

CALN TOWNSHIP

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2018



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Commissioners
Caln Township
Thorndale, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Caln Township as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Caln Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Caln Township's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

To the Board of Commissioners
Caln Township
Thorndale, Pennsylvania

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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Caln Township as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 management's discussion and analysis on pages 5 through 16, and pension plan information on pages 61 through 65 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.



Oaks, Pennsylvania
February 14, 2020

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

This discussion and analysis of Caln Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Boards (GASB) in their Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

FINANCIAL HIGHLIGHTS

Revenue for the General Fund totaled \$7,333,422 compared to the \$7,612,645 received in 2017. The decreased in revenue of \$279,223 was primarily due to a decrease in taxes, fines, charges for services and miscellaneous revenues partially offset by slight increase in interest income. We expect that revenue streams will be consistent for 2019.

Expenditures for the General Fund totaled \$6,463,060, compared to the \$6,411,487 in 2017. Expenditures increase by \$51,573 primarily due to the increase staffing in code enforcement staffing, debt service and pension costs.

As of the end of 2018, the Township's General Fund reported an ending balance of \$3,357,773, an increase of \$349,206 as compared to 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The government-wide 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 of the government's assets and liabilities. All of the current year 's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

The two government-wide statements report the Township's net assets and how they have changed. Net Position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Township, you need to also consider additional non-financial factors, such as changes in the Township's property tax base and the adequacy of Township services.

The government-wide financial statements of the Township are divided into three categories:

- Governmental Activities - All of the Township's basic services are included here, such as public safety, public works, and administration. Property taxes, state grants, and charges for services finance most of these activities.
- Business-Type Activities - The Township runs a golf-course and charges fees to players to cover the costs of operations.
- Component Unit - The Township has a related Municipal Authority that operates a sewer system and charges fees to customers for operational expenses and tapping fees from new construction for capital related costs.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others.

- Governmental Funds - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2018

- Proprietary Funds*** - These funds are used to account for Township activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides - whether to outside customers or to other units in the Township - these services are generally reported in proprietary funds. The Golf Course and Solid Waste operations are the Township's proprietary funds and are the same as the business-type activities we report in the government-wide statements.
- Fiduciary Funds*** - The Township is the trustee, or fiduciary, for the pension plans and escrow funds. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP - GOVERNMENT-WIDE STATEMENTS

The Township's net position decreased from \$18,084,294 in 2017 to \$17,994,073 in 2018. The net position decreased primarily due to the increase in Deferred outflows and increase in net pension liabilities.

Table 1
Statement of Net Position
December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 5,469,957	\$ 4,849,083	\$ 603,435	\$ 667,299	\$ 6,073,392	\$ 5,516,382
Capital assets, net	19,708,424	20,622,304	2,182,735	2,335,135	21,891,159	22,957,439
TOTAL ASSETS	25,178,381	25,471,387	2,786,170	3,002,434	27,964,551	28,473,821
DEFERRED OUTFLOWS	1,395,170	1,215,067	33,190	58,686	1,428,360	1,273,753
LIABILITIES						
Current liabilities	726,031	646,690	168,841	192,889	894,872	839,579
Net pension liabilities	3,608,606	3,521,897	17,782	76,597	3,626,388	3,598,494
Noncurrent liabilities	4,067,833	4,399,976	1,598,930	1,712,614	5,666,763	6,112,590
TOTAL LIABILITIES	8,402,470	8,568,563	1,785,553	1,982,100	10,188,023	10,550,663
DEFERRED INFLOWS	1,152,427	1,077,959	58,333	34,658	1,210,760	1,112,617
NET POSITION						
Invested in capital assets, not of related debt	15,217,006	15,838,400	470,120	481,009	15,687,126	16,319,409
Restricted	553,031	626,528	-	-	553,031	626,528
Unrestricted	1,248,617	575,004	505,299	563,353	1,753,916	1,138,357
TOTAL NET POSITION	\$ 17,018,654	\$ 17,039,932	\$ 975,419	\$ 1,044,362	\$ 17,994,073	\$ 18,084,294

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

GOVERNMENTAL FUNDS

Most of the Township's activities are reported in Governmental Funds. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Fire Fund, Liquid Fuels Fund, Street Light Fund, Solid Waste Fund, Solid Waste Equipment Fund, Sewer Reserve Fund, Capital Reserve Fund, Open Space Fund, Equipment Fund, Capital Bond Fund, Fire Equipment Fund, and Internal Service Fund. By far, the most prominent fund is the General Fund.

STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES

The results of this year's operations for all funds as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Township's activities that are supported by other Township general revenues. The largest revenues are property taxes, earned income taxes, local service taxes and the real estate transfer tax. The Township also collects a trash fee, which is reflected in the Solid Waste Fund, which was \$240 per year per household. Other activity charges include building permit and subdivision application fees, as well as, police citations, grants, and monies collected under the Street Light Fund, Golf Fund and Solid Waste Fund. The following table presents condensed financial information for the Statement of Activities in a different format, so that you can see out total revenues for the year.

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Table 2
Changes in Net Position
Years Ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program services						
Charges for services	\$ 808,353	\$ 840,111	\$ 1,695,365	\$ 1,808,120	\$ 2,503,718	\$ 2,648,231
Operating grants and contributions	800,312	864,480	53,283	240,301	853,595	1,104,781
Capital grants and contributions	-	1,059,386	-	-	-	1,059,386
General revenues						
Property taxes	2,950,793	2,923,865	-	-	2,950,793	2,923,865
Other taxes	3,086,305	3,296,713	-	-	3,086,305	3,296,713
Grants, subsidies and contributions not restricted	-	-	-	-	-	-
Other	787,451	713,233	13,086	9,005	800,537	722,238
TOTAL REVENUES	8,433,214	9,697,788	1,761,734	2,057,426	10,194,948	11,755,214
EXPENSES						
General government	26,913	47,413	-	-	26,913	47,413
Operating expenses	972,501	910,352	-	-	972,501	910,352
Public safety	3,200,953	3,173,946	-	-	3,200,953	3,173,946
Codes	346,066	399,042	-	-	346,066	399,042
Public works-highway	1,555,292	1,179,623	-	-	1,555,292	1,179,623
Culture and recreation	134,361	166,746	-	-	134,361	166,746
Interest on long-term debt	94,883	99,044	-	-	94,883	99,044
Miscellaneous expenses	112,065	116,059	-	-	112,065	116,059
Pension expense	863,275	605,989	-	-	863,275	605,989
Unallocated depreciation	1,148,183	1,098,244	-	-	1,148,183	1,098,244
Solid waste	-	-	1,284,069	1,211,713	1,284,069	1,211,713
Golf course	-	-	546,608	624,887	546,608	624,887
TOTAL EXPENSES	8,454,492	7,796,458	1,830,677	1,836,600	10,285,169	9,633,058
CHANGE IN NET POSITION	\$ (21,278)	\$ 1,901,330	\$ (68,943)	\$ 220,826	\$ (90,221)	\$ 2,122,156

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

General Fund

Revenue for the General Fund totaled \$7,333,422 compared to the \$7,612,645 received in 2017. The decreased in revenue of \$279,223 was primarily due to a decrease in taxes, fines, charges for services and miscellaneous revenues partially offset by slight increase in interest income. We expect that revenue streams will be consistent for 2019.

Expenditures for the General Fund totaled \$6,463,060, compared to the \$6,411,487 in 2017. Expenditures increase by \$51,573 primarily due to the increase staffing in code enforcement staffing, debt service and pension costs.

The overall effect on Fund Balance in 2018 was an increase of \$349,206, leaving a balance of \$3,357,773 going forward into 2019.

The following table summarizes the past eight years of earned income tax revenues. This revenue category has remained stable over the past eight years.

