  | \$ 2,612,000  |
| Long-term liabilities  | 13,223,702                 | 11,955,276    | 4,623                       | 4,761        | 13,228,325    | 11,960,037    |
| Total liabilities  | 14,660,668                 | 14,204,513    | 244,940                     | 367,524      | 14,905,608    | 14,572,037    |
| Deferred Inflows of Resources                                    | 1,389,140                  | 2,700,355     | 5,801                       | 53,131       | 1,394,941     | 2,753,486     |
| Net investment in capital assets                                 | 15,990,942                 | 17,928,451    | 4,160,107                   | 4,127,599    | 20,151,049    | 22,056,050    |
| Restricted   | 101,403                    | 55,049        | -                           | -            | 101,403       | 55,049        |
| Unrestricted   | 2,628,603                  | 4,804,003     | 430,164                     | 650,074      | 3,058,767     | 5,454,077     |
| Total net position   | 18,720,948                 | 22,787,503    | 4,590,271                   | 4,777,673    | 23,311,219    | 27,565,176    |
| Total liabilities deferred inflows of resources and net position | \$ 34,770,756              | \$ 39,692,371 | \$ 4,841,012                | \$ 5,198,328 | \$ 39,611,768 | \$ 44,890,699 |

## EAST HEMPFIELD TOWNSHIP

### Management's Discussion and Analysis

The following statement of activities represents changes in net position for the year ended December 31, 2019 and 2020. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

**Table A-4: East Hempfield Township  
Condensed Statement of Activities**

|   | Governmental<br>Activities |                     | Business-Type<br>Activities |                   | Total Primary<br>Government |                     |
|---|----------------------------|---------------------|-----------------------------|-------------------|-----------------------------|---------------------|
|   | 2019                       | 2020                | 2019                        | 2020              | 2019                        | 2020                |
| Program Revenues:                         |                            |                     |                             |                   |                             |                     |
| Charges for services                      | \$ 2,184,464               | \$ 2,858,397        | \$ 2,584,617                | \$ 2,761,012      | \$ 4,769,081                | \$ 5,619,409        |
| Operating grants and contributions        | 1,602,557                  | 2,043,196           | 55,956                      | 150,452           | 1,658,513                   | 2,193,648           |
| Capital grants and contributions          | 145,435                    | 2,184,189           | -                           | -                 | 145,435                     | 2,184,189           |
| General revenues:                         |                            |                     |                             |                   |                             |                     |
| Real estate taxes                         | 2,982,550                  | 3,048,034           | -                           | -                 | 2,982,550                   | 3,048,034           |
| Earned income taxes                       | 4,483,937                  | 4,437,892           | -                           | -                 | 4,483,937                   | 4,437,892           |
| Real estate transfer tax                  | 833,953                    | 847,520             | -                           | -                 | 833,953                     | 847,520             |
| Local services tax                        | 1,094,213                  | 1,075,420           | -                           | -                 | 1,094,213                   | 1,075,420           |
| Other taxes                               | 8,414                      | 9,130               | -                           | -                 | 8,414                       | 9,130               |
| Investment earnings (loss)                | 509,165                    | 362,550             | 7,845                       | 3,475             | 517,010                     | 366,025             |
| Gain (loss) on disposal of capital assets | (13,681)                   | 57,771              | (16,259)                    | 13,100            | (29,940)                    | 70,871              |
| Miscellaneous income                      | 14,834                     | 49,867              | 1,016                       | 2,400             | 15,850                      | 52,267              |
| Transfers                                 | (250,000)                  | (325,000)           | 250,000                     | 325,000           | -                           | -                   |
| Total revenues                            | <u>13,595,841</u>          | <u>16,648,966</u>   | <u>2,883,175</u>            | <u>3,255,439</u>  | <u>16,479,016</u>           | <u>19,904,405</u>   |
| Expenses:                                 |                            |                     |                             |                   |                             |                     |
| General government                        | 706,161                    | 934,204             | -                           | -                 | 706,161                     | 934,204             |
| Public safety                             | 7,401,938                  | 7,426,471           | -                           | -                 | 7,401,938                   | 7,426,471           |
| Public works                              | 3,568,675                  | 3,850,801           | 1,637,090                   | 1,779,426         | 5,205,765                   | 5,630,227           |
| Culture and recreation                    | 274,397                    | 256,746             | 1,289,537                   | 1,288,611         | 1,563,934                   | 1,545,357           |
| Interest                                  | 146,786                    | 114,189             | -                           | -                 | 146,786                     | 114,189             |
| Total expenses                            | <u>12,097,957</u>          | <u>12,582,411</u>   | <u>2,926,627</u>            | <u>3,068,037</u>  | <u>15,024,584</u>           | <u>15,650,448</u>   |
| Change in net position                    | <u>\$ 1,497,884</u>        | <u>\$ 4,066,555</u> | <u>\$ (43,452)</u>          | <u>\$ 187,402</u> | <u>\$ 1,454,432</u>         | <u>\$ 4,253,957</u> |

**EAST HEMPFIELD TOWNSHIP**  
**Management's Discussion and Analysis**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2019 and 2020 revenue from real estate taxes and earned income taxes was \$ 7,466,487 and \$ 7,485,926 respectively.

**Table A-5: East Hempfield Township**  
**Net Cost of Governmental and Business-type Activities**

|                           | 2019                   |                       | 2020                   |                       |
|---------------------------|------------------------|-----------------------|------------------------|-----------------------|
|                           | Total cost of services | Net cost of services  | Total cost of services | Net cost of services  |
| Governmental funds:       |                        |                       |                        |                       |
| General government        | \$ 706,161             | \$ 742,043            | \$ 934,204             | \$ 485,055            |
| Public safety             | 7,401,938              | (5,935,025)           | 7,426,471              | (5,017,382)           |
| Public works              | 3,568,675              | (2,551,336)           | 3,850,801              | (593,367)             |
| Culture and recreation    | 274,397                | (274,397)             | 256,746                | (256,746)             |
| Interest                  | 146,786                | (146,786)             | 114,189                | (114,189)             |
| Business-type Activities: |                        |                       |                        |                       |
| Public works              | 1,637,090              | (71,859)              | 1,779,426              | 113,210               |
| Culture and recreation    | 1,289,537              | (214,195)             | 1,288,611              | (269,783)             |
|                           | <u>\$ 15,024,584</u>   | <u>\$ (8,451,555)</u> | <u>\$ 15,650,448</u>   | <u>\$ (5,653,202)</u> |

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 61% of its governmental and business-type activities in 2020.

**Capital Assets**

The Township's investment in capital assets at December 31, 2020, net of accumulated depreciation, was \$ 27,223,230. Capital assets consist primarily of land, buildings, and equipment. The following is a summary of capital assets at December 31, 2020:

**Table A-6: East Hempfield Township**  
**Capital Assets**

|                            | Governmental Activities | Business-type Activities | Total                |
|----------------------------|-------------------------|--------------------------|----------------------|
| Land                       | \$ 5,043,846            | \$ 2,320,624             | \$ 7,364,470         |
| Construction in progress   | 3,409,834               | 4,819                    | 3,414,653            |
| Land improvements          | 737,755                 | 275,470                  | 1,013,225            |
| Infrastructure             | 8,302,002               | -                        | 8,302,002            |
| Buildings and improvements | 11,642,364              | 4,502,142                | 16,144,506           |
| Leasehold assets           | 1,717,197               | 695,697                  | 2,412,894            |
| Equipment                  | 2,791,173               | 1,221,511                | 4,012,684            |
| Accumulated depreciation   | <u>(10,548,540)</u>     | <u>(4,892,664)</u>       | <u>(15,441,204)</u>  |
| Total net capital assets   | <u>\$ 23,095,631</u>    | <u>\$ 4,127,599</u>      | <u>\$ 27,223,230</u> |



## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

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Detailed information about the Township's capital assets can be found in Note 5, Notes to the Financial Statements.

#### ***Debt Administration***

The Township's long-term debt activity for 2020 is as follows and is detailed in Notes 6 and 7 to the Financial Statements:

**Table A-7: East Hempfield Township  
Statement of Long-Term Debt**

| Type                 | Beginning<br>Balance | Additions           | Deletions             | Ending<br>Balance   |
|----------------------|----------------------|---------------------|-----------------------|---------------------|
| Loans                | \$ 321,740           | \$ -                | \$ (256,869)          | \$ 64,871           |
| Notes                | 4,102,179            | 4,095,000           | (4,046,669)           | 4,150,510           |
| Capital leases       | 333,383              | 475,249             | (198,389)             | 610,243             |
| Total long-term debt | <u>\$ 4,757,302</u>  | <u>\$ 4,570,249</u> | <u>\$ (4,501,927)</u> | <u>\$ 4,825,624</u> |

In 2010 the Township acquired a loan from a local bank for \$ 2,500,000 and utilized the proceeds for major infrastructure improvements within the Township. The loan was paid off in 2011 through issuance of a 2011 loan from the Commonwealth of Pennsylvania Department of Community and Economic Development in the amount of \$ 2,400,000. The Note carries a fixed interest rate of 1.625%, with monthly payments through March 15, 2021. Also, in 2011, the Township secured a Note with PNC Bank in the amount of \$ 458,000 for the acquisition of a new Pierce Fire apparatus. The note carries a fixed interest rate of 3.65%, with semi-annual payments being made through July 10, 2021. In 2018 the Township acquired a loan from TD Bank for \$4,000,000 and utilized the proceeds for a renovation / expansion project to the Police Department facility. This note was paid off in 2020 with the issuance of a note through First National Bank in the amount of \$4,095,000. The note carries a fixed interest rate of 2.15%, with semi-annual payments being made through July 1, 2031. In addition, the Township currently has several lease/purchase arrangements for equipment purchases.

#### ***FUND FINANCIAL STATEMENTS***

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##### ***Governmental Funds***

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources available for spending. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Township's net resources available for spending at the end of the year.

The Township's governmental funds include the general fund, special revenue funds and capital project funds. The general fund is the chief operating fund for the Township. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. The major funds are shown on the statement of revenues, expenditures, and changes in fund balances in the financial statements.

## **EAST HEMPFIELD TOWNSHIP**

### **Management's Discussion and Analysis**

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Taxes are the Township's most significant revenue source, accounting for 44% of 2020 governmental revenues. Overall revenues increased by \$ 7,476,499 or 52.9%, primarily due to 2020 including two non-recurring items, a \$ 4,095,000 in loan proceeds, and an excessively large building permit for \$ 750,000. Finally, the Township received \$ 2,262,742 more in intergovernmental revenues to fund a major road project. Discounting these three items, all other 2020 revenues were actually \$ 468,757 higher than what was received for 2019.

Governmental fund revenues by source at December 31, 2019 and 2020 were as follows.

**Table A-8: East Hempfield Township  
Revenues by Source, Governmental Funds**

| <b>Revenues:</b>                         | <b>2019</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
| Taxes                                    | \$ 9,390,430         | \$ 9,405,762         |
| Licenses, fees and permits               | 1,626,636            | 2,276,076            |
| Fines and forfeits                       | 104,626              | 90,222               |
| Investment earnings (loss)               | 509,165              | 362,550              |
| Rents                                    | 22,405               | 21,039               |
| Intergovernmental                        | 1,960,270            | 4,223,012            |
| Charges for services                     | 282,612              | 354,955              |
| Contributions                            | 117,999              | 216,827              |
| Miscellaneous                            | 6,712                | 25,607               |
| Proceeds from sale of capital assets     | 11,360               | 70,370               |
| Proceeds from issuance of capital leases | 107,955              | 475,249              |
| Proceeds from issuance of long term debt | -                    | 4,095,000            |
| Total revenues                           | <u>\$ 14,140,170</u> | <u>\$ 21,616,669</u> |

**Governmental Fund Expenditures** reflect a total increase of \$ 3,712,324 or 22.5% for 2020. Overall, this large increase is due to expenditures associated with the refinancing of debt service, totaling \$ 3,982,699. Discounting this non-recurring item, Township operating costs decreased for 2020 in the amount of \$ 270,375. The majority of the governmental fund expenditures consist of public safety costs which consists of the Police force, the Planning department, and Fire company expenditures. This function alone accounts for 40% of total governmental fund expenditures.

Governmental fund expenditures by function at December 31, 2019 and 2020 were as follows:

**Table A-9: East Hempfield Township  
Expenditures by Function, Governmental Funds**

| <b>Expenditures:</b>   | <b>2019</b>          | <b>2020</b>          |
|------------------------|----------------------|----------------------|
| General government     | \$ 968,753           | \$ 1,077,988         |
| Public safety          | 10,077,994           | 8,034,836            |
| Public works           | 4,891,827            | 6,590,953            |
| Culture and recreation | 137,915              | 102,337              |
| Debt service           | 459,224              | 385,037              |
| Payment to refund debt | -                    | 4,056,886            |
| Total expenditures     | <u>\$ 16,535,713</u> | <u>\$ 20,248,037</u> |

**EAST HEMPFIELD TOWNSHIP**  
**Management's Discussion and Analysis**

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**GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION**

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Ending Fund Balances for Governmental Fund and Net Position for Proprietary Funds at December 31, 2020:

**Table A-10: East Hempfield Township**  
**Ending Fund Balances, Governmental Funds**  
**Net Position, Proprietary Funds**

| <b>Fund</b>              | <b>Governmental<br/>Funds</b> | <b>Enterprise<br/>Funds</b> |
|--------------------------|-------------------------------|-----------------------------|
| General fund             | \$ 10,257,332                 | \$ -                        |
| Capital projects fund    | 2,066,089                     | -                           |
| Other governmental funds | 55,049                        | -                           |
| Trash and recycling fund | -                             | 587,827                     |
| Golf course fund         | -                             | 4,189,846                   |
| Total                    | <u>\$ 12,378,470</u>          | <u>\$ 4,777,673</u>         |

**Budgetary Highlights** – Actual General Fund revenue was 7.3% higher than budgeted amounts during 2020, due primarily to earned income / real estate transfer taxes, building permits, inter-governmental revenues and interest earnings exceeding the budgeted level by approximately \$ 846,000 for the year. General Fund expenses reflect an actual spending level 1.4% lower than the budgeted amount, due primarily to cost savings in the public safety and public works expenditures. The combination of these results allowed the Township to end 2020 in much better financial position than originally anticipated.

**Economic Conditions** – With over 24,300 residents, East Hempfield Township's population represents 4.5% of Lancaster County. At a median age of 44.6, they are slightly older than the remainder of the County's residents' median age of 37.8. Median household income is \$ 69,278, more than the County median of \$ 53,822, and home values also are somewhat higher, with median values of \$ 194,402 as compared to \$ 187,400. This results in a positive economy for the Township; broad economic impacts do not affect East Hempfield Township as quickly as they do other communities with more volatility in their economic base.