Earned Income Tax Revenues 2011 - 2018

2011	\$ 2,106,972
2012	\$ 2,171,836
2013	\$ 2,142,248
2014	\$ 2,076,455
2015	\$ 2,334,080
2016	\$ 2,243,900
2017	\$ 2,368,825
2018	\$ 2,336,520

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Fire Fund

In 2016, the Township created a Fire Fund to account for the revenue and expenditures associated with providing fire protection services. The expenditures were previously accounted for in the General Fund. A fire tax of 0.5 mils was established and in 2017 it was increased to .6 mils. In 2016, revenues were \$344,842 and expenditures were \$302,101, leaving a fund balance of \$42,741 going into 2017. In 2017, revenues were \$420,097 and expenditures were \$455,610, leaving a cumulative fund balance of \$7,228 going into 2018. In 2018, revenues were \$432,898 and expenditures were \$457,359, leaving a cumulative fund balance of \$17,232 going into 2019.

Ingleside Golf Club

On March 15, 2007, Caln Township purchased the Ingleside Golf Club on North Bailey Road. Ingleside Golf Club is 116 acres in size and contains 18 holes, a driving range, and a pro shop, as well as, a number of maintenance buildings. For 2018, operating revenue of \$468,164 exceeded operating expenditures of \$419,361 by \$48,803. When interest expense of \$42,795 and depreciation of \$85,872 is factored in, the Golf Club had a change in net position of \$79,864. The golf fund had an accumulated deficit of \$196,365 at the end of the year. The Township continues to explore ways to enhance revenue and control expenses.

Solid Waste Fund

In 2010, the solid waste operations of the Township became self-sustaining and were reclassified from a special revenue fund to an enterprise fund under business-type activities. For 2018, revenues of \$1,286,519 exceeded expenses of \$1,245,439 by \$41,080.

In 2010, the Fund had acquired 4,500 recycling bins which are shown as assets. Since the 2010 implementation of the larger recycling carts, the recycling rate has increased from 13% to 27% in 2018. In 2014, the Fund acquired 5,028 trash carts for all of its residents for \$267,173.

In 2018, 2017, 2016 and 2015, \$60,000, \$60,000, \$60,000 and \$75,000 respectively, was transferred to a Solid Waste Equipment Fund to provide for the future replacement of carts and equipment.

The overall effect on fund balance in 2018 for the combined solid waste funds was an increase of \$10,921 leaving a balance of \$1,171,784 going forward into 2019.

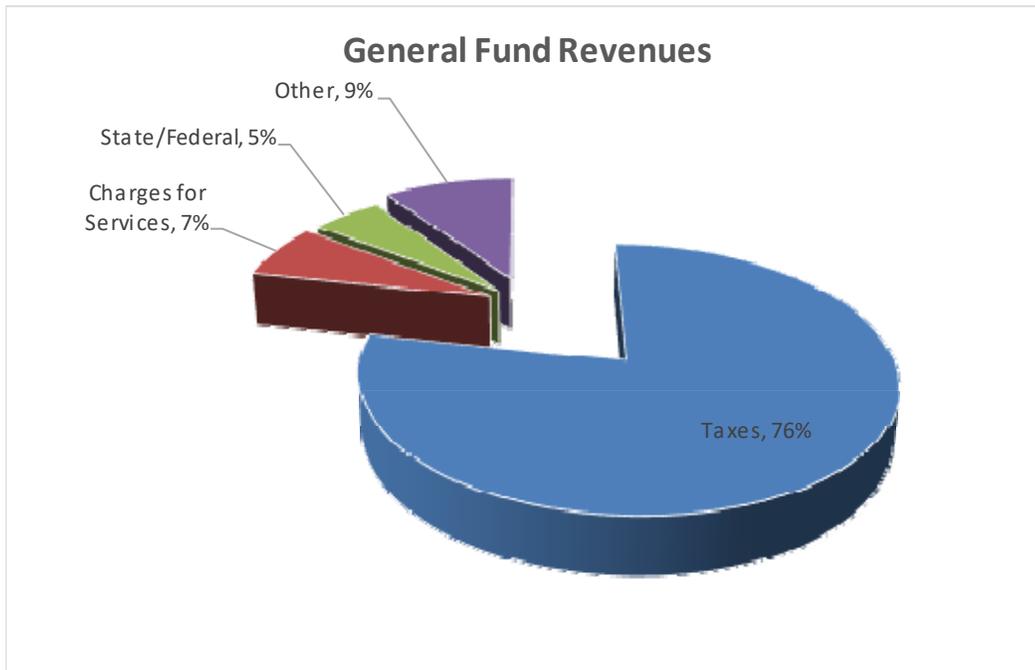
CALN TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2018****GENERAL FUND 2018 – 2017**

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 5,575,412	\$ 5,745,196	\$ (169,784)
Licenses and permits	345,318	359,803	(14,485)
Fines and forfeits	56,254	63,126	(6,872)
Interest earned	51,872	16,628	35,244
Intergovernmental revenues	376,179	394,623	(18,444)
Charges for services	493,322	529,470	(36,148)
Transfer from Caln Municipal Authority	218,756	208,583	10,173
Miscellaneous revenues	216,309	295,216	(78,907)
TOTAL REVENUES	<u>7,333,422</u>	<u>7,612,645</u>	<u>(279,223)</u>
EXPENDITURES			
General government	19,476	20,719	(1,243)
Operating expenses	885,709	895,086	(9,377)
Public safety	2,893,934	2,819,728	74,206
Codes	346,066	399,042	(52,976)
Public works - highways	829,422	781,447	47,975
Culture and recreation	134,361	129,875	4,486
Pension	882,201	919,337	(37,136)
Miscellaneous expenditures	359,826	116,059	243,767
Debt service (principal and interest)	112,065	330,194	(218,129)
TOTAL EXPENDITURES	<u>6,463,060</u>	<u>6,411,487</u>	<u>51,573</u>
EXCESS OF REVENUES OVER EXPENDITURES	870,362	1,201,158	(330,796)
OTHER FINANCING USES	<u>(521,156)</u>	<u>(193,000)</u>	<u>(328,156)</u>
NET CHANGE IN FUND BALANCE	349,206	1,008,158	(658,952)
NET POSITION, beginning	<u>3,008,567</u>	<u>2,000,409</u>	<u>1,008,158</u>
NET POSITION, ending	<u>\$ 3,357,773</u>	<u>\$ 3,008,567</u>	<u>\$ 349,206</u>

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018



The graph above shows the General Fund revenues broken down into four major revenue sources: Taxes cover 76% of the General Fund revenues and are from the Real Estate Tax, Earned Income Tax, Local Services Tax and the Realty Transfer Tax. Approximately 7% of the funds are generated by charges for services including building permits, fees, and other charges; 5% of the funds came from the Commonwealth of Pennsylvania; and the remaining 9% came from other sources including licenses, fines and forfeits, interest earnings, transfer from the Authority, and miscellaneous sources.

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

2018 Summary of Governmental Funds

	General Fund	Capital Reserve Fund	Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,399,348	\$ 512,646	\$ 811,480
Taxes receivable, net	682,201	-	15,737
Other receivables	90,743	-	43,254
Due from other funds, escrow fund	413,907	-	-
TOTAL ASSETS	\$ 3,586,199	\$ 512,646	\$ 870,471
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 54,064	\$ 28,186	\$ 51,654
Accrued salaries and benefits	75,828	-	788
Deferred revenues	-	7,500	-
TOTAL LIABILITIES	129,892	35,686	52,442
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	98,534	-	13,985
FUND BALANCE			
Restricted	-	-	553,031
Assigned	-	476,960	251,013
Unassigned	3,357,773	-	-
TOTAL FUND BALANCE	3,357,773	476,960	804,044
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,586,199	\$ 512,646	\$ 870,471

In the previous table, Other Governmental Funds include the Liquid Fuels Fund, Open Space Fund, Equipment Fund, Sewer Fund, Fire Equipment Fund, Internal Service Fund, Street Light Fund and the Fire Fund.

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

CAPITAL ASSETS

At December 31, 2018, the Township had \$19,708,424 invested in a broad range of capital assets, including land, buildings and improvements, infrastructure, vehicles and machinery and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of 4% from last year. For governmental activities: buildings and improvements increased by \$29,606 for flooring for board room and hallway, 2.5 ton heat pump, and gas heater at the municipal complex; infrastructure and construction in progress increased by \$1,091,014 for roadway, bridge, traffic signal and storm water improvements; vehicles increased by \$204,697 for (2) police patrol vehicles, a 2 dump truck, Ford Escape and machinery and equipment increased by \$57,169 for a license plate reader, a speed/message trailer and security system upgrades. For business-type activities: building and improvements increased by \$40,158 for a compost leaf pad and roof entrance railings at the golf pro shop; machinery and equipment increased \$112,242 for a leaf vacuum truck and a gator/turf tender for the golf course.

The following schedule depicts the capital assets for the period ended December 31, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets				
Land	\$ 3,215,647	\$ -	\$ -	\$ 3,215,647
Buildings and improvements	2,505,545	29,606	-	2,535,151
Infrastructure	27,377,084	-	-	27,377,084
Vehicles	3,910,883	204,697	-	4,115,580
Machinery and equipment	838,601	-	-	838,601
TOTAL CAPITAL ASSETS	37,847,760	234,303	-	38,082,063
Accumulated depreciation				
Buildings and improvements	(1,516,649)	(70,642)	-	(1,587,291)
Infrastructure	(12,539,472)	(781,594)	-	(13,321,066)
Vehicles	(2,579,420)	(238,778)	-	(2,818,198)
Machinery and equipment	(589,915)	(57,169)	-	(647,084)
TOTAL ACCUMULATED DEPRECIATION	(17,225,456)	(1,148,183)	-	(18,373,639)
NET CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES	\$ 20,622,304	\$ (913,880)	\$ -	\$ 19,708,424
BUSINESS-TYPE ACTIVITIES				
Capital assets				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Buildings and improvements	1,402,813	-	-	1,402,813
Machinery and equipment	1,133,752	-	-	1,133,752
TOTAL CAPITAL ASSETS	3,536,565	-	-	3,536,565
Accumulated depreciation				
Buildings and improvements	(426,054)	(40,158)	-	(466,212)
Machinery and equipment	(775,376)	(112,242)	-	(887,618)
TOTAL ACCUMULATED DEPRECIATION	(1,201,430)	(152,400)	-	(1,353,830)
NET CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES	\$ 2,335,135	\$ (152,400)	\$ -	\$ 2,182,735

CALN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

DEBT ADMINISTRATION

As of December 31, 2018, the Township's governmental and business-type operations had a total outstanding bond principal of \$5,550,000. The 2013 Bond Issue included \$3,855,000 for the refinancing of the original debt at a lower interest rate, \$1,695,000 refinancing debt for the Ingleside Golf Course at a lower interest rate. In 2017, the Township obtained a bank loan in the amount of \$120,000 to finance the replacement of the roof on the municipal building. The total debt amount represents 27% of the debt limit as determined by the formula included in the Local Government Unit Act. The total debt limit for the Township at December 31, 2017, is \$20,894,644. Other obligations include capital lease obligations, and post-employment benefits of the Township. In 2014, Standard and Poor's completed their review of the Township's bond and informed Caln Township that its debt rating remains strong at a rating of AA. More detailed information about the Township's long-term liabilities is included in the Notes to the Financial Statements.

THE TOWNSHIP'S FUTURE

During the past few years, Caln Township and other municipalities have weathered an economic recession which affected revenues and demanded cautious budgeting. In spite of these difficulties the Township has preserved and even increased fund balances. Although we have seen an economic upturn in the later part of 2017 going into 2018, there are still a number of important issues for future budgeting:

- Monitoring economic trends and potential softening of revenue streams
- Consistency of revenue streams for all funds
- Capital project and equipment funding and an acceptable debt service strategy
- Further development of funding sources other than the local real estate taxes

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Manager.

CALN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Caln Township Municipal Authority
ASSETS				
Cash and cash equivalents	\$ 3,836,928	\$ 658,366	\$ 4,495,294	\$ 3,674,958
Internal balances	413,907	(413,907)	-	-
Receivables	133,997	354,497	488,494	653,010
Taxes receivable	697,938	-	697,938	-
Inventories	-	3,202	3,202	-
Prepaid expenses	-	1,277	1,277	61,612
Notes receivable	387,187	-	387,187	-
EDU's held for resale	-	-	-	521,875
Capital assets				
Land	3,215,647	1,000,000	4,215,647	-
Buildings and improvements, net	947,860	936,601	1,884,461	-
Machinery and equipment, net	191,517	246,134	437,651	-
Vehicles, net	1,297,382	-	1,297,382	-
Infrastructure, net	14,056,018	-	14,056,018	-
Sewer system, net	-	-	-	6,552,931
TOTAL ASSETS	25,178,381	2,786,170	27,964,551	11,464,386
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,395,170	33,190	1,428,360	-
LIABILITIES				
Accounts payable and accrued expenses	136,272	16,779	153,051	96,536
Payroll and withholding taxes payable	76,616	6,118	82,734	-
Unearned revenues	14,660	22,270	36,930	-
Accrued interest	22,698	9,989	32,687	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and notes payable	263,874	105,000	368,874	-
Capital leases	195,447	8,685	204,132	-
Note payable to township	-	-	-	55,312
Portion due or payable after one year				
Bonds and notes payable	3,687,383	1,590,000	5,277,383	-
Capital leases	344,714	8,930	353,644	-
Note payable to township	-	-	-	331,875
Net pension liability	3,608,606	17,782	3,626,388	-
Net OPEB liability	52,200	-	52,200	-
TOTAL LIABILITIES	8,402,470	1,785,553	10,188,023	483,723
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	1,152,427	58,388	1,210,815	-
NET POSITION				
Net investment in capital assets	15,217,006	470,120	15,687,126	6,552,931
Restricted	553,031	-	553,031	2,363,185
Unrestricted	1,248,617	505,299	1,753,916	2,064,547
TOTAL NET POSITION	\$ 17,018,654	\$ 975,419	\$ 17,994,073	\$ 10,980,663

See accompanying notes to the basic financial statements.

CALN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 26,913	\$ -	\$ -	\$ -
Operating expenses	972,501	315,195	6,050	-
Public safety	3,200,953	94,685	84,381	-
Codes	346,066	398,473	-	-
Public works	1,555,292	-	424,133	-
Culture and recreation	134,361	-	-	-
Miscellaneous	112,065	-	-	-
Pension expense	863,275	-	285,748	-
Interest on long-term debt	94,883	-	-	-
Unallocated depreciation	1,148,183	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,454,492	808,353	800,312	-
BUSINESS-TYPE ACTIVITIES				
Golf Course	546,608	466,744	-	-
Solid Waste	1,284,069	1,228,621	53,283	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,830,677	1,695,365	53,283	-
TOTAL PRIMARY GOVERNMENT	\$ 10,285,169	\$ 2,503,718	\$ 853,595	\$ -
COMPONENT UNIT				
Caln Township Municipal Authority	\$ 2,610,054	\$ 2,855,130	\$ -	\$ 545,080
GENERAL REVENUES				
Taxes				
Real estate taxes, net				
Act 511 taxes				
Real estate transfer tax				
Franchise fees				
Earnings on investments				
Gain on sale of assets				
Miscellaneous				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	Component Unit Cain Township Municipal Authority
\$ (26,913)	\$ -	\$ (26,913)	\$ -
(651,256)	-	(651,256)	-
(3,021,887)	-	(3,021,887)	-
52,407	-	52,407	-
(1,131,159)	-	(1,131,159)	-
(134,361)	-	(134,361)	-
(112,065)	-	(112,065)	-
(577,527)	-	(577,527)	-
(94,883)	-	(94,883)	-
<u>(1,148,183)</u>	<u>-</u>	<u>(1,148,183)</u>	<u>-</u>
<u>(6,845,827)</u>	<u>-</u>	<u>(6,845,827)</u>	<u>-</u>
-	(79,864)	(79,864)	-
<u>-</u>	<u>(2,165)</u>	<u>(2,165)</u>	<u>-</u>
-	(82,029)	(82,029)	-
<u>(6,845,827)</u>	<u>(82,029)</u>	<u>(6,927,856)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>790,156</u>
2,950,793	-	2,950,793	-
2,629,286	-	2,629,286	-
457,019	-	457,019	-
305,297	-	305,297	-
71,581	13,086	84,667	43,842
30,619	-	30,619	-
379,954	-	379,954	-
<u>6,824,549</u>	<u>13,086</u>	<u>6,837,635</u>	<u>43,842</u>
(21,278)	(68,943)	(90,221)	833,998
<u>17,039,932</u>	<u>1,044,362</u>	<u>18,084,294</u>	<u>10,146,655</u>
<u>\$ 17,018,654</u>	<u>\$ 975,419</u>	<u>\$ 17,994,073</u>	<u>\$ 10,980,653</u>