**Next Year's Budget** – The 2021 Budget held the line on taxes while continuing to provide the same level of services to Township residents. The 2021 financial activity includes several major road improvement projects. Across all funds projected revenues total \$ 17,671,830 which represents an decrease of 3.92%. Expenditures are projected at \$ 21,099,075 with a slight increase of 0.56%. Beginning Fund balances would account for the difference in the amount of \$ 3,427,245. Most of this differential is attributable to funding capital infrastructure projects (non-recurring items) planned for the Capital Reserve Fund for 2021. In addition, the General Fund budget for 2021 includes several non-recurring large expenditures.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability. Questions concerning this financial information or requests for additional information should be directed to:

East Hempfield Township  
Township Finance Director  
1700 Nissley Road  
PO Box 128  
Landisville, PA 17538

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2020**

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>   |                            |                             |               |
| <b>Current assets</b>   |                            |                             |               |
| Cash and cash equivalents   | \$ 8,719,896               | \$ 795,620                  | \$ 9,515,516  |
| Investments   | 2,755,597                  | -                           | 2,755,597     |
| Taxes receivable, net   | 1,474,687                  | -                           | 1,474,687     |
| Accounts receivable, net  | 989,544                    | 210,313                     | 1,199,857     |
| Internal balances   | 50,738                     | (50,738)                    | -             |
| Inventory   | -                          | 7,701                       | 7,701         |
| Prepaid expenses  | 48,567                     | -                           | 48,567        |
| Total current assets  | 14,039,029                 | 962,896                     | 15,001,925    |
| <b>Noncurrent assets</b>  |                            |                             |               |
| Net pension asset   | 1,092,124                  | 107,833                     | 1,199,957     |
| Capital assets, not being depreciated                             |                            |                             |               |
| Land  | 5,043,846                  | 2,320,624                   | 7,364,470     |
| Construction in progress  | 3,409,834                  | 4,819                       | 3,414,653     |
| Capital assets, net of accumulated depreciation                   |                            |                             |               |
| Infrastructure  | 6,396,700                  | -                           | 6,396,700     |
| Land improvements   | 554,149                    | 141,490                     | 695,639       |
| Buildings and improvements  | 5,858,592                  | 1,026,085                   | 6,884,677     |
| Leasehold assets  | 1,066,231                  | 294,548                     | 1,360,779     |
| Equipment   | 766,279                    | 340,033                     | 1,106,312     |
| Total noncurrent assets   | 24,187,755                 | 4,235,432                   | 28,423,187    |
| Total assets  | 38,226,784                 | 5,198,328                   | 43,425,112    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                            |                             |               |
| Deferred outflows related to net pension asset/liability          | 811,734                    | -                           | 811,734       |
| Deferred outflows related to OPEB liability                       | 653,853                    | -                           | 653,853       |
| Total deferred outflows of resources                              | 1,465,587                  | -                           | 1,465,587     |
| Total Assets and deferred outflows of resources                   | \$ 39,692,371              | \$ 5,198,328                | \$ 44,890,699 |
| <b>LIABILITIES</b>  |                            |                             |               |
| <b>Current liabilities</b>  |                            |                             |               |
| Accounts payable  | \$ 667,872                 | \$ 246,091                  | \$ 913,963    |
| Funds held in escrow  | 653,772                    | -                           | 653,772       |
| Accrued expenses and withholdings                                 | 302,908                    | 55,637                      | 358,545       |
| Accrued interest  | 45,020                     | -                           | 45,020        |
| Other current liabilities   | 3,500                      | 55,006                      | 58,506        |
| Long-term liabilities: Due within one year                        |                            |                             |               |
| Notes and loans payable   | 355,381                    | -                           | 355,381       |
| Capital leases payable  | 182,185                    | -                           | 182,185       |
| Compensated absences  | 38,599                     | 6,029                       | 44,628        |
| Total current liabilities   | 2,249,237                  | 362,763                     | 2,612,000     |
| <b>Noncurrent liabilities</b>                                     |                            |                             |               |
| Long-term liabilities: Due in more than one year                  |                            |                             |               |
| Notes and loans payable   | 3,860,000                  | -                           | 3,860,000     |
| Capital leases payable  | 428,058                    | -                           | 428,058       |
| Compensated absences  | 149,393                    | 4,761                       | 154,154       |
| Net pension liability   | 917,424                    | -                           | 917,424       |
| Total OPEB liability  | 6,600,401                  | -                           | 6,600,401     |
| Total noncurrent liabilities                                      | 11,955,276                 | 4,761                       | 11,960,037    |
| Total liabilities   | 14,204,513                 | 367,524                     | 14,572,037    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                            |                             |               |
| Deferred inflows related to net pension asset/liability           | 2,096,931                  | 53,131                      | 2,150,062     |
| Deferred inflows related to OPEB liability                        | 603,424                    | -                           | 603,424       |
| Total deferred inflows of resources                               | 2,700,355                  | 53,131                      | 2,753,486     |
| <b>NET POSITION</b>   |                            |                             |               |
| Net investment in capital assets                                  | 17,928,451                 | 4,127,599                   | 22,056,050    |
| Restricted  | 55,049                     | -                           | 55,049        |
| Unrestricted  | 4,804,003                  | 650,074                     | 5,454,077     |
| Total net position  | 22,787,503                 | 4,777,673                   | 27,565,176    |
| Total liabilities, deferred inflows of resources and net position | \$ 39,692,371              | \$ 5,198,328                | \$ 44,890,699 |

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Activities**  
**Year Ended December 31, 2020**

| Functions/Programs                        | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                |
| <b>Primary government</b>                 |                      |                      |                                    |                                  |   |                          |                      |
| Governmental activities                   |                      |                      |                                    |                                  |   |                          |                      |
| General government                        | \$ 934,204           | \$ 646,509           | \$ 772,750                         | \$ -                             | \$ 485,055  | \$ -                     | \$ 485,055           |
| Public safety                             | 7,426,471            | 2,196,588            | 212,501                            | -                                | (5,017,382)                                       | -                        | (5,017,382)          |
| Public works                              | 3,850,801            | 15,300               | 1,057,945                          | 2,184,189                        | (593,367)   | -                        | (593,367)            |
| Culture and recreation                    | 256,746              | -                    | -                                  | -                                | (256,746)   | -                        | (256,746)            |
| Interest                                  | 114,189              | -                    | -                                  | -                                | (114,189)   | -                        | (114,189)            |
| Total governmental activities             | <u>12,582,411</u>    | <u>2,858,397</u>     | <u>2,043,196</u>                   | <u>2,184,189</u>                 | <u>(5,496,629)</u>                                | <u>-</u>                 | <u>(5,496,629)</u>   |
| Business-type activities                  |                      |                      |                                    |                                  |   |                          |                      |
| Golf course                               | 1,288,611            | 1,018,828            | -                                  | -                                | -   | (269,783)                | (269,783)            |
| Trash collection and recycling            | 1,779,426            | 1,742,184            | 150,452                            | -                                | -   | 113,210                  | 113,210              |
|   | <u>3,068,037</u>     | <u>2,761,012</u>     | <u>150,452</u>                     | <u>-</u>                         | <u>-</u>  | <u>(156,573)</u>         | <u>(156,573)</u>     |
| Total primary government                  | <u>\$ 15,650,448</u> | <u>\$ 5,619,409</u>  | <u>\$ 2,193,648</u>                | <u>\$ 2,184,189</u>              | <u>(5,496,629)</u>                                | <u>(156,573)</u>         | <u>(5,653,202)</u>   |
| <b>General revenues and transfers:</b>    |                      |                      |                                    |                                  |   |                          |                      |
| Taxes:                                    |                      |                      |                                    |                                  |   |                          |                      |
| Property taxes                            |                      |                      |                                    |                                  | 3,048,034   | -                        | 3,048,034            |
| Earned income tax                         |                      |                      |                                    |                                  | 4,437,892   | -                        | 4,437,892            |
| Real estate transfer tax                  |                      |                      |                                    |                                  | 847,520   | -                        | 847,520              |
| Local services tax                        |                      |                      |                                    |                                  | 1,075,420   | -                        | 1,075,420            |
| Other taxes                               |                      |                      |                                    |                                  | 9,130   | -                        | 9,130                |
| Unrestricted investment earnings          |                      |                      |                                    |                                  | 362,550   | 3,475                    | 366,025              |
| Gain (loss) on disposal of capital assets |                      |                      |                                    |                                  | 57,771  | 13,100                   | 70,871               |
| Miscellaneous income                      |                      |                      |                                    |                                  | 49,867  | 2,400                    | 52,267               |
| Transfers                                 |                      |                      |                                    |                                  | (325,000)   | 325,000                  | -                    |
| Total general revenues and transfers      |                      |                      |                                    |                                  | <u>9,563,184</u>                                  | <u>343,975</u>           | <u>9,907,159</u>     |
| Change in net position                    |                      |                      |                                    |                                  | 4,066,555   | 187,402                  | 4,253,957            |
| Net position - beginning, as restated     |                      |                      |                                    |                                  | 18,720,948  | 4,590,271                | 23,311,219           |
| Net position - ending                     |                      |                      |                                    |                                  | <u>\$ 22,787,503</u>                              | <u>\$ 4,777,673</u>      | <u>\$ 27,565,176</u> |



**EAST HEMPFIELD TOWNSHIP**  
**Balance Sheet - Governmental Funds**  
**December 31, 2020**

|   | General Fund         | Capital Projects Fund | Other Governmental Fund | Total Governmental Funds |
|---|----------------------|-----------------------|-------------------------|--------------------------|
| <b>ASSETS</b>   |                      |                       |                         |                          |
| Cash and cash equivalents   | \$ 6,817,349         | \$ 1,845,780          | \$ 56,767               | \$ 8,719,896             |
| Investments   | 2,755,597            | -                     | -                       | 2,755,597                |
| Accounts and grants receivable                                      | 429,111              | 557,953               | -                       | 987,064                  |
| Taxes receivable, net   | 1,462,036            | 12,651                | -                       | 1,474,687                |
| Due from other funds  | 51,093               | -                     | -                       | 51,093                   |
| Prepaid expenditures  | 48,567               | -                     | -                       | 48,567                   |
| Total assets  | <u>\$ 11,563,753</u> | <u>\$ 2,416,384</u>   | <u>\$ 56,767</u>        | <u>\$ 14,036,904</u>     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> |                      |                       |                         |                          |
| <b>Liabilities</b>  |                      |                       |                         |                          |
| Accounts payable  | \$ 322,118           | \$ 341,556            | \$ 1,718                | \$ 665,392               |
| Funds held in escrow  | 653,772              | -                     | -                       | 653,772                  |
| Due to other funds  | 317                  | 38                    | -                       | 355                      |
| Accrued wages, benefits and withholdings                            | 302,908              | -                     | -                       | 302,908                  |
| Unearned revenue  | -                    | 3,500                 | -                       | 3,500                    |
| Total liabilities   | <u>1,279,115</u>     | <u>345,094</u>        | <u>1,718</u>            | <u>1,625,927</u>         |
| <b>Deferred inflows of resources</b>                                |                      |                       |                         |                          |
| Unavailable tax revenue   | 27,306               | 5,201                 | -                       | 32,507                   |
| Total deferred inflows of resources                                 | <u>27,306</u>        | <u>5,201</u>          | <u>-</u>                | <u>32,507</u>            |
| <b>Fund balances</b>  |                      |                       |                         |                          |
| Nonspendable  | 48,567               | -                     | -                       | 48,567                   |
| Restricted  | -                    | -                     | 55,049                  | 55,049                   |
| Committed   | 2,755,597            | 2,066,089             | -                       | 4,821,686                |
| Assigned  | 1,909,915            | -                     | -                       | 1,909,915                |
| Unassigned  | 5,543,253            | -                     | -                       | 5,543,253                |
| Total fund balances   | <u>10,257,332</u>    | <u>2,066,089</u>      | <u>55,049</u>           | <u>12,378,470</u>        |
| Total liabilities, deferred inflows of resources and fund balances  | <u>\$ 11,563,753</u> | <u>\$ 2,416,384</u>   | <u>\$ 56,767</u>        | <u>\$ 14,036,904</u>     |

**EAST HEMPFIELD TOWNSHIP****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
December 31, 2020**

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**Total fund balance - governmental funds** \$ 12,378,470

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund balance sheet, but are reported in the governmental activities of the Statement of Net Position.

|                          |                     |            |
|--------------------------|---------------------|------------|
| Cost of assets           | \$ 33,644,171       |            |
| Accumulated depreciation | <u>(10,548,540)</u> | 23,095,631 |

Taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the fund balance sheet. However, these are recorded as revenue and receivable when earned for the government-wide statements.

32,507

Some liabilities are not due and payable in the current period and are therefore excluded from the fund balance sheet, but are included in governmental activities in the Statement of Net Position.

|  |                  |                     |
|--|------------------|---------------------|
| Notes and loans payable, net                             | (4,215,381)      |                     |
| Accrued interest   | (45,020)         |                     |
| Capital leases payable                                   | (610,243)        |                     |
| Compensated absences                                     | (187,992)        |                     |
| Net pension asset/liability                              | 174,700          |                     |
| Deferred outflows related to net pension asset/liability | 811,734          |                     |
| Deferred inflows related to net pension asset/liability  | (2,096,931)      |                     |
| Total OPEB liability                                     | (6,600,401)      |                     |
| Deferred outflows related to total OPEB liability        | 653,853          |                     |
| Deferred inflows related to total OPEB liability         | <u>(603,424)</u> |                     |
|  |                  | <u>(12,719,105)</u> |

**Total net position - governmental activities** \$ 22,787,503

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended December 31, 2020**

|   | <b>General Fund</b>  | <b>Capital Projects Fund</b> | <b>Other Governmental Funds</b> | <b>Total Governmental Funds</b> |
|---|----------------------|------------------------------|---------------------------------|---------------------------------|
| <b>REVENUES</b>                                   |                      |                              |                                 |                                 |
| Taxes   | \$ 8,935,558         | \$ 470,204                   | \$ -                            | \$ 9,405,762                    |
| Licenses and permits                              | 2,276,076            | -                            | -                               | 2,276,076                       |
| Fines and forfeits                                | 90,222               | -                            | -                               | 90,222                          |
| Investment earnings                               | 349,969              | 11,375                       | 1,206                           | 362,550                         |
| Rents   | 21,039               | -                            | -                               | 21,039                          |
| Intergovernmental                                 | 1,172,676            | 2,202,391                    | 847,945                         | 4,223,012                       |
| Charges for services                              | 354,955              | -                            | -                               | 354,955                         |
| Contributions                                     | 216,827              | -                            | -                               | 216,827                         |
| Miscellaneous                                     | 20,215               | -                            | 5,392                           | 25,607                          |
| Total revenues                                    | <u>13,437,537</u>    | <u>2,683,970</u>             | <u>854,543</u>                  | <u>16,976,050</u>               |
| <b>EXPENDITURES</b>                               |                      |                              |                                 |                                 |
| General government                                | 1,077,988            | -                            | -                               | 1,077,988                       |
| Public safety                                     | 8,034,799            | 37                           | -                               | 8,034,836                       |
| Public works                                      | 2,442,961            | 3,247,095                    | 900,897                         | 6,590,953                       |
| Culture and recreation                            | 80,590               | 21,747                       | -                               | 102,337                         |
| Debt service                                      |                      |                              |                                 |                                 |
| Principal   | -                    | 308,538                      | -                               | 308,538                         |
| Interest  | -                    | 76,499                       | -                               | 76,499                          |
| Total expenditures                                | <u>11,636,338</u>    | <u>3,653,916</u>             | <u>900,897</u>                  | <u>16,191,151</u>               |
| Excess (deficiency) of revenues over expenditures | <u>1,801,199</u>     | <u>(969,946)</u>             | <u>(46,354)</u>                 | <u>784,899</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                              |                                 |                                 |
| Proceeds from the sale of capital assets          | 70,370               | -                            | -                               | 70,370                          |
| Proceeds from capital lease                       | 475,249              | -                            | -                               | 475,249                         |
| Proceeds from refunding                           | -                    | 4,095,000                    | -                               | 4,095,000                       |
| Payment to refund debt                            |                      | (4,056,886)                  |                                 | (4,056,886)                     |
| Transfers in (out)                                | (1,989,747)          | 1,664,747                    | -                               | (325,000)                       |
| Total other financing sources and uses            | <u>(1,444,128)</u>   | <u>1,702,861</u>             | <u>-</u>                        | <u>258,733</u>                  |
| Net change in fund balances                       | 357,071              | 732,915                      | (46,354)                        | 1,043,632                       |
| Fund balances - beginning, as restated            | 9,900,261            | 1,333,174                    | 101,403                         | 11,334,838                      |
| Fund balances - ending                            | <u>\$ 10,257,332</u> | <u>\$ 2,066,089</u>          | <u>\$ 55,049</u>                | <u>\$ 12,378,470</u>            |

**EAST HEMPFIELD TOWNSHIP**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2020**

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**Net change in fund balances - total governmental funds** **\$ 1,043,632**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays and loss on disposal in the period.

|                                     |                  |           |
|-------------------------------------|------------------|-----------|
| Depreciation expense                | (969,620)        |           |
| Loss on disposal of assets          | (12,599)         |           |
| Capital outlays, net of retirements | <u>3,181,703</u> | 2,199,484 |

Because some taxes will not be collected for several months after the Township's fiscal year end, they are not considered as "available" revenues in the governmental funds. The difference in tax revenue is: 3,104

The proceeds of capital leases provide current financial resources to governmental funds, but have no effect on net position. (475,249)

The refunding of debt provides current financial resources to governmental funds to pay for a portion of existing debt, but has no effect on net position.

|                                     |                  |           |
|-------------------------------------|------------------|-----------|
| Issuance of general obligation note | (4,095,000)      |           |
| Payment to refund debt              | <u>3,995,000</u> | (100,000) |

Governmental funds report repayment of note and lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of repayments. 484,802

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount (incurred) and the amount paid for:

|   |                  |                |
|---|------------------|----------------|
| Accrued interest expense  | 24,196           |                |
| Compensated absences  | (13,718)         |                |
| Net pension asset/liability and related deferred outflows and inflows | 1,121,702        |                |
| Total OPEB liability and related deferred outflows and inflows        | <u>(221,398)</u> | <u>910,782</u> |

**Change in net position - governmental activities** **\$ 4,066,555**

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2020**

|   | Enterprise Funds                       |                     |              |
|---|--|---------------------|--------------|
|   | Trash<br>Collection/<br>Recycling Fund | Golf Course<br>Fund | Total        |
| <b>ASSETS</b>   |  |                     |              |
| <b>Current assets</b>   |  |                     |              |
| Cash and cash equivalents   | \$ 462,971                             | \$ 332,649          | \$ 795,620   |
| Accounts receivable, net  | 210,313                                | -                   | 210,313      |
| Due from other funds  | -                                      | 317                 | 317          |
| Inventories   | -                                      | 7,701               | 7,701        |
| Total current assets  | 673,284                                | 340,667             | 1,013,951    |
| <b>Noncurrent assets</b>  |  |                     |              |
| Net pension asset   | -                                      | 107,833             | 107,833      |
| Capital assets not being depreciated                              |  |                     |              |
| Land  | -                                      | 2,320,624           | 2,320,624    |
| Construction in progress  | -                                      | 4,819               | 4,819        |
| Capital assets, being depreciated                                 |  |                     |              |
| Land improvements   | -                                      | 275,470             | 275,470      |
| Buildings and improvements  | -                                      | 4,502,142           | 4,502,142    |
| Machinery and equipment   | 603,013                                | 1,314,195           | 1,917,208    |
| Less accumulated depreciation                                     | (442,657)                              | (4,450,007)         | (4,892,664)  |
| Total noncurrent assets   | 160,356                                | 4,075,076           | 4,235,432    |
| Total assets  | \$ 833,640                             | \$ 4,415,743        | \$ 5,249,383 |
| <b>LIABILITIES</b>  |  |                     |              |
| <b>Current liabilities</b>  |  |                     |              |
| Accounts payable  | \$ 231,365                             | \$ 14,726           | \$ 246,091   |
| Accrued expenses and withholdings                                 | -                                      | 55,637              | 55,637       |
| Other liabilities   | 13,259                                 | 41,747              | 55,006       |
| Due to other funds  | 1,189                                  | 49,866              | 51,055       |
| Compensated absences - current                                    | -                                      | 6,029               | 6,029        |
| Capital lease payable - current                                   | -                                      | -                   | -            |
| Total current liabilities   | 245,813                                | 168,005             | 413,818      |
| <b>Noncurrent liabilities</b>                                     |  |                     |              |
| Compensated absences  | -                                      | 4,761               | 4,761        |
| Total non-current liabilities                                     | -                                      | 4,761               | 4,761        |
| Total liabilities   | 245,813                                | 172,766             | 418,579      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |  |                     |              |
| Deferred inflows related to pension asset                         | -                                      | 53,131              | 53,131       |
| <b>NET POSITION</b>   |  |                     |              |
| Net investment in capital assets                                  | 160,356                                | 3,967,243           | 4,127,599    |
| Unrestricted  | 427,471                                | 222,603             | 650,074      |
| Total net position  | 587,827                                | 4,189,846           | 4,777,673    |
| Total liabilities, deferred inflows of resources and net position | \$ 833,640                             | \$ 4,415,743        | \$ 5,249,383 |



**EAST HEMPFIELD TOWNSHIP****Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
Year Ended December 31, 2020**

|   | Enterprise Funds                       |                     |              |
|---|--|---------------------|--------------|
|   | Trash<br>Collection/<br>Recycling Fund | Golf Course<br>Fund | Total        |
| <b>OPERATING REVENUES</b>               |  |                     |              |
| Charges for services                    | \$ 1,742,184                           | \$ 1,018,828        | \$ 2,761,012 |
| <b>OPERATING EXPENSES</b>               |  |                     |              |
| Personnel services                      | 108,121                                | 624,231             | 732,352      |
| Contracted services                     | 154,191                                | -                   | 154,191      |
| Supplies and materials                  | 54,697                                 | 190,944             | 245,641      |
| Repairs and maintenance                 | 15,452                                 | 83,635              | 99,087       |
| Utilities                               | -                                      | 45,111              | 45,111       |
| Waste hauling and tipping fees          | 1,407,855                              | -                   | 1,407,855    |
| Other services and charges              | -                                      | 125,875             | 125,875      |
| Depreciation                            | 39,110                                 | 218,306             | 257,416      |
| Total operating expenses                | 1,779,426                              | 1,288,102           | 3,067,528    |
| Operating income (loss)                 | (37,242)                               | (269,274)           | (306,516)    |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |  |                     |              |
| Interest and investment revenue         | 2,926                                  | 549                 | 3,475        |
| Miscellaneous revenue                   | 2,400                                  | -                   | 2,400        |
| Gain on disposal of capital assets      | 11,100                                 | 2,000               | 13,100       |
| Interest expense                        | -                                      | (509)               | (509)        |
| Grant revenue                           | 150,452                                | -                   | 150,452      |
| Total nonoperating revenues (expenses)  | 166,878                                | 2,040               | 168,918      |
| Income (loss) before transfers          | 129,636                                | (267,234)           | (137,598)    |
| Transfers in                            | -                                      | 325,000             | 325,000      |
| Change in net position                  | 129,636                                | 57,766              | 187,402      |
| Total net position - beginning          | 458,191                                | 4,132,080           | 4,590,271    |
| Total net position - ending             | \$ 587,827                             | \$ 4,189,846        | \$ 4,777,673 |

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2020**

|  | <b>Enterprise Funds</b>                         |                             |                   |
|--|---|-----------------------------|-------------------|
|  | <b>Trash<br/>Collection/<br/>Recycling Fund</b> | <b>Golf Course<br/>Fund</b> | <b>Total</b>      |
| <b>Cash flows from operating activities</b>  |   |                             |                   |
| Receipts from customers  | \$ 1,712,907                                    | \$ 1,018,828                | \$ 2,731,735      |
| Payments to suppliers  | (1,654,198)                                     | (434,382)                   | (2,088,580)       |
| Payments to and on behalf of employees   | -   | (627,229)                   | (627,229)         |
| Net cash provided (used) by operating activities   | <u>58,709</u>                                   | <u>(42,783)</u>             | <u>15,926</u>     |
| <b>Cash flows from capital and related financing activities</b>  |   |                             |                   |
| Purchase of capital assets   | (108,150)                                       | (94,633)                    | (202,783)         |
| Proceeds from sale of capital assets   | 11,100  | 2,000                       | 13,100            |
| Principal paid on capital leases   | -   | (22,125)                    | (22,125)          |
| Interest and fiscal charges paid on capital leases   | -   | (509)                       | (509)             |
| Net cash provided (used) by capital and related financing activities                                       | <u>(97,050)</u>                                 | <u>(115,267)</u>            | <u>(212,317)</u>  |
| <b>Cash flows from non-capital financing activities</b>  |   |                             |                   |
| Grants/state aid received  | 150,452   | -                           | 150,452           |
| Transfer from other funds  | -   | 325,000                     | 325,000           |
| Net cash provided (used) by non-capital financing activities   | <u>150,452</u>                                  | <u>325,000</u>              | <u>475,452</u>    |
| <b>Cash flows from investing activities</b>  |   |                             |                   |
| Interest and dividends received  | 2,926   | 549                         | 3,475             |
| Net cash provided by investing activities  | <u>2,926</u>                                    | <u>549</u>                  | <u>3,475</u>      |
| Net increase (decrease) in cash and cash equivalents   | <u>115,037</u>                                  | <u>167,499</u>              | <u>282,536</u>    |
| Cash and cash equivalents - beginning of the year  | <u>332,779</u>                                  | <u>165,150</u>              | <u>497,929</u>    |
| Cash and cash equivalents - end of the year  | <u>\$ 447,816</u>                               | <u>\$ 332,649</u>           | <u>\$ 780,465</u> |
| <b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b> |   |                             |                   |
| Operating income (loss)  | \$ (37,242)                                     | \$ (269,274)                | \$ (306,516)      |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:      |   |                             |                   |
| Depreciation expense   | 39,110  | 218,306                     | 257,416           |
| Miscellaneous nonoperating income  | 2,400   | -                           | 2,400             |
| (Increase) decrease in:  |   |                             |                   |
| Accounts receivable  | (31,677)  | -                           | (31,677)          |
| Due from other funds   | -   | 104                         | 104               |
| Inventories  | -   | 5,240                       | 5,240             |
| Increase (decrease) in:  |   |                             |                   |
| Accounts payable   | 98,188  | 4,449                       | 102,637           |
| Due to other funds   | 1,189   | (2,785)                     | (1,596)           |
| Other accrued expenses   | -   | 1,390                       | 1,390             |
| Accrued wages payable  | -   | 38,633                      | 38,633            |
| Unearned revenue   | -   | -                           | -                 |
| Compensated absences   | -   | 153                         | 153               |
| Net pension asset/liability and related deferred inflows/outflows  | -   | (38,999)                    | (38,999)          |
| Net cash provided (used) by operating activities   | <u>\$ 71,968</u>                                | <u>\$ (42,783)</u>          | <u>\$ 29,185</u>  |

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**December 31, 2020**

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|                            | <b>Pension Trust<br/>Funds</b> |
|----------------------------|--------------------------------|
| <b>ASSETS</b>              |                                |
| Cash and cash equivalents  | \$ 574,418                     |
| Investments                | 22,094,118                     |
| Receivable                 | 30,280                         |
| Other                      | 94,648                         |
| Total assets               | <u>\$ 22,793,464</u>           |
| <b>NET POSITION</b>        |                                |
| Held in trust for benefits | <u>\$ 22,793,464</u>           |

**EAST HEMPFIELD TOWNSHIP**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2020**

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|  | <b>Pension Trust<br/>Funds</b> |
|--|--------------------------------|
| <b>ADDITIONS</b>   |                                |
| Contributions  |                                |
| Employer   | \$ 1,340,947                   |
| Plan member  | <u>191,294</u>                 |
| Total contributions  | <u>1,532,241</u>               |
| Investment income  |                                |
| Net appreciation (depreciation) in fair value of investments<br>and gain (loss) on sale of investments | <u>3,485,595</u>               |
| Total additions  | <u>5,017,836</u>               |
| <b>DEDUCTIONS</b>  |                                |
| Benefit payments   | 1,102,953                      |
| Administrative expenses  | <u>147,156</u>                 |
| Total deductions   | <u>1,250,109</u>               |
| Change in net position   | 3,767,727                      |
| Net position - beginning   | <u>19,025,737</u>              |
| Net position - ending  | <u><u>\$ 22,793,464</u></u>    |

## **EAST HEMPFIELD TOWNSHIP**

### **Notes to Financial Statements**

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

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##### ***Nature of Operations***

East Hempfield Township (the "Township") operates under the Second Class Township Code under the laws of the Commonwealth of Pennsylvania. The operations of the Township are vested in a board of supervisors. The Township provides the following services: general administrative services, public improvements, public safety, culture and recreation and maintenance and repairs of highways and streets programs.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB"). The government's more significant accounting policies are described below.

##### ***Reporting Entity***

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the Township has no component units and is not a component unit of any other entity.

##### ***Joint Ventures***

###### **Hempfield Area Recreational Authority**

On December 1, 1994, the Township entered into a cooperative agreement with four neighboring municipalities to create the Hempfield Area Recreation Commission for the purpose of providing adequate community recreation programs to the citizens of the four sponsoring municipalities. Under the terms of this agreement the four sponsoring municipalities each appoint two individual representatives to the Commission. The Commission charges a per capita annual fee to each member municipality based on the latest available Hempfield School District Census figures. For the year ended December 31, 2020 the per capita charge paid by the Township to the Commission was \$ 51,535.

On June 16, 2010, the Township entered into an amended lease agreement with the Hempfield Area Recreation Commission under which the Commission rents property owned by the Township. The property under lease includes an indoor recreation center, outdoor tennis courts, a swimming pool and parking lots. The term of the lease is for 25 years beginning on July 1, 2000 and the lease amount is \$ 1 per year. As of December 31, 2020 the property under this lease agreement had a cost of \$ 4,687,470 and accumulated depreciation was \$ 3,478,074.



**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

***Joint Ventures (Continued)***

**East Hempfield Recreation Authority**

On September 19, 2018, the Township established the East Hempfield Recreation Authority. The intention of this Authority is to eventually operate and manage the golf course currently being operated by the Township. Other than appointing the board and adopting the Articles of Incorporation, no activity occurred in the Authority during the year.

***Fund Accounting***

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental Funds are those through which most governmental functions of the Township are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The Township reports the following major governmental funds:

***General Fund*** - The General Fund is the general operating fund of the Township. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

***Capital Projects Fund*** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The Township reports the following non-major governmental fund:

***Special Revenue Funds*** - These funds are used to account for proceeds of specific revenue sources used to finance specific activities as required by law or administrative regulation. The Township has the following Special Revenue Fund:

***Highway Aid Fund*** - this fund is used to account for state liquid fuels tax revenue that is restricted to be used for building, improving, and maintaining local roads and bridges.

**Proprietary Funds**

These funds are used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges to the users of such services. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The Township's enterprise funds are described below.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**Proprietary Funds (Continued)**

The Township's enterprise funds consist of:

***Golf Course Fund*** – this fund is used to account for the fiscal activities of the golf course.

***Trash Collection/Recycling Fund*** – this fund is used to account for the fiscal activities of providing trash and recycling services.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, interest expense and grant revenue result from non-exchange transactions or ancillary activities.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has no investment trust funds, private purpose trust funds or custodial funds. Fiduciary Funds are not included in the government-wide financial statements.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Township reports the following fiduciary fund types:

***Non-Uniform Pension Trust Fund*** – this fund accounts for the revenue (i.e., member contributions, Township contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Non-Uniformed Municipal Employees' Pension Trust Fund.

***Police Pension Trust Fund*** – this fund accounts for the revenue (i.e., member contributions, Township contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Police Employees' Pension Trust Fund.

## **EAST HEMPFIELD TOWNSHIP**

### **Notes to Financial Statements**

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#### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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##### ***Basis of Presentation***

**Government-wide Financial Statements** – The statements of net position and activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Township's public safety, health and welfare, highways, culture and recreation, community development, and general administrative services are classified as governmental activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program 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 for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

**Fund Financial Statements** – Fund financial statements report detailed information about the Township. The focus of the governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to fiduciary funds and they are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

***Basis of Accounting***

**Accrual**

Government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Net position (total assets plus deferred outflows of resources less deferred inflows of resources and total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

**Modified Accrual**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers tax revenue to be available if collected within 60 days of the end of the fiscal period. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB standards, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as unearned revenue by the recipient. If time requirements are not met, a deferred inflow of resources would be recorded.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting (Continued)***

**Modified Accrual (Continued)**

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

***Cash and Cash Equivalents***

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

***Investments***

Investments and investment pools are reported at fair value, which is determined as follows:

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems and investments in external investment pools not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Unrealized appreciation or depreciation due to changes in fair values of such investments is recognized annually.