CALN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,399,348	\$ 512,646	\$ 811,480	\$ 3,723,474
Taxes receivable, net	682,201	-	15,737	697,938
Accounts receivable	90,743	-	43,254	133,997
Due from other funds	413,907	-	-	413,907
	<u>413,907</u>	<u>-</u>	<u>-</u>	<u>413,907</u>
TOTAL ASSETS	<u>\$ 3,586,199</u>	<u>\$ 512,646</u>	<u>\$ 870,471</u>	<u>\$ 4,969,316</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 54,064	\$ 28,186	\$ 51,654	\$ 133,904
Accrued salaries and benefits	75,828	-	788	76,616
Deferred revenues	-	7,500	-	7,500
TOTAL LIABILITIES	<u>129,892</u>	<u>35,686</u>	<u>52,442</u>	<u>218,020</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	98,534	-	13,985	112,519
	<u>98,534</u>	<u>-</u>	<u>13,985</u>	<u>112,519</u>
FUND BALANCES				
Restricted				
Fire protection	-	-	275,872	275,872
Street lights	-	-	5,749	5,749
Highways and streets	-	-	92,181	92,181
Open space	-	-	91,689	91,689
Capital purchases	-	-	87,540	87,540
Assigned, capital outlay	-	476,960	251,013	727,973
Unassigned	3,357,773	-	-	3,357,773
TOTAL FUND BALANCES	<u>3,357,773</u>	<u>476,960</u>	<u>804,044</u>	<u>4,638,777</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,586,199</u>	<u>\$ 512,646</u>	<u>\$ 870,471</u>	<u>\$ 4,969,316</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>4,638,777</u>
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:</p>	
Land	3,215,647
Buildings and improvements, net of accumulated depreciation of \$1,587,291	947,860
Machinery and equipment, net of accumulated depreciation of \$647,084	191,517
Vehicles, net of accumulated depreciation of \$2,818,198	1,297,382
Infrastructure, net of accumulated depreciation of \$13,321,066	<u>14,056,018</u>
	<u>19,708,424</u>
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the statement of net position of the governmental activities.</p>	
	<u>387,187</u>
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>105,359</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>242,743</u>
<p>Internal service funds are used by management to charge the costs of unemployment claims and other post-employment benefits to the governmental activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	
	<u>111,086</u>
<p>Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2018, are:</p>	
Accrued interest on bonds	(22,698)
Bonds and notes payable (Note D)	(3,951,257)
Capital leases	(540,161)
Net pension liability	(3,608,606)
Net OPEB liability	<u>(52,200)</u>
	<u>(8,174,922)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>17,018,654</u></u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,575,412	\$ -	\$ 475,671	\$ 6,051,083
Licenses and permits	345,318	-	-	345,318
Fines and forfeits	56,254	-	-	56,254
Interest earned	51,872	610	17,581	70,063
Intergovernmental revenues	376,179	-	434,523	810,702
Charges for services	493,322	-	-	493,322
Charges for services - Caln Township				
Municipal Authority	218,756	-	-	218,756
Miscellaneous revenues	216,309	153,152	103	369,564
TOTAL REVENUES	<u>7,333,422</u>	<u>153,762</u>	<u>927,878</u>	<u>8,415,062</u>
EXPENDITURES				
General government	19,476	115,400	7,437	142,313
Operating expenses	885,709	-	-	885,709
Public safety	2,893,934	10,615	487,997	3,392,546
Codes	346,066	-	-	346,066
Public works, highways and streets	829,422	42,214	875,240	1,746,876
Culture and recreation	134,361	-	-	134,361
Pension	882,201	-	-	882,201
Debt service (principal and interest)	359,826	-	-	359,826
Miscellaneous expenditures	112,065	-	-	112,065
TOTAL EXPENDITURES	<u>6,463,060</u>	<u>168,229</u>	<u>1,370,674</u>	<u>8,001,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>870,362</u>	<u>(14,467)</u>	<u>(442,796)</u>	<u>413,099</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	66,844	440,000	245,500	752,344
Transfers out	(588,000)	-	(164,344)	(752,344)
Proceeds from sale of fixed assets	-	-	30,619	30,619
Proceeds from capital lease	-	-	204,697	204,697
TOTAL OTHER FINANCING SOURCES (USES)	<u>(521,156)</u>	<u>440,000</u>	<u>316,472</u>	<u>235,316</u>
NET CHANGE IN FUND BALANCES	349,206	425,533	(126,324)	648,415
FUND BALANCES AT BEGINNING OF YEAR	<u>3,008,567</u>	<u>51,427</u>	<u>930,368</u>	<u>3,990,362</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,357,773</u>	<u>\$ 476,960</u>	<u>\$ 804,044</u>	<u>\$ 4,638,777</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 648,415
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,148,183) exceeds capital outlays (\$234,303) in the current period.</p>	(913,880)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(13,985)
<p>Expenditures in the statement of activities that do not use current financial resources are not reported as expenditures in the funds.</p>	(48,113)
<p>Change in net position of the internal service fund reported in the governmental activities.</p>	(6,327)
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	293,686
<p>Pension expenses in the statement of activities differs from the amount reported in the governmental funds because the pension expense is recognized based on the liability to the plans, whereas pension expenditures in the governmental funds are based on the amount actually paid.</p>	<u>18,926</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (21,278)</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL GENERAL FUND YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 5,386,929	\$ 5,386,929	\$ 5,575,412	\$ 188,483
Licenses and permits	365,000	365,000	345,318	(19,682)
Fines and forfeits	60,000	60,000	56,254	(3,746)
Interest earned	10,000	10,000	51,872	41,872
Intergovernmental revenues	405,500	405,500	376,179	(29,321)
Charges for services	471,613	471,613	493,322	21,709
Charges for services - Caln Township Municipal Authority	218,756	218,756	218,756	-
Miscellaneous revenues	144,510	144,510	216,309	71,799
TOTAL REVENUES	<u>7,062,308</u>	<u>7,062,308</u>	<u>7,333,422</u>	<u>271,114</u>
EXPENDITURES				
General government	22,094	22,094	19,476	2,618
Operating expenses	991,488	991,488	885,709	105,779
Public safety	3,182,780	3,182,780	2,893,934	288,846
Codes	368,803	368,803	346,066	22,737
Public works, highways and streets	1,083,939	1,083,939	829,422	254,517
Culture and recreation	140,350	140,350	134,361	5,989
Pension	882,201	882,201	882,201	-
Debt service (principal and interest)	359,951	359,951	359,826	125
Miscellaneous expenditures	145,930	145,930	112,065	33,865
TOTAL EXPENDITURES	<u>7,177,536</u>	<u>7,177,536</u>	<u>6,463,060</u>	<u>714,476</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(115,228)</u>	<u>(115,228)</u>	<u>870,362</u>	<u>985,590</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	66,844	66,844	66,844	-
Transfers out	(32,000)	(472,000)	(588,000)	(116,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>34,844</u>	<u>(405,156)</u>	<u>(521,156)</u>	<u>(116,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (80,384)</u>	<u>\$ (520,384)</u>	349,206	<u>\$ 869,590</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>3,008,567</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 3,357,773</u>	