***Concentrations***

The Township receives real estate and local service taxes from residents within the Township limits. The Township is located in Lancaster County within South Central Pennsylvania. The Township uses a tax collector to collect all current real estate and local services taxes. The Township may lien any property associated with the real estate assessment.

***Capital Assets***

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the governmental fund financial statements.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

Capital assets with a value of \$ 5,000 or more and estimated useful lives of over one year are capitalized by the Township. Infrastructure acquired after January 1, 2003 (in accordance with GASB provisions) is capitalized and depreciated over its estimated useful life. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add value to an asset or materially extend its useful life are not capitalized.

Major outlays of capital asset and improvements are capitalized as projects are completed. Interest incurred during construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

|                            | <b>Years</b> |
|----------------------------|--------------|
| Infrastructure             | 40           |
| Land improvements          | 20           |
| Buildings and improvements | 7-40         |
| Leasehold assets           | 5-10         |
| Equipment                  | 3-20         |

Intangible assets with an indefinite life are not subject to depreciation.

***Allowance for Doubtful Accounts***

The Township believes that all accounts receivable are fully collectible; therefore, there is no allowance for doubtful accounts.

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Township has several items related to the net pension and OPEB asset/liabilities.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Deferred Outflows and Inflows of Resources (Continued)***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has items which qualify for reporting in this category. Unavailable revenue from taxes is considered a deferred inflow of resources on the Governmental Funds – Balance Sheet as well as several items related to the net pension and OPEB asset/liabilities on the Statement of Net Position.

***Compensated Absences***

Liabilities for compensated absences are accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Under terms of the Township's employment agreements, employees are granted vacation and sick leave in varying amounts. Vacation time must be used during the calendar year for all employees and cannot be carried over. Township police officers are entitled to accrue unlimited days of sick leave benefits and at retirement, are entitled to payment for all unused sick time in an amount of \$ 100 per day for each day of unused sick leave to a maximum of 100 days. All non-uniformed employees of the Township accrue sick leave benefits to a maximum of 195 days and at time of retirement or resignation with 20 continuous years of service are paid \$ 6.25 for each hour of unused sick time to a maximum of 110 days.

The vesting method is used to account for sick leave and vision liabilities. In accordance with GASB standards, no liability is recorded in the governmental fund financial statements and an expenditure is recorded as payments are made. In the government-wide statements, the liability and expenses are recorded as earned.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental columns in the statement of net position. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred charges on bond refunding are shown as deferred outflows of resources. Bond issuance costs related to insurance premiums are reported as assets and amortized over the term of the related debt. Other bond issuance costs are expensed as incurred. The Township currently does not have any bonds outstanding but does have notes payable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable or other borrowings attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

**Restricted:** This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted:** This component of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***Net Position Flow Assumption***

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance – Governmental Funds***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.



**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Township's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Township Supervisors. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Township Supervisors, or the Township Manager. The assignment of fund balance cannot result in a negative unassigned fund balance.

**Unassigned:** This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Fund Balance Flow Assumptions***

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township policy when both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second and unassigned funds last.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Interfund Activity***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

***Budgets and Budgetary Accounting***

**Legal Requirements**

Commonwealth of Pennsylvania statutes require that Township Governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes all funds and is based on estimates of revenues and expenditures approved by the Township Supervisors. The Township adopted the 2020 budget on the same basis of accounting as reported in the financial statements. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

**Township Budget Process**

1. During the fall, the Finance Director of the Township prepares a preliminary budget which is submitted to the Supervisors for review.
2. The Supervisors review the preliminary projections of revenues and expenditures incorporating any revisions or adjustments.
3. The Supervisors advertise that the proposed budget is available for public inspection for 20 days prior to final adoption.
4. After the 20 day inspection period, but prior to December 31, the Supervisors adopt the final budget by enacting an appropriate resolution.
5. Formal budgetary process is employed as a planning device. The adopted budget is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the Supervisors.

**Level of Control**

The Township maintains budgetary control at the individual fund level.

**Lapsing of Appropriations**

Unexpended appropriations lapse at year end.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Budgets and Budgetary Accounting (Continued)***

**Management Amendment Authority**

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line-item basis during the year and approved by Township Supervisors.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Pension Plans***

The Township has established two defined benefit pension plans: the police plan and non-uniformed plan. The financial statements related to its pension plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See Note 8 for additional information on these pension plans.

***Other Postemployment Benefits Other Than Pensions***

The Township provides continuation of medical benefits to police officers who retire from the Township. The medical benefits include hospitalization, major medical and dental services. See Note 9 for additional information on the Township's other postemployment benefits.

## **EAST HEMPFIELD TOWNSHIP**

### **Notes to Financial Statements**

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#### **NOTE 2 CASH AND INVESTMENTS**

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The Commonwealth of Pennsylvania's "Second Class Township Code" and Act 10 of 2016 define allowable investments for Township funds as follows:

- United States Treasury Bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities
- Deposits in savings accounts, time deposits, other than certificates of deposit, or share amounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, to the extent that the accounts are so insured and, for any amounts above the insured maximum, if approved collateral therefore is pledged by the depository.
- Obligations of 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, if the only investments at that company are in authorized investments for Township funds listed above.
- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, to the extent that the amounts are so insured. However, for any amounts above the insured maximum, the certificates of deposit shall be secured by a pledge or assignment of assets of the institution, and the collateral may include loans, including interest in pools of loans, secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
- Any investment authorized by 20 PA. Ch. 73 (relating to fiduciary investments). This paragraph is limited to investments for any pension or retirement fund.
- Obligations, participations, or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.
- Bills of exchange or time drafts drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a written policy for custodial credit risk. As of December 31, 2020, \$ 5,231,128 of the Township's bank balance of \$ 5,981,128 was exposed to custodial credit risk as follows:

|  |                     |
|--|---------------------|
| Uninsured and uncollateralized   | \$ -                |
| Collateralized with securities held by the pledging financial institution                            | -                   |
| Uninsured and collateral held by the pledging bank's trust department but not in the Township's name | <u>5,231,128</u>    |
|  | <u>\$ 5,231,128</u> |

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Township have pledged collateral on a pooled basis on behalf of the Township and all other governmental depositors in the respective financial institutions.

***Investments – General Fund***

The Township has set aside mutual fund investments to be used to fund future other post-employment benefits (OPEB). This is also shown as committed fund balance. While these investments are set aside for the purpose of funding OPEB, they are not maintained as part of an irrevocable trust. Therefore, these assets do not meet the criteria established by GASB to offset any OPEB liabilities. The risks associated with these investments are detailed below.

***Interest Rate Risk – General Fund Investments***

The Township does not have a formal written policy that limits investment maturities. The following details the investment maturities for the fixed income mutual funds maintained in the general fund.

| Fund    | Investment Type                                 | Fair Value          | Investment Maturities (in years) |            |              |              |
|---------|---|---------------------|----------------------------------|------------|--------------|--------------|
|         |   |                     | Less than 1                      | 1-5        | 6-10         | More than 10 |
| General | Fixed income mutual funds/exchange traded funds | \$ 1,319,615        | \$ -                             | \$ 107,597 | \$ 1,212,018 | \$ -         |
| General | Other mutual funds/exchange traded funds        | <u>1,421,382</u>    | N/A                              | N/A        | N/A          | N/A          |
|         |   | <u>\$ 2,740,997</u> |                                  |            |              |              |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Credit Risk – General Fund Investments***

The Township does not have a policy that limits the credit quality rating for general fund investments.

As of December 31, 2020, the Township's General Fund investments in fixed income mutual funds/exchange traded funds were rated by Morningstar as follows:

| <b>Rating</b> | <b>Percentage<br/>of Total</b> |
|---------------|--------------------------------|
| AAA           | 46.02%                         |
| AA            | 6.00%                          |
| A             | 19.83%                         |
| BBB           | 25.76%                         |
| BB            | 0.80%                          |
| B             | 0.37%                          |
| Below B       | 0.30%                          |
| NR/NA         | 0.92%                          |
|               | <u>100.00%</u>                 |

Included in cash and cash equivalents are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF-MAX) of \$ 1,022. The PSDLAF-MAX is basically a mutual fund that consists of short-term money market instruments and seeks to maintain a constant net asset value of \$ 1 per share. PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. As of December 31, 2020, the Township's investments in PSDLAF were rated AAAM.

***Policies Followed at PSDLAF***

**Regulatory Oversight**

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve ex officio. The Trustees have full, exclusive, and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlers, as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

**Valuation of Investments**

In accordance with Government Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment.

The Township has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

***Credit Risk/Interest Rate Risk in Debt Securities – Pension Investments***

As of December 31, 2020, the Township's pension plan investments in debt securities had the following fair value, credit quality rating and maturity:

| Investment                    | Fair Value          |                   |                     | Average<br>Credit Quality | Avg Eff Duration/<br>Avg Eff Maturity |
|-------------------------------|---------------------|-------------------|---------------------|---------------------------|---------------------------------------|
|                               | Non-uniformed       | NU cash balance   | Police              |                           |                                       |
| Diamond Hill Corporate Credit | \$ 304,079          | \$ 11,953         | \$ 585,996          | B                         | 03.1/00.0 years                       |
| Doubleline Core Fixed Income  | 378,279             | 14,870            | 728,989             | BB                        | 04.8/06.6 years                       |
| Guggenheim Total Return       | 531,670             | 20,900            | 1,024,591           | BB                        | 07.5/11.6 years                       |
| Janus Henderson Multi-Sector  | 303,886             | 11,946            | 585,625             | B                         | 03.5/05.2 years                       |
| PGIM Total Return Bond        | 454,566             | 17,868            | 876,002             | BB                        | 06.9/00.0 years                       |
| Principal Short Term Income   | 200,967             | 7,900             | 365,552             | BBB                       | 01.9/02.4 years                       |
| Voya Intermediate Bond        | 453,853             | 17,841            | 874,629             | BBB                       | 06.2/07.4 years                       |
|                               | <u>\$ 2,627,300</u> | <u>\$ 103,278</u> | <u>\$ 5,041,384</u> |                           |                                       |

***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 pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed 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.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

***Investments – Fair Value Measurements (Continued)***

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 net position, as well as the general classifications of such instruments pursuant to the valuation hierarchy.

***Mutual Funds and Exchange Traded Funds– General Investments***

Mutual funds and exchange traded funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange.

***Mutual Funds – Pension Investments***

Mutual funds listed on a national market or exchange are purchased by Nationwide Trust on a daily basis. Investors (the Township) then purchase units of investments through the Trust. These units are made up of a portion of the pools of mutual funds held by the Trust. The unit value is determined by the price of the underlying mutual funds and other factors which are recalculated daily.

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of December 31, 2020:

|                           |                      | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---------------------------|----------------------|--|--|--|
|                           | Fair Value           |  |  |  |
| General investments:      |                      |  |  |  |
| Exchange Traded Funds     | \$ 2,727,598         | \$ 2,727,598   | \$ -   | \$ -   |
| Mutual Funds              | 13,399               | 13,399   | -  | -  |
|                           | <u>\$ 2,740,997</u>  | <u>\$ 2,740,997</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| Pension investments:      |                      |  |  |  |
| Mutual Funds - Nationwide | \$ 22,094,118        | \$ -   | \$ 22,094,118  | \$ -   |
|                           | <u>\$ 22,094,118</u> | <u>\$ -</u>  | <u>\$ 22,094,118</u>                                   | <u>\$ -</u>  |



**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 3 TAXES RECEIVABLE AND DEFERRED INFLOWS**

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Property taxes are levied on January 1 for the tax year and billed on March 1. Taxes are payable at a 2% discount if paid before May 1 and at a 10% penalty if paid after the extended due date (due to COVID-19) of November 30. Billing of property taxes is performed by Lancaster County and is based on assessed value of real estate. Outstanding property taxes are turned over to Lancaster County Tax Claim Bureau, which handles collections and placement of liens, if necessary.

Property taxes are recorded as revenue by the Township when received from Lancaster County, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31 in accordance with the modified accrual basis of accounting. The Township has evaluated the need for an allowance for uncollectible taxes based on historical collections and determined no allowance is necessary. The total taxable assessed valuation as of December 31, 2020 is \$ 3,008,588,500. The rate of real estate taxation in 2020 was 0.85 mills for general purposes and 0.16 mills for capital project purposes.

Taxes receivable in the fund financial statements consists of the following as of December 31, 2020:

|   | <b>General</b> | <b>Capital<br/>Projects</b> |
|---|----------------|-----------------------------|
| Real Estate   | \$ 66,420      | \$ 12,651                   |
| Transfer  | 119,296        | -                           |
| Earned income   | 993,411        | -                           |
| Local service   | 282,909        | -                           |
| Total taxes receivable  | 1,462,036      | 12,651                      |
| Taxes collected within sixty days, recorded as revenues<br>in governmental funds                        | (1,434,730)    | (7,450)                     |
| Taxes estimated to be collected after sixty days,<br>recorded as deferred inflows in governmental funds | \$ 27,306      | \$ 5,201                    |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

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Due from/to other funds consist of the following as of December 31, 2020:

|                           | Due from<br>other funds | Due to<br>other funds   |
|---------------------------|-------------------------|-------------------------|
| <b>Governmental funds</b> |                         |                         |
| General                   | \$ 51,093               | \$ 317                  |
| Capital Projects Fund     | -                       | 38                      |
| Total governmental funds  | <u>51,093</u>           | <u>355</u>              |
| <b>Enterprise funds</b>   |                         |                         |
| Trash and Recycling       | -                       | 1,189                   |
| Golf Course Fund          | <u>317</u>              | <u>49,866</u>           |
| Total enterprise funds    | <u>317</u>              | <u>51,055</u>           |
| Total                     | <u><u>\$ 51,410</u></u> | <u><u>\$ 51,410</u></u> |

The Capital Projects Fund owed the General Fund for reimbursements.

The Golf Course Fund owed the General Fund for payroll related expenses and reimbursement for supplies purchased.

The General Fund owed the Golf Course Fund for health insurance payments.

The Trash and Recycling Fund owed the General Fund for reimbursements related to supplies purchased.