CALN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Golf Course Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 658,366	\$ 658,366	\$ 113,454
Accounts receivable	-	354,497	354,497	-
Prepaid expenses	1,277	-	1,277	-
Inventory	3,202	-	3,202	-
TOTAL CURRENT ASSETS	<u>4,479</u>	<u>1,012,863</u>	<u>1,017,342</u>	<u>113,454</u>
NONCURRENT ASSETS				
Land	1,000,000	-	1,000,000	-
Buildings and improvements	1,379,841	-	1,379,841	-
Machinery and equipment	491,075	665,649	1,156,724	-
Less: accumulated depreciation	(869,104)	(484,726)	(1,353,830)	-
TOTAL NONCURRENT ASSETS	<u>2,001,812</u>	<u>180,923</u>	<u>2,182,735</u>	<u>-</u>
TOTAL ASSETS	<u>2,006,291</u>	<u>1,193,786</u>	<u>3,200,077</u>	<u>113,454</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	27,312	5,878	33,190	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	4,240	12,539	16,779	2,368
Interest payable	9,989	-	9,989	-
Accrued salaries and benefits	4,185	1,933	6,118	-
Deferred revenue	22,270	-	22,270	-
Due to other funds	413,907	-	413,907	-
Current portion of capital lease payable	8,685	-	8,685	-
Current portion of bonds payable	105,000	-	105,000	-
TOTAL CURRENT LIABILITIES	<u>568,276</u>	<u>14,472</u>	<u>582,748</u>	<u>2,368</u>
NONCURRENT LIABILITIES				
Capital lease payable	8,930	-	8,930	-
Bonds payable	1,590,000	-	1,590,000	-
Net pension liability	14,715	3,067	17,782	-
TOTAL NONCURRENT LIABILITIES	<u>1,613,645</u>	<u>3,067</u>	<u>1,616,712</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,181,921</u>	<u>17,539</u>	<u>2,199,460</u>	<u>2,368</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	48,047	10,341	58,388	-
NET POSITION				
Net investment in capital assets	289,197	180,923	470,120	-
Unrestricted	(485,562)	990,861	505,299	111,086
TOTAL NET POSITION	<u>\$ (196,365)</u>	<u>\$ 1,171,784</u>	<u>\$ 975,419</u>	<u>\$ 111,086</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	<u>Golf Course Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ <u>468,164</u>	\$ <u>1,228,621</u>	\$ <u>1,696,785</u>	\$ <u>13,000</u>
OPERATING EXPENSES				
Salaries and wages	216,285	77,031	293,316	-
Employee benefits	30,173	29,425	59,598	20,845
Contractor expenses	-	673,380	673,380	-
Fees	-	305,606	305,606	-
Supplies	110,617	-	110,617	-
Maintenance	27,170	-	27,170	-
Utilities	14,591	-	14,591	-
Administrative and general	20,525	132,099	152,624	-
Depreciation	85,872	66,528	152,400	-
TOTAL OPERATING EXPENSES	<u>505,233</u>	<u>1,284,069</u>	<u>1,789,302</u>	<u>20,845</u>
OPERATING LOSS	<u>(37,069)</u>	<u>(55,448)</u>	<u>(92,517)</u>	<u>(7,845)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	53,283	53,283	-
Interest income	-	13,086	13,086	1,518
Interest expense	<u>(42,795)</u>	<u>-</u>	<u>(42,795)</u>	<u>-</u>
TOTAL OTHER REVENUES (EXPENSES)	<u>(42,795)</u>	<u>66,369</u>	<u>23,574</u>	<u>1,518</u>
CHANGE IN NET POSITION	<u>(79,864)</u>	<u>10,921</u>	<u>(68,943)</u>	<u>(6,327)</u>
NET POSITION AT BEGINNING OF YEAR	<u>(116,501)</u>	<u>1,160,863</u>	<u>1,044,362</u>	<u>117,413</u>
NET POSITION AT END OF YEAR	\$ <u><u>(196,365)</u></u>	\$ <u><u>1,171,784</u></u>	\$ <u><u>975,419</u></u>	\$ <u><u>111,086</u></u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Golf Course Enterprise Fund	Solid Waste Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 469,683	\$ 1,275,977	\$ 1,745,660	\$ 13,000
Payments to suppliers	(158,268)	(930,526)	(1,088,794)	-
Payments to employees	(256,993)	(107,425)	(364,418)	(21,067)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>54,422</u>	<u>238,026</u>	<u>292,448</u>	<u>(8,067)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	-	53,283	53,283	-
Principal payments on debt	(100,000)	-	(100,000)	-
Transfers in (out) to other funds, net	130,384	-	130,384	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>30,384</u>	<u>53,283</u>	<u>83,667</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital lease repayments	(41,511)	-	(41,511)	-
Interest paid on long-term debt	(43,295)	-	(43,295)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(84,806)</u>	<u>-</u>	<u>(84,806)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	13,086	13,086	1,518
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	304,395	304,395	(6,549)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	<u>-</u>	<u>353,971</u>	<u>353,971</u>	<u>120,003</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 658,366</u>	<u>\$ 658,366</u>	<u>\$ 113,454</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (37,069)	\$ (55,448)	\$ (92,517)	\$ (7,845)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	85,872	66,528	152,400	-
Net pension liability adjustment	(8,163)	(1,426)	(9,589)	-
Change in assets and liabilities				
Inventory	9,705	-	9,705	-
Accounts receivable	-	47,356	47,356	-
Due from other governments	-	195,853	195,853	-
Prepaid expenses	3,304	-	3,304	-
Accounts payable	1,626	3,049	4,675	(222)
Accrued payroll	(2,372)	457	(1,915)	-
Due to other funds	-	(18,343)	(18,343)	-
Deferred revenue	1,519	-	1,519	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 54,422</u>	<u>\$ 238,026</u>	<u>\$ 292,448</u>	<u>\$ (8,067)</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Police Pension Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 312,915	\$ 297,584
Investments	8,032,835	-
Receivables	23,267	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>8,369,017</u>	<u>\$ 297,584</u>
LIABILITIES		
Accounts payable	-	\$ 297,584
Refunds payable	2,025	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,025</u>	<u>\$ 297,584</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 8,366,992</u>	

See accompanying notes to the basic financial statements.

CALN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	Police Pension Trust
	<u> </u>
ADDITIONS	
Contributions	
Employer	\$ 670,139
Member	86,622
TOTAL CONTRIBUTIONS	<u>756,761</u>
Investment earnings	
Interest and dividends	157,758
Net decrease in fair value of investments	<u>(338,672)</u>
TOTAL INVESTMENT EARNINGS	<u>(180,914)</u>
TOTAL ADDITIONS	<u>575,847</u>
DEDUCTIONS	
Benefit payments to retired plan participants	295,136
Administrative	<u>70,950</u>
TOTAL DEDUCTIONS	<u>366,086</u>
CHANGE IN NET POSITION	209,761
NET POSITION AT BEGINNING OF YEAR	<u>8,157,231</u>
NET POSITION AT END OF YEAR	<u>\$ 8,366,992</u>

See accompanying notes to the basic financial statements.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Caln Township (the "Township") conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

Scope of Reporting Entity

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in the Township of Caln. The Township receives funding from local, county, and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Township commissioners are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of Caln Township include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility.

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Township evaluated the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity based on financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviewed the applicability of the criteria listed below.

The Township is financially accountable for:

- Organizations that make up the legal Township entity.

Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township as defined below.

Impose Its Will - If the Township can significantly influence the programs, projects, or activities of or the level of services performed or provided by the organization.

Financial Benefit or Burden - Exists if the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Organizations that are fiscally dependent on the Township. Fiscal dependency is established if the organization is unable to adopt its budget without approval by the Township.

Based on the foregoing criteria, the reporting entity includes all the organizations for which the Township is financially accountable or for which there is a significant relationship.

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The Township has a corresponding Municipal Authority. The Authority is a component unit because the Township appoints the governing body of the Authority. The Authority is also considered a component unit because the Authority has the potential to provide financial benefits to, or impose financial burden on, the Township.

Caln Township Municipal Authority - A Component Unit

The Authority is a municipal authority formed for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construction, finance, improve, maintain, operate, own, and lease the sewer system within Caln Township. The Authority receives funding through user fees, grants, borrowings, and other sources. All of the funds collected go towards programs of the Authority. The Authority is governed by a five-member Board. The Township has determined that the Authority is a component unit of Caln Township.

The Authority is presented in these financial statements as a discretely presented component unit. The Authority's financial information may be obtained at the Authority's office.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The statement of net position and statement of activities display information about the Township. These financial statements include the financial activities of the primary government, except for Fiduciary Funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - The fund financial statements provide information about the Township's funds, including its Fiduciary Funds. Separate statements for each fund category--*governmental, proprietary* and *fiduciary*--are presented. The emphasis of fund financial statements is on major Governmental and Enterprise Funds, each displayed in a separate column. All remaining Governmental and Enterprise Funds are aggregated and reported as nonmajor funds.

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund and the capital project funds are the Township's major governmental funds.

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

Special Revenue Funds - Special Revenue Funds generally account for the expenditure of revenues that have been restricted to specific programs or projects.

Liquid Fuels Fund - The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

Street Light Fund - The Street Light Fund is used to account for the revenues received from the residents on several streets in the Township that have dedicated street lights.

CALN TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Reserve Funds - Capital Reserve Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Internal Service Funds - Internal Service Funds are used to account for goods or services provided by a central department or agency to other departments or agencies of the government or agencies of the governmental unit, usually on a cost recovery basis.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the Township's proprietary funds:

Solid Waste Fund - The solid waste Fund is used to account for the operations of the solid waste collection operations in the Township. The solid waste collection system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

Golf Fund - The Golf Fund is used to account for the operations of the Township's golf course. The gold course is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered through user charges.

Fiduciary Funds

Trusts and agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals. Fiduciary Funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental Funds and Fiduciary Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied provided they are collected within 60 days after the end of the year. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The accrual basis of accounting is used by the Enterprise Fund. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The Township reports unearned revenues on its Governmental Funds balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Township is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Commissioners is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance by the Board of Commissioners.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Commissioners. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and are reflected in the official minutes of the Board. Appropriations lapse at year end.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets, except land, 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:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-40 years
Buildings and building improvements	15-40 years
Infrastructure	40-50 years
Furniture and fixtures	5-20 years
Vehicles	5-15 years
Equipment	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience, changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, and contributions subsequent to the measurement date.

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 two items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan, and the net difference between projected and actual earnings on pension plan investments.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months at the time they are issued are reported as investments.

Interfund Transactions

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-type activities are eliminated on the government-wide statement of net position.

Investments

The Township has adopted GASB Statement No. 72, *Fair Value Measurements and Application* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. These statements require the Township to record investments at fair value or amortized cost, as applicable.

State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Prepaid Items

Payments made to vendors for services that will benefit period beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

Inventory

Inventory consists of retail merchandise at the golf course. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Compensated Absences

The Township has no benefits which qualify as compensated absences.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Real Estate Tax Calendar and Reserve

Assessed valuations of property are determined by Chester County. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; full amount May 1 through June 30; and a 10% penalty after July 1. Unpaid real estate property taxes are returned to the County in January of the following year for the purpose of filing a lien.

Net Position/Fund Balances

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township, or through external restrictions imposed by creditors, grantors, and laws and regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ***Net Investment in Capital Assets*** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - The category represents net position of the Township not restricted for any project or other purpose.

The Township has implemented GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** includes balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Directors and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The details of the fund balances are included in the Governmental Funds balance sheet (page 19). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitment by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$5,105,793 and the corresponding bank balances were \$5,383,944. Of the bank balance, \$500,000 was covered by the Federal Depository Insurance, and the balance was collateralized under Act 72 through pools of securities held by the respective depository institutions.

Caln Township Municipal Authority - At December 31, 2018, \$3,424,958 of the Authority's bank balance of \$3,674,958 was exposed to custodial credit risk. The \$3,424,958 was uninsured and collateralized with securities held by the pledging banks trust department not in the Authority's name.

Investments

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts, institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

Interest Rate Risk - The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Township has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

The Police Pension Plan

The Plan is managed by an investment advisor and is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

Interest Rate Risk - This is the risk that a change in interest rates will adversely affect fair value of an investment. The Plan has no investment policy for interest rate risk. The maturities of the plan's debt investments are:

Investment Type	Investment Maturities in Years					
	Fair Value	Amortized Cost	Less than 1	1-5	6-10	16-20
U.S. Agency Securities	\$ 14,853	\$ -	\$ -	\$ -	\$ -	\$ 14,853
Certificates of Deposit	-	916,117	479,034	389,345	47,738	-
Corporate debt	962,239	-	24,829	937,410	-	-
Total	\$ 977,092	\$ 916,117	\$ 503,863	\$ 1,326,755	\$ 47,738	\$ 14,853

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk -This is the risk that an issuer will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plans investments (excluding obligations explicitly guaranteed by the U.S. government) are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Corporate debt	\$ 210,452	A2
Corporate debt	113,867	A3
Corporate debt	148,172	A1
Corporate debt	78,230	Aaa
Corporate debt	63,396	Aa3
Corporate debt	103,255	Baa1
Corporate debt	98,174	Aa1
Corporate debt	68,577	Aa2
Corporate debt	<u>78,116</u>	Baa2
Total	<u>\$ 962,239</u>	

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2018, the plan had no individual investments in any one issuer that represents 5% or more of Fiduciary Net Position.

The Police Pension Plan's Investments consists of:

Certificates of deposit	\$ 916,117
Corporate bonds	962,239
U.S. Agency Securities	14,854
Equities	4,445,146
Options	(47,265)
Other assets	<u>1,741,744</u>
Total	<u>\$ 8,032,835</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2018:

Description	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 962,239	\$ -	\$ 962,239
U.S. agency securities	-	14,853	-	14,853
Equities	4,445,146	-	-	4,445,146
Options	-	(47,265)	-	(47,265)
Other assets	-	-	1,741,744	1,741,744
Totals	\$ 4,445,146	\$ 929,827	\$ 1,741,744	\$ 7,116,717

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value. The Township's investment policy does not further limit its investment choices.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS

Capital assets are as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,215,647	\$ -	\$ -	\$ 3,215,647
TOTAL CAPITAL ASSETS	<u>3,215,647</u>	<u>-</u>	<u>-</u>	<u>3,215,647</u>
NOT BEING DEPRECIATED	<u>3,215,647</u>	<u>-</u>	<u>-</u>	<u>3,215,647</u>
Capital assets being depreciated:				
Buildings and improvements	2,505,545	29,606	-	2,535,151
Infrastructure	27,377,084	-	-	27,377,084
Vehicles	3,910,883	204,697	-	4,115,580
Machinery and equipment	838,601	-	-	838,601
TOTAL CAPITAL ASSETS	<u>34,632,113</u>	<u>234,303</u>	<u>-</u>	<u>34,866,416</u>
BEING DEPRECIATED	<u>34,632,113</u>	<u>234,303</u>	<u>-</u>	<u>34,866,416</u>
TOTAL CAPITAL ASSETS	<u>37,847,760</u>	<u>234,303</u>	<u>-</u>	<u>38,082,063</u>
Accumulated depreciation for				
Buildings and improvements	(1,516,649)	(70,642)	-	(1,587,291)
Infrastructure	(12,539,472)	(781,594)	-	(13,321,066)
Vehicles	(2,579,420)	(238,778)	-	(2,818,198)
Machinery and equipment	(589,915)	(57,169)	-	(647,084)
TOTAL ACCUMULATED	<u>(17,225,456)</u>	<u>(1,148,183)</u>	<u>-</u>	<u>(18,373,639)</u>
DEPRECIATION	<u>(17,225,456)</u>	<u>(1,148,183)</u>	<u>-</u>	<u>(18,373,639)</u>
NET CAPITAL ASSETS FOR				
GOVERNMENTAL ACTIVITIES	<u>\$ 20,622,304</u>	<u>\$ (913,880)</u>	<u>\$ -</u>	<u>\$ 19,708,424</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,402,813	-	-	1,402,813
Machinery and equipment	1,133,752	-	-	1,133,752
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>2,536,565</u>	<u>-</u>	<u>-</u>	<u>2,536,565</u>
TOTAL CAPITAL ASSETS	<u>3,536,565</u>	<u>-</u>	<u>-</u>	<u>3,536,565</u>
Accumulated depreciation for				
Buildings and improvements	(426,054)	(40,158)	-	(466,212)
Machinery and equipment	(775,376)	(112,242)	-	(887,618)
TOTAL ACCUMULATED DEPRECIATION	<u>(1,201,430)</u>	<u>(152,400)</u>	<u>-</u>	<u>(1,353,830)</u>
NET CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES	<u>\$ 2,335,135</u>	<u>\$ (152,400)</u>	<u>\$ -</u>	<u>\$ 2,182,735</u>