Interfund transfers were as follows in 2020:

|                           | Transfers in               | Transfers out              |
|---------------------------|----------------------------|----------------------------|
| <b>Governmental funds</b> |                            |                            |
| General                   | \$ -                       | \$ 1,989,747               |
| Capital Projects Fund     | <u>1,664,747</u>           | <u>-</u>                   |
| Total governmental funds  | <u>1,664,747</u>           | <u>1,989,747</u>           |
| <b>Enterprise funds</b>   |                            |                            |
| Golf Course Fund          | <u>325,000</u>             | <u>-</u>                   |
| Total enterprise funds    | <u>325,000</u>             | <u>-</u>                   |
| Total                     | <u><u>\$ 1,989,747</u></u> | <u><u>\$ 1,989,747</u></u> |

Transfers from the general fund to other funds were transfers to cover operating costs and set aside funds for future capital expenditures.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the Township consists of the following as of and for the year ended December 31, 2020:

|                                       | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Retirements</b> | <b>Ending<br/>Balance</b> |
|---------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| <b>Governmental Activities</b>        |                              |                     |                    |                           |
| Cost:                                 |                              |                     |                    |                           |
| Capital assets, not being depreciated |                              |                     |                    |                           |
| Land                                  | \$ 5,043,846                 | \$ -                | \$ -               | \$ 5,043,846              |
| Construction in progress              | 1,053,032                    | 2,376,633           | (19,831)           | 3,409,834                 |
| Capital assets, being depreciated     |                              |                     |                    |                           |
| Land improvements                     | 737,755                      | -                   | -                  | 737,755                   |
| Infrastructure                        | 8,211,728                    | 90,274              | -                  | 8,302,002                 |
| Buildings and improvements            | 11,642,364                   | -                   | -                  | 11,642,364                |
| Leasehold assets                      | 1,191,955                    | 525,242             | -                  | 1,717,197                 |
| Equipment                             | 2,951,578                    | 209,385             | (369,790)          | 2,791,173                 |
| Total cost                            | <u>30,832,258</u>            | <u>3,201,534</u>    | <u>(389,621)</u>   | <u>33,644,171</u>         |
| Less accumulated depreciation:        |                              |                     |                    |                           |
| Land improvements                     | (146,482)                    | (37,124)            | -                  | (183,606)                 |
| Infrastructure                        | (1,698,301)                  | (207,001)           | -                  | (1,905,302)               |
| Buildings and improvements            | (5,490,098)                  | (293,674)           | -                  | (5,783,772)               |
| Leasehold assets                      | (482,618)                    | (168,348)           | -                  | (650,966)                 |
| Equipment                             | (2,118,612)                  | (263,473)           | 357,191            | (2,024,894)               |
| Total accumulated depreciation        | <u>(9,936,111)</u>           | <u>(969,620)</u>    | <u>357,191</u>     | <u>(10,548,540)</u>       |
| <b>Capital assets, net</b>            | <b>\$ 20,896,147</b>         | <b>\$ 2,231,914</b> | <b>\$ (32,430)</b> | <b>\$ 23,095,631</b>      |
| <b>Business-Type Activities</b>       |                              |                     |                    |                           |
| Cost:                                 |                              |                     |                    |                           |
| Capital assets, not being depreciated |                              |                     |                    |                           |
| Land                                  | \$ 2,320,624                 | \$ -                | \$ -               | \$ 2,320,624              |
| Construction in progress              | -                            | 4,819               | -                  | 4,819                     |
| Capital assets, being depreciated     |                              |                     |                    |                           |
| Land improvements                     | 275,470                      | -                   | -                  | 275,470                   |
| Buildings and improvements            | 4,502,142                    | -                   | -                  | 4,502,142                 |
| Leasehold assets                      | 695,697                      | -                   | -                  | 695,697                   |
| Equipment                             | 1,083,499                    | 197,964             | (59,952)           | 1,221,511                 |
| Total cost                            | <u>8,877,432</u>             | <u>202,783</u>      | <u>(59,952)</u>    | <u>9,020,263</u>          |
| Less accumulated depreciation:        |                              |                     |                    |                           |
| Land improvements                     | (122,500)                    | (11,480)            | -                  | (133,980)                 |
| Buildings and improvements            | (3,341,901)                  | (134,156)           | -                  | (3,476,057)               |
| Leasehold assets                      | (340,390)                    | (60,759)            | -                  | (401,149)                 |
| Equipment                             | (890,409)                    | (51,021)            | 59,952             | (881,478)                 |
| Total accumulated depreciation        | <u>(4,695,200)</u>           | <u>(257,416)</u>    | <u>59,952</u>      | <u>(4,892,664)</u>        |
| <b>Capital assets, net</b>            | <b>\$ 4,182,232</b>          | <b>\$ (54,633)</b>  | <b>\$ -</b>        | <b>\$ 4,127,599</b>       |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense of governmental activities for the year ended December 31, 2020 was charged as follows:

|                        |                   |
|------------------------|-------------------|
| General Government     | \$ 66,763         |
| Public Safety          | 359,676           |
| Public works           | 388,772           |
| Culture and Recreation | 154,409           |
|                        | <u>\$ 969,620</u> |

**NOTE 6 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended December 31, 2020 were as follows:

|                                    | Beginning<br>Balance | Additions           | Reductions            | Ending<br>Balance   | Current<br>Portion | Long-term<br>Portion |
|------------------------------------|----------------------|---------------------|-----------------------|---------------------|--------------------|----------------------|
| <b>Governmental Activities:</b>    |                      |                     |                       |                     |                    |                      |
| Direct borrowings                  |                      |                     |                       |                     |                    |                      |
| (A) 2011 Bank note                 | \$ 107,179           | \$ -                | \$ (51,669)           | \$ 55,510           | \$ 55,510          | \$ -                 |
| (B) 2011 PIB loan                  | 321,740              | -                   | (256,869)             | 64,871              | 64,871             | -                    |
| (C) 2018 Bank note                 | 3,995,000            | -                   | (3,995,000)           | -                   | -                  | -                    |
| (D) 2020 Bank note                 | -                    | 4,095,000           | -                     | 4,095,000           | 235,000            | 3,860,000            |
| Subtotal - direct borrowings       | <u>4,423,919</u>     | <u>4,095,000</u>    | <u>(4,303,538)</u>    | <u>4,215,381</u>    | <u>355,381</u>     | <u>3,860,000</u>     |
| Compensated absences               | <u>174,274</u>       | <u>40,888</u>       | <u>(27,170)</u>       | <u>187,992</u>      | <u>38,599</u>      | <u>149,393</u>       |
| Capital leases                     | <u>311,258</u>       | <u>475,249</u>      | <u>(176,264)</u>      | <u>610,243</u>      | <u>182,185</u>     | <u>428,058</u>       |
| <b>Total long-term liabilities</b> | <b>\$ 4,909,451</b>  | <b>\$ 4,611,137</b> | <b>\$ (4,506,972)</b> | <b>\$ 5,013,616</b> | <b>\$ 576,165</b>  | <b>\$ 4,437,451</b>  |
| <b>Business-Type Activities:</b>   |                      |                     |                       |                     |                    |                      |
| Compensated absences               | \$ 10,637            | \$ 3,115            | \$ (2,962)            | \$ 10,790           | \$ 6,029           | \$ 4,761             |
| Capital leases                     | <u>22,125</u>        | <u>-</u>            | <u>(22,125)</u>       | <u>-</u>            | <u>-</u>           | <u>-</u>             |
| <b>Total long-term liabilities</b> | <b>\$ 32,762</b>     | <b>\$ 3,115</b>     | <b>\$ (25,087)</b>    | <b>\$ 10,790</b>    | <b>\$ 6,029</b>    | <b>\$ 4,761</b>      |

- (A) **General Obligation Note of 2011** – On May 4, 2011, the Township signed a note with PNC Bank, National Association in the principal amount of \$ 458,000 to fund the purchase of fire department apparatus. Semi-annual installments of \$ 27,540 are due through July 10, 2021 with a fixed interest rate of 3.65%. In the event of default, the process customary for transactions of similar size and type would be followed.
- (B) **Pennsylvania Infrastructure Bank Loan of 2011**– On March 14, 2011, the Township signed a note in the principal amount of \$ 2,400,000 to refinance existing debt. Monthly installments of \$ 21,683 are due through March 14, 2021 with a fixed interest rate of 1.63%. In the event of default, the whole principal sum and interest thereon shall immediately become due and payable at the option of the Department.
- (C) **General Obligation Note of 2018** – on June 21, 2018, the Township signed a note with TD Bank, NA in the principal amount of \$ 4,000,000 to fund an expansion of the municipal building. Semiannual principal and interest payments are due beginning January 1, 2019 through July 1, 2031. The note bears a fixed interest rate of 3.380%. In the event of default, the bank reserves the right to exercise the remedies set forth in the loan document. This note was refinanced during 2020.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

***Notes and Loans Payable (Continued)***

(D) **General Obligation Note of 2020** – on June 22, 2020, the Township signed a note with FNB Bank in the principal amount of \$ 4,095,000 to fund the refinancing of the Township's General Obligation Note of 2018. Semiannual principal and interest payments are due beginning January 1, 2021 through July 1, 2031. The note bears a fixed interest rate of 2.150%. The note is secured by a pledge of the full faith, credit and taxing power of the Township.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2020:

|           | 2011 Bank note   |                 | 2011 PIB loan    |               | 2020 Bank note      |                   | Total               |                   |
|-----------|------------------|-----------------|------------------|---------------|---------------------|-------------------|---------------------|-------------------|
|           | Principal        | Interest        | Principal        | Interest      | Principal           | Interest          | Principal           | Interest          |
| 2021      | \$ 55,510        | \$ 1,495        | \$ 64,871        | \$ 176        | \$ 235,000          | \$ 88,287         | \$ 355,381          | \$ 89,958         |
| 2022      | -                | -               | -                | -             | 360,000             | 82,990            | 360,000             | 82,990            |
| 2023      | -                | -               | -                | -             | 370,000             | 75,250            | 370,000             | 75,250            |
| 2024      | -                | -               | -                | -             | 375,000             | 67,295            | 375,000             | 67,295            |
| 2025      | -                | -               | -                | -             | 380,000             | 59,233            | 380,000             | 59,233            |
| 2026-2030 | -                | -               | -                | -             | 2,035,000           | 169,850           | 2,035,000           | 169,850           |
| 2031      | -                | -               | -                | -             | 340,000             | 7,310             | 340,000             | 7,310             |
|           | <u>\$ 55,510</u> | <u>\$ 1,495</u> | <u>\$ 64,871</u> | <u>\$ 176</u> | <u>\$ 4,095,000</u> | <u>\$ 550,215</u> | <u>\$ 4,215,381</u> | <u>\$ 551,886</u> |

***Interest Expense***

For the year ended December 31, 2020, the Township incurred interest expense of \$ 114,189.

**NOTE 7 CAPITAL LEASES**

***Governmental Activities***

On November 28, 2014, the Township entered into a capital lease in order to purchase a dump truck. The amount of the capital lease at inception was \$ 144,090. Annual payments including interest of \$ 30,756 begin January 2016 and continue through January 2020. This lease was paid off during the year.

On November 23, 2015, the Township entered into a capital lease in order to purchase a dump truck. The amount of the capital lease at inception was \$ 165,880. Annual payments including interest of \$ 35,572 begin December 2016 and continue through December 2020. This lease was paid off during the year.

On December 29, 2016, the Township entered into a capital lease in order to purchase a dump truck. The amount of the capital lease at inception was \$ 158,484. Annual payments including interest of \$ 34,207 began June 2017 and continue through June 2021.

On December 27, 2017 the Township entered into a capital lease in order to purchase a dump truck. The amount of the capital lease at inception was \$ 153,026. Annual payments including interest of \$ 32,874 began April 2018 and continue through April 2022.

On January 25, 2019 the Township entered into a capital lease in order to purchase a loader. The amount of the capital lease at inception was \$ 107,955. Annual payments including interest of \$ 23,726 began April 2019 and continue through April 2023.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 7 CAPITAL LEASES (CONTINUED)**

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During 2020, the Township entered into a vehicle lease program with Enterprise to lease a fleet of vehicles. Delivery of the vehicles varied during the year and each vehicle has its own payment schedule, ranging from monthly principal and interest payments of \$ 342 to \$ 987. The lease terms range from 48 to 60 months.

The assets acquired through the capital leases are as follows:

|                                |                   |
|--------------------------------|-------------------|
| Leasehold assets               | \$ 1,270,678      |
| Less: accumulated depreciation | <u>(347,768)</u>  |
| Total                          | <u>\$ 922,910</u> |

Future minimum lease payments required under capital lease agreements are as follows:

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| Years ending December 31                             |                                    |
| 2021   | \$ 204,212                         |
| 2022   | 170,003                            |
| 2023   | 138,192                            |
| 2024   | 97,883                             |
| 2025   | <u>42,869</u>                      |
|  | 653,159                            |
| Less: amount representing interest                   | <u>(42,916)</u>                    |
| Total present value of net minimum<br>lease payments | <u>\$ 610,243</u>                  |

***Business-Type Activities***

On February 2, 2016, the Township entered into a capital lease in order to finance the purchase of two Toro Groundsmowers. The amount of the capital lease at inception was \$ 83,187. Annual payments including interest of \$ 17,855 began September 2016 and continue through September 2020. This lease was paid off during the year.

On January 17, 2018, the Township entered into a capital lease in order to finance the purchase of a golf mower. The amount of the capital lease at inception was \$ 13,798. Annual payments including interest of \$ 4,810 began January 2018 and continue through January 2020. This lease was paid off during the year.

The assets acquired through the capital leases are as follows:

|                                |                   |
|--------------------------------|-------------------|
| Leasehold assets               | \$ 379,941        |
| Less: accumulated depreciation | <u>(182,553)</u>  |
| Total                          | <u>\$ 197,388</u> |

**NOTE 8    EMPLOYEE RETIREMENT PLANS**

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***General Information About the Pension Plans***

**Plan Description**

The Township sponsors two single employer defined benefit pension plans: The Police Pension Plan and Non-Uniformed Pension Plan. The plans are administered by Univest Municipal Pension Services. A separate financial report for each plan is available on the Township's website [www.easthempfield.org](http://www.easthempfield.org) which includes detailed disclosures on plan investments and additional disclosures required for plan statements based on GASB Standards.

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 appointed the Pension Board as the official body to which all related investment matters of the Funds are delegated. The Pension Board consists of 5 members, the Township Manager and Finance Director, two Supervisors and one other active non-managerial plan participant chosen by a majority of the current participants in the plan.

**Police Pension Plan Description**

The Plan covers all full-time members of the police force. Employees become eligible for participation upon employment and become fully vested after twelve years of service. The Police Pension Plan was established by municipal ordinance with the authority for municipal contributions required by Act 205, of the Pennsylvania legislature. The Police Pension Plan was established and is controlled by Ordinance No. 03-04, since amended.

**Non-Uniformed Pension Plan Description**

The Plan covers all full-time non-uniformed employees. Employees covered by the plan become fully vested after five years of service. The Non-Uniformed Pension Plan was established and is controlled by Ordinance No. 6-4-1986B, since amended.

***Benefits Provided***

**Police Pension Plan Benefits**

***Retirement benefit*** – monthly pension shall be 50% of the average salary over the participant's last 36 months of employment, plus an incremental pension of \$ 100 per month for each completed year of service in excess of 25 years up to a maximum of \$ 500 per month.

***Survivor benefit*** – a pension benefit shall be automatically provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to no less than 50% of the eligible pension. If no spouse, or if spouse subsequently dies, the benefit shall apply to children under age 18, or if attending college, under or attaining age 23.

***Disability benefit*** – Service related – the monthly disability pension benefit shall be calculated at no less than 50% of the member's salary at the time the disability was incurred. Said pension shall be reduced by any benefits received for the same injuries under the Social Security Act.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

***Benefits Provided (Continued)***

**Non-Uniformed Pension Plan Benefits**

**Retirement benefit** - For participants hired before January 1, 2011, retirement benefits equaling a monthly benefit of 2% for each year of service (maximum 60%) times the average monthly salary over the participant's 36 months of employment immediately preceding retirement. For participants hired after January 1, 2011, retirement benefits are equal to the value of the member's cash balance retirement account at the time of retirement with vesting of 20% per year for 5 years. This can be received as a lump sum payout or a single life annuity which is actuarially equivalent in value to the value of the cash balance account at retirement. This is considered a defined benefit plan as a result of the annuity option.

**Survivor benefit** - For participants hired prior to January 1, 2011, 50% of the member's vested benefit, payable at normal retirement. For participants hired on or after January 1, 2011, the vested value of the member's cash balance retirement account at the time of death.

***Contributions***

**Act 205**

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, established actuarial funding requirements for municipal pension plans.

Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 298 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

Police Pension Plan active member contribution rate - 5%, with interest credited at 6% per year.

Non-Uniform Pension Plan active member contribution rate - for participants hired prior to January 1, 2011, 3% of monthly compensation, with interest credited at 6% per year. For participants hired after January 1, 2011, contributions are neither required nor permitted.

The Commonwealth of Pennsylvania allocated General Municipal Pension System State Aid to individual municipalities under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time. Any funding requirements in excess of state aid must be paid by the municipality in accordance with Act 205. The minimum municipal obligation or annual required contribution was as follows:

|                                  |              | Non-Uniform     |                 |            |
|----------------------------------|--------------|-----------------|-----------------|------------|
|                                  | Police       | Defined Benefit | Cash Balance    | Total      |
|                                  |              | Defined Benefit | Defined Benefit |            |
| Annual required contribution     | \$ 754,104   | \$ 324,523      | \$ 62,320 *     | \$ 386,843 |
| Contributions made               | (954,104)    | (324,523)       | (62,320)        | (386,843)  |
| Contribution deficiency (excess) | \$ (200,000) | \$ -            | \$ -            | \$ -       |



**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

***Contributions (Continued)***

**Act 205 (Continued)**

\* The required contribution for the cash balance structure is equal to the contributions actually made on behalf of these participants. This amount will generally be different than the adopted MMO amount which was an estimate of the required contribution.

**Plan Membership**

|  | <b>Police</b> | <b>Non-Uniform</b> | <b>Non-Uniform<br/>Cash Balance</b> |
|--|---------------|--------------------|-------------------------------------|
| Active plan members  | 33            | 16                 | 19                                  |
| Inactive plan members or beneficiaries<br>currently receiving benefits | 26            | 19                 | -                                   |
| Inactive plan members entitled to but<br>not yet receiving benefits    | <u>1</u>      | <u>4</u>           | <u>-</u>                            |
| Total  | <u>60</u>     | <u>39</u>          | <u>19</u>                           |

***Basis of Accounting***

The plans' financial statements are prepared using the accrual basis of accounting. Municipal and member contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

***Net Pension Liability***

**Actuarial Methods and Assumptions**

The Township's net pension liability was measured as of December 31, 2020. An actuarial valuation of the total pension liability is performed biannually. The total pension liability was determined as part of an actuarial valuation at January 1, 2019.

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

|                            | <b>Police Pension Plan</b>  | <b>Non-Uniformed<br/>Pension Plan</b>                                   |
|----------------------------|---|---|
| Inflation                  | 3%  | 3%  |
| Salary increases           | 4.5%, including inflation   | 4.5%, including inflation   |
| Investment rate of return  | 7.5%, net of pension plan<br>investment expense,<br>including inflation | 7.5%, net of pension plan<br>investment expense,<br>including inflation |
| Cost-of-living adjustments | None  | None  |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

***Net Pension Liability (Continued)***

**Actuarial Methods and Assumptions (Continued)**

Mortality rates were based on the RP2000 Table for Males or Females, as appropriate, termination rates were based on Scale W65, and disability rates (for police) were based on the DI378 Table for Males or Females, as appropriate.

The actuarial assumptions used in the December 31, 2020 valuation were based on the same assumptions as the actuarial experience study as of January 1, 2019.

**Long-Term Expected Rate of Return**

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 expenses 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 real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

| Asset Class             | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |             |
|-------------------------|----------------------|---|-------------|
|                         |                      | Police                                    | Non-Uniform |
| Domestic Equity         | 43%                  |   |             |
| Large Cap               |                      | 6.10%                                     | 6.10%       |
| Medium Cap              |                      | 14.20%                                    | 14.20%      |
| Small Cap               |                      | 8.00%                                     | 8.00%       |
| International Equity    | 19%                  | 7.20%                                     | 7.20%       |
| Emerging Markets Equity | 0%                   | 8.90%                                     | 8.90%       |
| Fixed Income            | 32%                  | 5.30%                                     | 5.30%       |
| Real Estate             | 3%                   | 7.20%                                     | 7.20%       |
| Cash                    | 3%                   | 0.80%                                     | 0.80%       |
|                         | <u>100%</u>          |   |             |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. This discount rate is based on the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The Township must meet the funding requirements of Act 205 on an annual basis or be subject to an interest penalty as required. Act 205 requires full funding of the entry age normal cost-plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

***Changes in the Net Pension Liability***

|   | <b>Increase (Decrease)</b>     |                                    |                                      |
|---|--------------------------------|------------------------------------|--------------------------------------|
|   | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Net Pension Liability (Asset)</b> |
|   | <b>(a)</b>                     | <b>(b)</b>                         | <b>(a-b)</b>                         |
| <b>Police Pension Plan</b>                                    |                                |                                    |                                      |
| <b>Balances at December 31, 2019</b>                          | \$ 15,067,414                  | \$ 12,362,672                      | \$ 2,704,742                         |
| <b>Changes for the year:</b>                                  |                                |                                    |                                      |
| Service cost  | 370,086                        | -                                  | 370,086                              |
| Interest  | 1,126,135                      | -                                  | 1,126,135                            |
| Differences between expected and actual experience            | -                              | -                                  | -                                    |
| Change in assumptions   | -                              | -                                  | -                                    |
| Contributions - employer                                      | -                              | 954,104                            | (954,104)                            |
| Contributions - employee                                      | -                              | 155,611                            | (155,611)                            |
| Net investment income (loss)                                  | -                              | 2,173,824                          | (2,173,824)                          |
| Benefit payments, including refunds of employee contributions | (844,722)                      | (844,722)                          | -                                    |
| Administrative expenses                                       | -                              | -                                  | -                                    |
| Other charges   | -                              | -                                  | -                                    |
| <b>Net changes</b>  | <u>651,499</u>                 | <u>2,438,817</u>                   | <u>(1,787,318)</u>                   |
| <b>Balances at December 31, 2020</b>                          | <u>\$ 15,718,913</u>           | <u>\$ 14,801,489</u>               | <u>\$ 917,424</u>                    |
| <b>Non-Uniform Pension Plan</b>                               |                                |                                    |                                      |
| <b>Balances at December 31, 2019</b>                          | \$ 6,212,186                   | \$ 6,453,753                       | \$ (241,567)                         |
| <b>Changes for the year:</b>                                  |                                |                                    |                                      |
| Service cost  | 61,021                         | -                                  | 61,021                               |
| Interest  | 460,807                        | -                                  | 460,807                              |
| Change in benefit terms                                       | -                              | -                                  | -                                    |
| Differences between expected and actual experience            | -                              | -                                  | -                                    |
| Change in assumptions   | -                              | -                                  | -                                    |
| Contributions - employer                                      | -                              | 324,523                            | (324,523)                            |
| Contributions - employee                                      | -                              | 35,683                             | (35,683)                             |
| Net investment income (loss)                                  | -                              | 1,120,012                          | (1,120,012)                          |
| Benefit payments, including refunds of employee contributions | (258,231)                      | (258,231)                          | -                                    |
| Administrative expenses                                       | -                              | -                                  | -                                    |
| Other charges   | -                              | -                                  | -                                    |
| <b>Net changes</b>  | <u>263,597</u>                 | <u>1,221,987</u>                   | <u>(958,390)</u>                     |
| <b>Balances at December 31, 2020</b>                          | <u>\$ 6,475,783</u>            | <u>\$ 7,675,740</u>                | <u>\$ (1,199,957)</u>                |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

|                                 | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|---------------------------------|------------------------|-------------------------------------|------------------------|
| <b>Police Pension Plan</b>      |                        |                                     |                        |
| Total pension liability         | \$ 17,643,873          | \$ 15,718,913                       | \$ 14,108,302          |
| Plan fiduciary net position     | (14,801,489)           | (14,801,489)                        | (14,801,489)           |
| Net pension liability           | <u>2,842,384</u>       | <u>917,424</u>                      | <u>(693,187)</u>       |
| <b>Non-Uniform Pension Plan</b> |                        |                                     |                        |
| Total pension liability         | 6,949,377              | 6,475,783                           | 6,060,835              |
| Plan fiduciary net position     | (7,675,740)            | (7,675,740)                         | (7,675,740)            |
| Net pension asset/liability     | <u>(726,363)</u>       | <u>(1,199,957)</u>                  | <u>(1,614,905)</u>     |
| Total Net Pension Liability     | <u>\$ 2,116,021</u>    | <u>\$ (282,533)</u>                 | <u>\$ (2,308,092)</u>  |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plans' fiduciary net position is available in the separately issued plan financial reports.

For the year ended December 31, 2020, the Township recognized pension expense of (\$ 1,160,701). At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Police Pension Plan                  |                                     | Non-Uniform Pension Plan             |                                     | Total                                |                                     |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
| Differences between expected and actual experience                             | \$ 91,728                            | \$ 306,142                          | \$ -                                 | \$ -                                | \$ 91,728                            | \$ 306,142                          |
| Changes in assumptions   | 720,006                              | -                                   | -                                    | -                                   | 720,006                              | -                                   |
| Net difference between project and actual earnings on pension plan investments | -                                    | 1,231,972                           | -                                    | 611,948                             | -                                    | 1,843,920                           |
| Total  | <u>\$ 811,734</u>                    | <u>\$ 1,538,114</u>                 | <u>\$ -</u>                          | <u>\$ 611,948</u>                   | <u>\$ 811,734</u>                    | <u>\$ 2,150,062</u>                 |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 8 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

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

|                         | <b>Police Pension Plan</b> | <b>Non-Uniform Pension Plan</b> | <b>Total</b>          |
|-------------------------|----------------------------|---------------------------------|-----------------------|
| Year ended December 31: |                            |                                 |                       |
| 2021                    | \$ (216,853)               | \$ (150,147)                    | \$ (367,000)          |
| 2022                    | (81,445)                   | (77,418)                        | (158,863)             |
| 2023                    | (408,255)                  | (256,734)                       | (664,989)             |
| 2024                    | (162,065)                  | (127,649)                       | (289,714)             |
| 2025                    | 83,118                     | -                               | 83,118                |
| Thereafter              | 59,120                     | -                               | 59,120                |
|                         | <u>\$ (726,380)</u>        | <u>\$ (611,948)</u>             | <u>\$ (1,338,328)</u> |

***Cash Balance Pension Plan***

Non-uniform employees hired after January 1, 2011 are enrolled in the Township's defined benefit cash balance pension plan. Employees are not permitted to contribute to the plan. The Township will contribute at least annually an amount equal to seven (7%) of each employee's salary provided however, that the maximum annual contribution for any employee shall not exceed \$ 3,200. During 2020, Township contributions to the plan totaled \$ 62,320.

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS**

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The Township has a single-employer postemployment benefit plan (the Plan) that is administered through MG Trust Company.

**Plan Description** - a police officer hired before January 1, 2011 shall receive medical, prescription, and dental coverage for the retiree, spouse and eligible dependents. All retired police officers are required to contribute 50% of the prescription premium to receive the coverage. Upon reaching Medicare age, each retired police officer may receive \$ 1,600 per year from the Township to be used to purchase a Medicare supplemental insurance plan. The spouse of a retired police officer is eligible for benefits if the police officer contributes \$ 50 per month from the date he/she is required while still active. The spouse may continue medical coverage upon the retired police officer's death, unless the spouse remarries; however, there are no death benefits for a spouse if the police officer dies prior to retirement. The \$ 50 per month contributions for spousal coverage must continue to be paid as long as the spouse is receiving benefits.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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A police officer hired or re-hired on or after January 1, 2011 will receive an HRA account to pay for qualifying health care expenses. Beginning in the police officer's second year of service, the Township will deposit \$ 3,000 per year into the HRA account and the officer must deposit \$ 50 per month (\$ 600 per year). The Township's deposits will cease upon termination of employment or when payments begin to be made from the account.

The plan does not issue a publicly available financial report.

***Plan Membership***

Membership in the Township's plan consisted of the following at January 1, 2019, the date of the latest actuarial valuation:

|                            |           |
|----------------------------|-----------|
| Active participants        | 32        |
| Vested former participants | 0         |
| Retired participants       | <u>15</u> |
| Total                      | <u>47</u> |

***Contributions***

The contribution requirements of the Township are established and may be amended by the Police Union Contract. The plan requires contributions from members as detailed above.

***OPEB liabilities, OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The Township's total OPEB liability was measured as of December 31, 2020, and the total OPEB liability was determined by rolling forward the total liability from December 31, 2019 to December 31, 2020 based on an actuarial valuation as of January 1, 2019, which was based on census information as of January 1, 2019. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No 75. At December 31, 2020, the Township reported a total OPEB liability of \$ 6,600,401.

For the year ended December 31, 2020, the Township recognized OPEB expense of \$ 221,398.

***Changes in the Total OPEB Liability***

|  |                            |
|--|----------------------------|
| <b>Beginning Balance</b>                           | <b>\$ 6,106,507</b>        |
| <b>Changes for the year:</b>                       |                            |
| Service cost                                       | 242,257                    |
| Interest   | 226,665                    |
| Differences between expected and actual experience | -                          |
| Changes in assumptions                             | 249,666                    |
| Benefit payments                                   | <u>(224,694)</u>           |
| Net changes  | <u>493,894</u>             |
| <b>Ending Balance</b>                              | <b><u>\$ 6,600,401</u></b> |

Changes in assumptions reflect a change in the discount rate from 3.64% in 2019 to 3.26% in 2020.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience             | \$ -  | \$ 379,916                                   |
| Changes in assumptions   | 427,780                                       | 223,508                                      |
| Benefit payments subsequent to the measurement date (1/1/2020) | <u>226,073</u>                                | <u>-</u>                                     |
| Total  | <u>\$ 653,853</u>                             | <u>\$ 603,424</u>                            |

The amount of \$ 226,073 is reported as deferred outflows of resources related to OPEB resulting from Township benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

|                         |                     |
|-------------------------|---------------------|
| Year ended December 31: |                     |
| 2021                    | \$ (21,450)         |
| 2022                    | (21,450)            |
| 2023                    | (21,450)            |
| 2024                    | (21,450)            |
| 2025                    | (21,450)            |
| Thereafter              | <u>(68,394)</u>     |
|                         | <u>\$ (175,644)</u> |

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |   |
|--|---|
| Actuarial cost method                        | Entry Age Normal Cost   |
| Salary increases                             | 5.0%  |
| Discount rate                                | 3.26%   |
| Health care cost trend rates                 | 5.5% in 2019 decreasing to 4.0% in 2075   |
| Retirees' share of benefit and related costs | 50% of Rx premium for member and spouse. In addition, spouses are required to contribute \$50 per month |

Mortality rates are based on the IRS 2017 static combined table for small plans as, appropriate, with adjustments for mortality improvement based on Scale AA.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Assumptions and Other Inputs (Continued)***

The discount rate used to measure the total OPEB liability was 3.26%. The Township's plan is not funded, therefore the S&P 20 year municipal bond rate of 3.26% as of January 1, 2020 is the applicable discount rate.

***Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the Township, as well as what the Township's liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

|                    |    | 1% Decrease<br>(2.26%) | Current<br>Discount Rate<br>(3.26%) | 1% Increase<br>(4.26%) |
|--------------------|----|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ | 7,241,324              | \$ 6,600,401                        | \$ 6,033,474           |

***Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the Township, as well as what the plan's total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower and one percentage point higher than the current healthcare cost trend rates:

|                    |    | Healthcare<br>Cost Trend<br>Rate<br>(Between<br>3.0% and 4.5%) | Healthcare<br>Cost Trend<br>Rate<br>(Between<br>4.0% and 5.5%) | Healthcare<br>Cost Trend<br>Rate<br>(Between<br>5.0% and 6.5%) |
|--------------------|----|--|--|--|
| Net OPEB liability | \$ | 5,949,776  | \$ 6,600,401   | \$ 7,350,765   |

**NOTE 10 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. The Township purchases commercial insurance coverage for these types of losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Township is a member of the Intergovernmental Insurance Cooperative (IIC) for health insurance. This cooperative consists of a group of municipalities that have pooled their interests together in order to establish a self-funded insurance plan in order to better control insurance rates. Insurance premiums are developed based on Township experience. The Cooperative has an audit performed each year and the Township may be required to pay an additional premium or may be entitled to a refund as a result of the audit. During the year ended December 31, 2020, the Township paid insurance premiums of \$ 1,832,006 and received a refund of \$ 324,574.