Caln Municipal Township Authority

Capital assets presented in the component unit's financial statements are as follows:

	2018	Additions	Deletions	2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction-in-progress	\$ 820,715	\$ 9,775	\$ (534,949)	\$ 295,541
CAPITAL ASSETS BEING DEPRECIATED				
Sewer lines	17,253,625	1,013,192	-	18,266,817
Vehicles	208,010	-	-	208,010
Equipment	103,737	10,503	-	114,240
Pump Stations	930,000	-	-	930,000
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>18,495,372</u>	<u>1,023,695</u>	<u>-</u>	<u>19,519,067</u>
Accumulated depreciation	<u>(12,999,529)</u>	<u>(262,148)</u>	<u>-</u>	<u>(13,261,677)</u>
COMPONENT UNIT CAPITAL ASSETS, net	<u>\$ 6,316,558</u>	<u>\$ 771,322</u>	<u>\$ (534,949)</u>	<u>\$ 6,552,931</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - LONG-TERM OBLIGATIONS

A summary of transactions affecting long-term obligations for the year ended December 31, 2018, is as follows:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
Series of 2013					
\$7,480,000 originally issued with interest rates from 0.25% - 3.05%	\$ 4,095,000	\$ -	\$ (240,000)	\$ 3,855,000	\$ 240,000
Note payable, Series of 2017	120,000	-	(23,743)	96,257	23,874
Capital leases	568,904	204,697	(233,440)	540,161	195,447
Net pension liability	3,521,897	86,709	-	3,608,606	-
Net OPEB liability	59,400	-	(7,200)	52,200	-
	<u>8,365,201</u>	<u>291,406</u>	<u>(504,383)</u>	<u>8,152,224</u>	<u>459,321</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,365,201	\$ 291,406	\$ (504,383)	\$ 8,152,224	\$ 459,321
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds					
Series of 2013					
\$7,480,000 originally issued with interest rates from 0.25% - 3.05%	\$ 1,795,000	\$ -	\$ (100,000)	\$ 1,695,000	\$ 105,000
Capital leases	59,126	-	(41,511)	17,615	8,685
Net pension liability	76,597	-	(58,815)	17,782	-
	<u>1,930,723</u>	<u>-</u>	<u>(200,326)</u>	<u>1,730,397</u>	<u>113,685</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,930,723	\$ -	\$ (200,326)	\$ 1,730,397	\$ 113,685
CALN TOWNSHIP MUNICIPAL AUTHORITY					
Due to Caln Township	\$ 442,500	-	(55,313)	387,187	55,312

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - LONG-TERM OBLIGATIONS (Continued)

Bonds Payable

The Township has pledged its full faith, credit, and taxing powers as collateral.

The following table shows the maturities and interest requirements for the Governmental Activities bonds payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2019	\$ 240,000	\$ 90,794	\$ 330,794
2020	240,000	85,994	325,994
2021	250,000	81,193	331,193
2022	255,000	76,194	331,194
2023	260,000	71,094	331,094
2024-2028	1,380,000	274,181	1,654,181
2029-2032	<u>1,230,000</u>	<u>93,013</u>	<u>1,323,013</u>
Total	<u>\$ 3,855,000</u>	<u>\$ 772,463</u>	<u>\$ 4,627,463</u>

The following table shows the maturities and interest requirements for the Golf Fund bonds payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2019	\$ 105,000	\$ 39,956	\$ 144,956
2020	110,000	37,856	147,856
2021	110,000	35,656	145,656
2022	110,000	33,456	143,456
2023	110,000	31,256	141,256
2024-2028	605,000	120,969	725,969
2029-2032	<u>545,000</u>	<u>41,075</u>	<u>586,075</u>
Total	<u>\$ 1,695,000</u>	<u>\$ 340,224</u>	<u>\$ 2,035,224</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - LONG-TERM OBLIGATIONS (Continued)

Notes Payable

The following table shows the maturities and interest requirements for the Governmental Activities notes payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2019	\$ 23,874	\$ 494	\$ 24,368
2020	24,004	363	24,367
2021	24,136	232	24,368
2022	<u>24,243</u>	<u>99</u>	<u>24,342</u>
Total	<u>\$ 96,257</u>	<u>\$ 1,188</u>	<u>\$ 97,445</u>

NOTE E - STATEMENT OF BORROWING BASE

The borrowing base of the Township is calculated as follows:

<u>Total Net Revenues (gross revenues less exclusion)</u>	
Year 2016	\$ 7,884,257
Year 2017	8,774,254
Year 2018	<u>8,415,062</u>
Total net revenues (last 3 years)	<u>25,073,573</u>
Average net revenues	8,357,858
Base percent per Act 185	<u>250%</u>
Total non-electoral debt allowance	<u>\$ 20,894,644</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - CAPITAL LEASE

The Township leases certain equipment under capital lease arrangements.

Governmental Activities

A schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2018, is as follows:

<u>Year Ending December 31,</u>		
2019		\$ 211,911
2020		201,301
2021		<u>158,650</u>
	TOTAL MINIMUM LEASE PAYMENTS	571,862
	Amount representing interest	<u>(31,701)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 540,161</u>

The gross value of this equipment on the statement of net position is \$903,466 with accumulated depreciation of \$168,216.

Business-Type Activities

A schedule by years of future minimum lease payments under capital leases as of December 31, 2018, is as follows:

<u>Year Ending December 31,</u>		
2019		\$ 9,179
2020		<u>9,179</u>
	TOTAL MINIMUM LEASE PAYMENTS	18,358
	Amount representing interest	<u>(743)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$ 17,615</u>

The gross value of this equipment on the statement of net position is \$35,218 with accumulated depreciation of \$112,292.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2018, the interfund receivables and payables are as follows:

	Due	
	From	To
General Fund	\$ 413,907	\$ -
Golf Course Fund	-	413,907
	<u>\$ 413,907</u>	<u>\$ 413,907</u>

Interfund transfers for the year ending December 31, 2018, are as follows:

	Transfers	
	In	Out
General Fund	\$ 66,844	\$ 588,000
Capital Reserve	440,000	-
Other Governmental Funds	245,500	164,344
Totals	<u>\$ 752,344</u>	<u>\$ 752,344</u>

The transfers in and transfers out were in accordance with the transfers approved in the budget process.

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Police Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all full-time members of the Police Department of the Township.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Management of the plan is vested in the Township Board of Commissioners, which consists of five members. The Board of Commissioners is responsible for managing, investing and monitoring the Township's Police Pension Fund.

Plan Membership - At December 31, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>17</u>
	<u>31</u>

Benefits Provided - Plan provisions are established by Township ordinance. The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 52 and completion of 25 years of service if hired before January 1, 2014, or age 54 and completion of 25 years of service if hired after January 1, 2014. Individuals are 100% vested after 12 years of service.