## **EAST HEMPFIELD TOWNSHIP**

### **Notes to Financial Statements**

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#### **NOTE 10 RISK MANAGEMENT (CONTINUED)**

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The Township is a member of the Susquehanna Municipal Trust (Trust) for workers compensation. Insurance premiums are developed based on employer job descriptions, rate factors and payroll costs each year. The Trust has an audit performed each year and the Township may be required to pay an additional premium or may be entitled to a refund as a result of the audit. During the year ended December 31, 2020, the Township paid insurance premiums of \$ 228,278 and received a refund of \$ 35,294.

#### **NOTE 11 COMMITMENTS AND CONTINGENCIES**

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The Township is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Township. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Township.

The Township is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provisions for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the Township's professional liability insurance policy and would not have a material effect on the financial position of the Township.

On December 6, 2013, the Township entered into a Federal-Aid Bridge Project Reimbursement Agreement with the Commonwealth of Pennsylvania acting through the Department of Transportation. The purpose of the agreement is to utilize Federal funding passed through the Commonwealth of Pennsylvania to dismantle and construct a new bridge over the Little Conestoga Creek. Under terms of the agreement the estimated project costs total \$ 2,889,073 with costs to be shared by the Federal government (80%), the Commonwealth of Pennsylvania (15%) and the Township (5%). The bridge itself lies on the border between East Hempfield Township and Manheim Township. The two Townships have entered into an Intergovernmental Agreement under which Manheim Township has agreed to reimburse East Hempfield Township for 2.5% of the project costs. The planning and engineering phase of the project began in 2014. As of December 31, 2020 \$ 724,522 of project costs have been incurred. One half of these costs were recorded as construction-in-process on East Hempfield Township's financial statements.

On February 10, 2015, the Township entered into a Federal-Aid Bridge Project Reimbursement Agreement with the Commonwealth of Pennsylvania acting through the Department of Transportation. The purpose of the agreement is to utilize Federal funding passed through the Commonwealth of Pennsylvania to dismantle a bridge on Holland Street. Under the terms of the agreement, the estimated project costs total \$ 1,701,061 with the Township's portion estimated to be \$39,803, which approximates five percent (5%) of total project costs. The planning and engineering phase of the project began in 2015. As of December 31, 2020, \$ 453,596 of project costs have been incurred.

On August 17, 2015, subsequently amended on September 29, 2020, the Township entered into a Federal-Aid Highway Project Agreement with the Commonwealth of Pennsylvania acting through the Department of Transportation. The purpose of the agreement is to utilize Federal funding passed through the Commonwealth of Pennsylvania to widen a portion of Centerville Road.

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Under the terms of the agreement, the estimated project costs total \$ 21,100,000 with the Township's portion estimated to be \$ 3,320,000, which approximates twenty percent (20%) of total project costs. The right-of-way portion of the project began in 2020. As of December 31, 2020, \$ 2,619,382 of project costs have been incurred.

**NOTE 12 GOVERNMENTAL FUNDS – FUND BALANCE**

The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

|                                | General<br>Fund      | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|----------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>FUND BALANCES</b>           |                      |                             |                                |                                |
| Nonspendable                   |                      |                             |                                |                                |
| Prepaid expenditures           | \$ 48,567            | \$ -                        | \$ -                           | \$ 48,567                      |
| Total nonspendable             | <u>48,567</u>        | <u>-</u>                    | <u>-</u>                       | <u>48,567</u>                  |
| Restricted for:                |                      |                             |                                |                                |
| Future highway expenditures    | <u>-</u>             | <u>-</u>                    | <u>55,049</u>                  | <u>55,049</u>                  |
| Total restricted               | <u>-</u>             | <u>-</u>                    | <u>55,049</u>                  | <u>55,049</u>                  |
| Committed for:                 |                      |                             |                                |                                |
| Future OPEB payments           | 2,755,597            | -                           | -                              | 2,755,597                      |
| Future capital expenditures    | <u>-</u>             | <u>2,066,089</u>            | <u>-</u>                       | <u>2,066,089</u>               |
| Total committed                | <u>2,755,597</u>     | <u>2,066,089</u>            | <u>-</u>                       | <u>4,821,686</u>               |
| Assigned for:                  |                      |                             |                                |                                |
| Subsequent year budget deficit | <u>1,909,915</u>     | <u>-</u>                    | <u>-</u>                       | <u>1,909,915</u>               |
| Total assigned                 | <u>1,909,915</u>     | <u>-</u>                    | <u>-</u>                       | <u>1,909,915</u>               |
| Unassigned                     | <u>5,543,253</u>     | <u>-</u>                    | <u>-</u>                       | <u>5,543,253</u>               |
| Total fund balances            | <u>\$ 10,257,332</u> | <u>\$ 2,066,089</u>         | <u>\$ 55,049</u>               | <u>\$ 12,378,470</u>           |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Financial Statements**

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**NOTE 13 RESTATEMENTS**

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During the year ended December 31, 2020, the Township had an adjustment to the beginning balance of capital projects fund due to identifying activity that should have been reported in the prior year. Additionally, an adjustment to the beginning balance of the general fund was necessary to properly account for the reclassification of a previously reported fiduciary fund that no longer met the criteria to be reported as such under GASB *Statement 84, Fiduciary Activities*.

|  | Governmental<br>Activities | General Fund        | Capital Projects<br>Fund |
|--|----------------------------|---------------------|--------------------------|
| Fund Balance/Net position as originally reported - December 31, 2019           | \$ 18,731,796              | \$ 9,903,126        | \$ 1,341,157             |
| Restatement for grant activity   | (7,983)                    | -                   | (7,983)                  |
| Restatement for fiduciary fund reclassification                                | (2,865)                    | (2,865)             | -                        |
| Fund Balance/Net position as restated - December 31, 2019                      | <u>\$ 18,720,948</u>       | <u>\$ 9,900,261</u> | <u>\$ 1,333,174</u>      |
| Change in Fund Balance/Net Position as originally reported - December 31, 2019 | 1,508,732                  | 276,499             | (2,935,305)              |
| Restatement for grant activity   | (7,983)                    | -                   | (7,983)                  |
| Restatement for fiduciary fund reclassification                                | (2,865)                    | (2,865)             | -                        |
| Change in Fund Balance/Net position as restated - December 31, 2019            | <u>\$ 1,497,884</u>        | <u>\$ 273,634</u>   | <u>\$ (2,943,288)</u>    |

**NOTE 14 RISKS AND UNCERTAINTIES**

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The COVID-19 outbreak in the United States and around the world has caused business disruption through mandated and voluntary closings of many business throughout our community. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and extent of the economic impact. Therefore, it is reasonable to expect that some of the Township's revenue sources derived from various tax revenues and the ability of the customers to pay for services provided could be impacted.

At this point, the duration and extent of the COVID-19 impact on the value of Township's assets and future revenue sources cannot be reasonably estimated.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST HEMPFIELD TOWNSHIP**  
**Required Supplementary Information - Unaudited**  
**Schedule of Changes in Net Pension Liability - Police Plan**

| <b>Police Pension Plan</b>  | <b>2020</b>          | <b>2019</b>          | <b>2018</b>          | <b>2017</b>          | <b>2016</b>          | <b>2015</b>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |                      |                      |
| Service cost  | \$ 370,086           | \$ 354,149           | \$ 320,409           | \$ 305,151           | \$ 277,279           | \$ 264,075           |
| Interest  | 1,126,135            | 1,079,638            | 1,073,705            | 1,022,953            | 939,837              | 895,652              |
| Changes of benefit terms  | -                    | -                    | -                    | -                    | -                    | -                    |
| Differences between expected and actual experiences                               | -                    | (303,272)            | -                    | 166,762              | -                    | (217,009)            |
| Changes of assumptions  | -                    | 642,017              | -                    | 264,471              | -                    | 244,829              |
| Benefit payments, including refunds of employee contributions                     | (844,722)            | (814,789)            | (770,686)            | (647,233)            | (627,320)            | (613,924)            |
| <b>Net change in total pension liability</b>                                      | <b>651,499</b>       | <b>957,743</b>       | <b>623,428</b>       | <b>1,112,104</b>     | <b>589,796</b>       | <b>573,623</b>       |
| <b>Total pension liability - beginning</b>  | <b>15,067,414</b>    | <b>14,109,671</b>    | <b>13,486,243</b>    | <b>12,374,139</b>    | <b>11,784,343</b>    | <b>11,210,720</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 15,718,913</b> | <b>\$ 15,067,414</b> | <b>\$ 14,109,671</b> | <b>\$ 13,486,243</b> | <b>\$ 12,374,139</b> | <b>\$ 11,784,343</b> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |                      |                      |
| Contributions - employer  | \$ 954,104           | \$ 947,625           | \$ 782,249           | \$ 774,581           | \$ 700,966           | \$ 494,481           |
| Contributions - employee  | 155,611              | 150,117              | 144,090              | 143,775              | 137,134              | 131,471              |
| Net investment income   | 2,173,824            | 1,993,514            | (786,137)            | 1,396,336            | 477,526              | (149,398)            |
| Benefit payments, including refunds of employee contributions                     | (844,722)            | (814,789)            | (770,686)            | (647,233)            | (627,320)            | (613,924)            |
| <b>Net change in plan fiduciary net position</b>                                  | <b>2,438,817</b>     | <b>2,276,467</b>     | <b>(630,484)</b>     | <b>1,667,459</b>     | <b>688,306</b>       | <b>(137,370)</b>     |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>12,362,672</b>    | <b>10,086,206</b>    | <b>10,716,690</b>    | <b>9,049,231</b>     | <b>8,360,925</b>     | <b>8,498,295</b>     |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 14,801,489</b> | <b>\$ 12,362,673</b> | <b>\$ 10,086,206</b> | <b>\$ 10,716,690</b> | <b>\$ 9,049,231</b>  | <b>\$ 8,360,925</b>  |
| <b>Township's net position liability - ending (a-b)</b>                           | <b>\$ 917,424</b>    | <b>\$ 2,704,741</b>  | <b>\$ 4,023,465</b>  | <b>\$ 2,769,553</b>  | <b>\$ 3,324,908</b>  | <b>\$ 3,423,418</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>94.2%</b>         | <b>82.0%</b>         | <b>71.5%</b>         | <b>79.5%</b>         | <b>73.1%</b>         | <b>70.9%</b>         |
| <b>Covered payroll</b>  | <b>\$ 2,970,000</b>  | <b>\$ 2,865,000</b>  | <b>\$ 2,889,000</b>  | <b>\$ 2,760,000</b>  | <b>\$ 2,600,000</b>  | <b>\$ 2,475,000</b>  |
| <b>Township's net pension liability as a percentage of covered payroll</b>        | <b>30.9%</b>         | <b>94.4%</b>         | <b>139.3%</b>        | <b>100.3%</b>        | <b>127.9%</b>        | <b>138.3%</b>        |

**NOTES TO THE SCHEDULE**

**Changes in Assumptions:** In 2015, the interest rate assumption was lowered from 8.25% to 8.0% per annum and the salary scale was lowered from 5.25% to 5.0%. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.0% to 7.5% per annum and the salary scale was lowered from 5.0% to 4.5%.

**Changes in Benefit Terms:** In 2017, the normal retirement age changed from age 60 with 10 years of service to age 60 with 5 years of service; the vesting schedule changed from 100% after 10 years of service to 100% after 5 years of service.

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

**EAST HEMPFIELD TOWNSHIP**  
**Required Supplementary Information - Unaudited**  
**Schedule of Changes in Net Pension Liability - Non-Uniform Plan**

| <b>Non-Uniform Pension Plan</b>   | <b>2020</b>           | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         | <b>2016</b>         | <b>2015</b>         |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                       |                     |                     |                     |                     |                     |
| Service Cost  | \$ 61,021             | \$ 58,393           | \$ 89,509           | \$ 85,247           | \$ 151,443          | \$ 144,231          |
| Interest  | 460,807               | 442,327             | 483,825             | 458,213             | 431,101             | 404,002             |
| Defined contribution balance  | -                     | -                   | -                   | -                   | 64,168              | -                   |
| Changes of benefit terms  | -                     | -                   | -                   | 5,569               | -                   | -                   |
| Differences between expected and actual experiences                                       | -                     | (671,723)           | -                   | (201,359)           | -                   | (353,226)           |
| Changes of assumptions  | -                     | 217,396             | -                   | 189,385             | -                   | 93,318              |
| Benefit payments, including refunds of employee contributions                             | (258,231)             | (255,660)           | (220,363)           | (234,786)           | (235,640)           | (197,767)           |
| <b>Net change in total pension liability</b>  | <b>263,597</b>        | <b>(209,267)</b>    | <b>352,971</b>      | <b>302,269</b>      | <b>411,072</b>      | <b>90,558</b>       |
| <b>Total pension liability - beginning</b>  | <b>6,212,186</b>      | <b>6,421,453</b>    | <b>6,068,482</b>    | <b>5,766,213</b>    | <b>5,355,141</b>    | <b>5,264,583</b>    |
| <b>Total pension liability - ending (a)</b>   | <b>\$ 6,475,783</b>   | <b>\$ 6,212,186</b> | <b>\$ 6,421,453</b> | <b>\$ 6,068,482</b> | <b>\$ 5,766,213</b> | <b>\$ 5,355,141</b> |
| <b>Plan fiduciary net position</b>  |                       |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 324,523            | \$ 320,738          | \$ 223,627          | \$ 218,122          | \$ 260,774          | \$ 257,133          |
| Contributions - employee  | 35,683                | 34,351              | 36,508              | 36,944              | 37,099              | 39,529              |
| Net investment income   | 1,120,012             | 1,041,599           | (431,373)           | 765,320             | 266,051             | (88,037)            |
| Benefit payments, including refunds of employee contributions                             | (258,231)             | (255,660)           | (220,363)           | (234,786)           | (235,640)           | (197,767)           |
| <b>Net change in plan fiduciary net position</b>  | <b>1,221,987</b>      | <b>1,141,028</b>    | <b>(391,601)</b>    | <b>785,600</b>      | <b>328,284</b>      | <b>10,858</b>       |
| <b>Plan fiduciary net position - beginning, as restated</b>                               | <b>6,453,753</b>      | <b>5,312,725</b>    | <b>5,851,005</b>    | <b>5,065,405</b>    | <b>4,737,121</b>    | <b>4,726,263</b>    |
| <b>Plan fiduciary net position - ending (b)</b>   | <b>\$ 7,675,740</b>   | <b>\$ 6,453,753</b> | <b>\$ 5,459,404</b> | <b>\$ 5,851,005</b> | <b>\$ 5,065,405</b> | <b>\$ 4,737,121</b> |
| <b>Township's net position liability (asset)- ending (a-b)</b>                            | <b>\$ (1,199,957)</b> | <b>\$ (241,567)</b> | <b>\$ 962,049</b>   | <b>\$ 217,477</b>   | <b>\$ 700,808</b>   | <b>\$ 618,020</b>   |
| <b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b> | <b>118.5%</b>         | <b>103.9%</b>       | <b>85.0%</b>        | <b>96.4%</b>        | <b>87.8%</b>        | <b>88.5%</b>        |
| <b>Covered payroll</b>  | <b>\$ 1,172,000</b>   | <b>\$ 1,082,000</b> | <b>\$ 1,218,000</b> | <b>\$ 1,193,000</b> | <b>\$ 1,250,000</b> | <b>\$ 1,400,000</b> |
| <b>Township's net pension liability (asset) as a percentage</b>                           | <b>-102.4%</b>        | <b>-22.3%</b>       | <b>79.0%</b>        | <b>18.2%</b>        | <b>56.1%</b>        | <b>44.1%</b>        |

**NOTES TO THE SCHEDULE**

**Changes in Assumptions:** In 2015, the interest rate assumption was lowered from 8.25% to 8.0% per annum and the salary scale was lowered from 5.25% to 5.0%. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.0% to 7.5% per annum and the salary scale was lowered from 5.0% to 4.5%.

**Changes in Benefit Terms:** In 2017, the normal retirement age changed from age 60 with 10 years of service to age 60 with 5 years of service; the vesting schedule changed from 100% after 10 years of service to 100% after 5 years of service.

As a result of a combined Act 205 actuarial valuation report being completed for the defined benefit and cash balance structures in the past, the financial statements prior to the year ended December 31, 2018 were also prepared with the assets of the two benefit structures combined. For the January 1, 2019 Act 205 actuarial valuation report, each benefit structure is reported separately so the financial statements of each plan are reported separately. Therefore, the beginning balance as of January 1, 2019 has been adjusted as follows:

|  |                     |
|--|---------------------|
| Beginning balance - combined                 | \$ 5,459,404        |
| Beginning balance - cash balance plan        | (146,679)           |
| Restated beginning balance - defined benefit | <u>\$ 5,312,725</u> |

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

**EAST HEMPFIELD TOWNSHIP**  
**Required Supplementary Information - Unaudited**  
**Schedule of Contributions - Pension Plans**

| For the Calendar<br>Year Ended<br>December 31                              | Actuarially<br>Determined<br>Contribution<br>(a) | Contributions<br>Recognized in<br>relation to the<br>Actuarially<br>Determined<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess)<br>(b-a) | Covered<br>Payroll<br>(c) | Contributions<br>as a Percentage<br>of Covered<br>Payroll<br>[b/c] |
|--|--|---|---|---------------------------|--|
| <b>East Hempfield Township Police Pension Plan</b>                         |  |   |   |                           |  |
| 2020   | \$ 754,104                                       | \$ 954,104  | \$ (200,000)                                    | \$ 2,970,000              | 32.12%   |
| 2019   | 747,625  | 947,625   | (200,000)                                       | 2,865,000                 | 33.08%   |
| 2018   | 582,249  | 782,249   | (200,000)                                       | 2,889,000                 | 27.08%   |
| 2017   | 574,581  | 774,581   | (200,000)                                       | 2,760,000                 | 28.06%   |
| 2016   | 500,966  | 700,966   | (200,000)                                       | 2,600,000                 | 26.96%   |
| 2015   | 494,481  | 494,481   | -   | 2,475,000                 | 19.98%   |
| 2014   | 298,627  | 298,627   | -   | 2,450,000                 | 12.19%   |
| <b>East Hemfield Township Non-Uniformed Pension Plan (Defined Benefit)</b> |  |   |   |                           |  |
| 2020   | \$ 324,523                                       | \$ 324,523  | \$ -  | \$ 1,172,000              | 27.69%   |
| 2019   | 320,738  | 320,738   | -   | 1,082,000                 | 29.64%   |
| 2018   | 177,033  | 177,033   | -   | 1,218,000                 | 14.53%   |
| 2017   | 175,115  | 175,115   | -   | 1,193,000                 | 14.68%   |
| 2016   | 229,893  | 229,893   | -   | 1,250,000                 | 18.39%   |
| 2015   | 242,662  | 242,662   | -   | 1,400,000                 | 17.33%   |
| 2014   | 203,332  | 203,332   | -   | 1,415,000                 | 14.37%   |

**NOTES TO THE SCHEDULE**

The following actuarial methods and assumptions were used to determine contribution rates:

| Contribution year  | 1/1/2019     | 1/1/2017     | 2018 and 2017 | 2016 and 2015 |
|--|--------------|--------------|---------------|---------------|
| Actuarial valuation date   | Entry age    | Entry age    | 1/1/2015      | 1/1/2013      |
| Actuarial cost method  | Level dollar | Level dollar | Entry age     | Entry age     |
| Amortization method  |              |              | Level dollar  | Level dollar  |
| Remaining amortization period  |              |              |               |               |
| Police   | 9 years      | 9 years      | 9 years       | 11 years      |
| Non-Uniform  | 3 years      | 3 years      | 4 years       | 6 years       |
| Asset valuation method   | Market       | Market       | Market        | Smoothing     |
| Salary increases   | 4.50%        | 5.00%        | 5.00%         | 5.25%         |
| Investment rate of return net of pension plan expenses including inflation | 7.50%        | 8.00%        | 8.00%         | 8.25%         |
| Disability rates   |              |              |               |               |
| Police   | DI378        | DI378        | DI378         | DI378         |
| Non-Uniform  | None         | None         | None          | None          |
| Termination rates  | W65          | W65          | W65           | W65           |
| Mortality  | RP2000       | RP2000       | RP2000        | RP2000        |
| Retirement age   |              |              |               |               |
| Police   | 50           | 50           | 50            | 50            |
| Non-Uniform  | 60           | 60           | 60            | 60            |
| Cost of living adjustments   | None         | None         | None          | None          |

**Changes in Assumptions:** In 2015, the interest rate assumption was lowered from 8.25% to 8.0% per annum and the salary scale was lowered from 5.25% to 5.0%. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.0% to 7.5% per annum and the salary scale was lowered from 5.0% to 4.5%.

**Changes in Benefit Terms:** In 2017, the normal retirement age changed from age 60 with 10 years of service to age 60 with 5 years of service; the vesting schedule changed from 100% after 10 years of service to 100% after 5 years of service.

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

**EAST HEMPFIELD TOWNSHIP****Required Supplementary Information - Unaudited****Schedule of Changes in the Township's Total OPEB Liability and Related Ratios**

|  | 2020                 | 2019                 | 2018                 |
|--|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>  |                      |                      |                      |
| Service cost   | \$ 242,257           | \$ 290,071           | \$ 252,708           |
| Interest   | 226,665              | 213,115              | 227,664              |
| Differences between expected and actual experience                   | -                    | (474,894)            |                      |
| Changes in assumptions   | 249,666              | (279,386)            | 290,114              |
| Benefit payments   | <u>(224,694)</u>     | <u>(210,522)</u>     | <u>(187,978)</u>     |
| Net change in total OPEB liability                                   | 493,894              | (461,616)            | 582,508              |
| <br>Total OPEB liability - beginning                                 | <br><u>6,106,507</u> | <br><u>6,568,123</u> | <br><u>5,985,615</u> |
| Total OPEB liability - ending  | <u>\$ 6,600,401</u>  | <u>\$ 6,106,507</u>  | <u>\$ 6,568,123</u>  |
| <br>Covered employee payroll   | <br>N/A              | <br>\$ 2,826,642     | <br>\$ 2,731,823     |
| <br>Total OPEB liability as a percentage of covered employee payroll | <br>N/A              | <br><u>216.03%</u>   | <br><u>240.43%</u>   |

**NOTES TO THE SCHEDULE**

This schedule will be expanded to show 10 years once information becomes available in the future.

Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

|      |       |
|------|-------|
| 2020 | 3.26% |
| 2019 | 3.64% |
| 2018 | 3.16% |
| 2017 | 3.71% |



**EAST HEMPFIELD TOWNSHIP**  
**Required Supplementary Information - Unaudited**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended December 31, 2020**

|   | <b>Budgeted Amounts</b> |                       |                    |                     |
|---|-------------------------|-----------------------|--------------------|---------------------|
|   | <b>Original</b>         | <b>Final</b>          | <b>Actual</b>      | <b>Variance</b>     |
| <b>REVENUES</b>                                   |                         |                       |                    |                     |
| Taxes   | \$ 8,876,000            | \$ 8,876,000          | \$ 8,935,558       | \$ 59,558           |
| Licenses and permits                              | 2,301,500               | 2,301,500             | 2,276,076          | (25,424)            |
| Fines and forfeits                                | 107,000                 | 107,000               | 90,222             | (16,778)            |
| Interest earnings                                 | 40,200                  | 40,200                | 349,969            | 309,769             |
| Rents   | 23,600                  | 23,600                | 21,039             | (2,561)             |
| Intergovernmental                                 | 845,656                 | 845,656               | 1,172,676          | 327,020             |
| Charges for services                              | 205,651                 | 205,651               | 354,955            | 149,304             |
| Contributions                                     | 119,500                 | 119,500               | 216,827            | 97,327              |
| Miscellaneous                                     | -                       | -                     | 20,215             | 20,215              |
| Total revenues                                    | <u>12,519,107</u>       | <u>12,519,107</u>     | <u>13,437,537</u>  | <u>918,430</u>      |
| <b>EXPENDITURES</b>                               |                         |                       |                    |                     |
| General government                                | 965,805                 | 965,805               | 1,077,988          | (112,183)           |
| Public safety                                     | 8,169,339               | 8,169,339             | 8,034,799          | 134,540             |
| Public works                                      | 2,589,727               | 2,589,727             | 2,442,961          | 146,766             |
| Culture and recreation                            | 81,042                  | 81,042                | 80,590             | 452                 |
| Total expenditures                                | <u>11,805,913</u>       | <u>11,805,913</u>     | <u>11,636,338</u>  | <u>169,575</u>      |
| Excess (deficiency) of revenues over expenditures | <u>713,194</u>          | <u>713,194</u>        | <u>1,801,199</u>   | <u>1,088,005</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |                       |                    |                     |
| Proceeds from sale of capital assets              | -                       | -                     | 70,370             | 70,370              |
| Proceeds from capital lease                       | -                       | -                     | 475,249            | 475,249             |
| Transfers in (out)                                | <u>(3,357,427)</u>      | <u>(3,357,427)</u>    | <u>(1,989,747)</u> | <u>1,367,680</u>    |
| Total other financing sources and uses            | <u>(3,357,427)</u>      | <u>(3,357,427)</u>    | <u>(1,444,128)</u> | <u>1,913,299</u>    |
| Net change in fund balances                       | <u>\$ (2,644,233)</u>   | <u>\$ (2,644,233)</u> | <u>\$ 357,071</u>  | <u>\$ 3,001,304</u> |

**SINGLE AUDIT SECTION**

**EAST HEMPFIELD TOWNSHIP**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

|   | Source<br>Code | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Grantor's<br>Number | Program<br>or award<br>Amount | Cash<br>Receipts  | Expenditures        | Total<br>Passed-<br>Through to<br>Subrecipients |
|---|----------------|---------------------------|---|-------------------------------|-------------------|---------------------|---|
| <b>Department of Transportation</b>           |                |                           |   |                               |                   |                     |   |
| <b>Passed Through Pennsylvania</b>            |                |                           |   |                               |                   |                     |   |
| <b>Department of Transportation</b>           |                |                           |   |                               |                   |                     |   |
| Highway Planning and Commission               | I              | 20.205                    | 013-19-0181                             | \$ 13,280,000                 | \$ 556,355        | \$ 938,104          | \$ -  |
| Highway Planning and Commission               | I              | 20.205                    | 08A131                                  | 1,745,600                     | -                 | 6,113               | -   |
| Highway Planning and Commission               | I              | 20.205                    | 08A132                                  | 704,000                       | 114,802           | 165,961             | -   |
| Total Highway Planning and Commission         |                |                           |   |                               | 671,157           | 1,110,178           | -   |
| <b>U.S. Department of Treasury</b>            |                |                           |   |                               |                   |                     |   |
| <b>Passed through the County of Lancaster</b> |                |                           |   |                               |                   |                     |   |
| COVID 19 PCCD CARES Grant                     | I              | 21.019                    | N/A                                     | 309,910                       | 112,302           | 309,910             | -   |
| Total federal financial assistance            |                |                           |   |                               | <u>\$ 783,459</u> | <u>\$ 1,420,088</u> | <u>\$ -</u>                                     |

**EAST HEMPFIELD TOWNSHIP**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

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**NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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(I) Indirect funding

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

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***Basis of Accounting***

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Transportation, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific Township expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at year-end is recorded as accounts payable or a receivable, respectively.

***Indirect Cost Rate***

The Township has not elected to use the 10% de minimis rate for charging indirect costs to programs.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Supervisors  
East Hempfield Township  
Landisville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Hempfield Township, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise East Hempfield Township's basic financial statements, and have issued our report thereon dated August 25, 2021.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the East Hempfield Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Hempfield Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Hempfield Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether East Hempfield Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***East Hempfield Township's Response to Findings***

East Hempfield Township's response to the finding identified in our audit is described in the accompanying schedule of findings. East Hempfield Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Smith & Elliott Reams & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania  
August 25, 2021





## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Supervisors  
East Hempfield Township  
Landisville, Pennsylvania

### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited East Hempfield Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East Hempfield Township's major federal programs for the year ended December 31, 2020. East Hempfield Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of East Hempfield Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Hempfield Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Hempfield Township's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, East Hempfield Township, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of East Hempfield Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Hempfield Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Hempfield Township's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chambersburg, Pennsylvania  
August 25, 2021



**EAST HEMPFIELD TOWNSHIP**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2020**

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**Section I – Summary of Auditor’s Results**

**Financial Statement**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: ☐Yes ☒No
- Significant deficiencies identified? ☒Yes ☐None Reported

Noncompliance material to financial statement noted:

☐Yes ☒No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐Yes ☒No
- Significant deficiencies identified? ☐Yes ☒No

Type of auditor’s report issued on compliance  
for the major programs:

Unmodified

- Any audit findings disclosed that are  
Required to be reported in accordance  
With 2 CFR Section 200.516? ☐Yes ☒No

Identification of the major programs:

| <b>CFDA Number(s)</b> | <b>Name of Federal Program</b>  |
|-----------------------|---------------------------------|
| 20.205                | Highway Planning and Commission |

Dollar threshold used to distinguish between  
Type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

☐Yes ☒No

## **Section II - Financial Statement Findings**

### **A. Significant Deficiency in Internal Control**

**Finding Reference: 2020-001 – Segregation of Duties**

*Condition:* There is an overall lack of segregation of duties.

*Criteria:* A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Cause:* Due to the limited number of individuals involved with the financial processes of the Township, there is a lack of segregation of duties, which exposes the Township to risk.

*Effect:* Without segregation of duties in key processes, fraud and errors could occur and go undetected.

*Recommendation:* With limited staff, this issue may not be able to be completely resolved by the Township. However, we encourage the Township to review the specific duties of the individuals involved and determine where checks and balances can be added. In addition, the Board should be fully aware of this limitation in providing oversight.

*Auditee response:* Given the size of East Hempfield Township and our staffing limitations, the Township will always have a finding pertaining to "Segregation of Duties". Its cost prohibitive for us to fully address this issue by adding more staffing. Some of the things that the Township has in place to aid us in addressing this internal control area are as follows:

1. Department heads approval all invoices for AP processing.
2. All checks issued require two signatures.
3. Finance Director on monthly basis reviews all bank reconciliations and ties them to the GL activity.
4. With payroll processing, department heads approve all employee timesheets.
5. Finance Director reviews the biweekly preliminary payroll report prior to the payroll being processed.
6. Staff accountant reviews payroll transactions after processing and posts appropriate entries the GL.
7. Finance Director produces a monthly budget-to-actual report and disseminates it to Township Manager, departments heads and the Board of Supervisors.
8. Finance Director on monthly basis performs a top end review of all transactions and addresses any issues or concerns with the appropriate Twp. staff, including the Township Manager.

**EAST HEMPFIELD TOWNSHIP**  
**Schedule of Findings and Questioned Costs (Continued)**  
**December 31, 2020**

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B. Material Weaknesses in Internal Control

None noted

C. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

**Section III – Federal Award Findings and Questioned Costs**

A. Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Uniform Guidance by 2 CFR Section 200.516.

**EAST HEMPFIELD TOWNSHIP**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2020**

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**Findings related to financial statements:**

Condition: Lack of Segregation of Duties

Status: See Finding 2020-001

**Findings related to federal awards:**

A single audit was not performed in the prior year