The retirement benefit is a monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment, plus a service increment of \$100 for service in excess of 26 years. The death benefit before vesting is a refund of employee contributions.

The death benefit after vesting and before retirement eligibility is a monthly survivor benefits equal to 50% of the participant's vested benefit commencing on the participant's normal retirement date. The death benefit after retirement eligibility is a monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive on the day of the participant's death. The monthly survivor benefits are payable to the participant's spouse for life. If there is no spouse or the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until the age 18, or age 23 if attending college.

The disability benefit is a monthly benefit equal to 50% of the participant's final monthly average salary at disablement, but no less than 50% of the member's salary at the time of disability, offset by worker's compensation and social security disability for the same injury. There is no disability benefit for non-service related injury.

Contributions - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Active members will contribute 5% of their salary to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. It is the policy of the Pension Board to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated health benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Concentrations - At December 31, 2018, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any issuer that represents 5% of more of Fiduciary Net Position.

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -2.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total pension liability	\$ 11,799,555
Plan fiduciary net position	<u>(8,366,991)</u>
NET PENSION LIABILITY	<u>\$ 3,432,564</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>70.91%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.0% annual increase
Investment rate of return	7.0%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table, with 50% of the Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvements based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	5.0-7.0%
Fixed income	1.0-3.0%
Cash and Cash Equivalents	0.0-1.0%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments 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 employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. 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.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
BALANCE AT DECEMBER 31, 2017	\$ 10,920,839	\$ 8,157,231	\$ 2,763,608
Changes for the year			
Service cost	392,102	-	392,102
Interest	781,750	-	781,750
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	670,139	(670,139)
Member	-	86,622	(86,622)
Net investment income	-	(180,915)	180,915
Benefit payments	(295,136)	(295,136)	-
Administrative expense	-	(70,950)	70,950
NET CHANGES	<u>878,716</u>	<u>209,760</u>	<u>668,956</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 11,799,555</u>	<u>\$ 8,366,991</u>	<u>\$ 3,432,564</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ <u>5,002,164</u>	\$ <u>3,432,564</u>	\$ <u>2,129,494</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2018, the Township recognized pension expense of \$731,747. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 213,804
Changes in assumptions	386,378	-
Net difference between projected and actual earnings on pension plan investments	<u>670,519</u>	<u>343,525</u>
TOTALS	\$ <u>1,056,897</u>	\$ <u>557,329</u>

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

<u>Year Ending December 31,</u>	
2019	\$ 146,387
2020	78,856
2021	101,401
2022	178,856
2023	(4,947)
Thereafter	(985)

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments - Employee Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description

The Caln Township pension plan is a single-employer, defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Plan Membership - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>24</u>
	<u><u>38</u></u>

Benefits Provided - Plan provisions are established by Township ordinance. The plan provides retirement and limited death benefits. A member is eligible for normal retirement after attainment of age 60 with monthly benefits of years of service times the final salary times 2%, limited to 50% of final salary (average of final 5 years salary). The plan vests after 12 years of service.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)

Contributions - Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost plus plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Employees are not required to contribute. Contributions are subject to collective bargaining.

Investments

Investment Policy - The plan policy in regard to the allocation of invested assets is established and may be amended by the PMRS. It is the policy of the PMRS to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated retirement benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities (large capitalized firms)	25%
Domestic equities (small capitalized firms)	15%
International equities (international developed markets)	15%
International equities (emerging markets)	10%
Real estate	20%
Fixed income	15%
	<u>100%</u>

Investments are reported at fair value. The fair value is the quoted market price. The plan's fair value of investments as of December 31, 2017, was \$6,038,777.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

Concentrations - At December 31, 2017, none of the plan's individual investments exceeded 5% of the total portfolio.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)

Net Pension Liability of the Township

Total pension liability	\$ 6,232,602
Plan fiduciary net position	<u>(6,038,777)</u>
NET PENSION LIABILITY	<u>\$ 193,825</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>96.89%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Age related scale from 2.8% to 7.05%
Investment rate of return	5.25%

Mortality rates were based on the RP-2000 Mortality Tables.

The actuarial assumptions used in the December 31, 2017 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 as well as subsequent Board approved assumption changes. These assumptions were first used for the December 31, 2015 measurement date. For an overview of assumption changes since the prior measurement date, please refer to the experience study referenced above.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equities (large capitalized firms)	6.4%
Domestic equities (small capitalized firms)	7.0%
International equities (international developed markets)	3.7%
International equities (emerging markets)	7.9%
Real estate	7.0%
Fixed income	2.4%

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments 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 employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. 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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2016	\$ 5,968,810	\$ 5,133,924	\$ 834,886
Changes for the year			
Service cost	132,234	-	132,234
Interest	315,537	-	315,537
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	225,384	(225,384)
Net investment income	-	876,668	(876,668)
Benefit payments	(183,979)	(183,979)	-
Administrative expense	-	(13,220)	13,220
NET CHANGES	<u>263,792</u>	<u>904,853</u>	<u>(641,061)</u>
BALANCE AT DECEMBER 31, 2017	<u>\$ 6,232,602</u>	<u>\$ 6,038,777</u>	<u>\$ 193,825</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 5.25%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ 933,588	\$ 193,825	\$ (437,552)

CALN TOWNSHIP**NOTES TO THE BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2018, the Township and Authority recognized pension expense of \$121,960. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 23,445	\$ 282,591
Changes in assumptions	121,714	-
Net difference between projected and actual earnings on pension plan investments	-	312,506
Contributions subsequent to the measurement date	<u>193,114</u>	<u>-</u>
TOTALS	<u>\$ 338,273</u>	<u>\$ 595,097</u>
GOLF COURSE		
Difference between expected and actual experience	\$ 1,893	\$ 22,816
Changes in assumptions	9,827	-
Net difference between projected and actual earnings on pension plan investments	-	25,231
Contributions subsequent to the measurement date	<u>15,592</u>	<u>-</u>
TOTALS	<u>\$ 27,312</u>	<u>\$ 48,047</u>
SOLID WASTE		
Difference between expected and actual experience	\$ 407	\$ 4,911
Changes in assumptions	2,115	-
Net difference between projected and actual earnings on pension plan investments	-	5,431
Contributions subsequent to the measurement date	<u>3,356</u>	<u>-</u>
TOTALS	<u>\$ 5,878</u>	<u>\$ 10,342</u>

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - DEFINED BENEFIT PENSION PLAN (EMPLOYEE PLAN) (Continued)

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Golf Course</u>	<u>Solid Waste</u>
2018	\$ (61,610)	\$ (4,974)	\$ (1,071)
2019	(87,407)	(7,057)	(1,519)
2020	(159,991)	(12,917)	(2,780)
2021	(145,826)	(11,774)	(2,534)
2022	4,896	395	84

NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Township’s post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The plan does not issue a financial reporting and is not included in the financials of any public employee retirement system or other entity.

The plan has been terminated. Only employees eligible for benefits before termination of the plan are able to receive benefits. The benefits for the one remaining eligible retiree is to receive a maximum of \$600 per month until the retiree reaches age 65.

Funding Policy

The contribution requirements of plan members are established by, and may be amended by, the Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to be prefunded as determined annually by the Commissioners. As of December 31, 2018, the Township has not designated any funds specifically for these benefits.

Annual OPEB Cost and Net OPEB Obligation

The plan provides a maximum benefit of \$600 per month for health care costs until the participant reaches age 65. The plan was terminated upon the renegotiation of the police contract effective for 2015. Retirees in the plan upon termination of the plan will continue to receive benefits. No new participants will be allowed.

The Township’s calculation of the maximum benefit cost to the Township is \$52,200.

CALN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE K - UNEMPLOYMENT COMPENSATION

The Township has elected the reimbursement method of paying unemployment compensation benefits. This method requires the Township to reimburse the State Unemployment Compensation Fund on a dollar-for-dollar basis for all claims and other charges made to its account. Repayments are made quarterly for claims paid by the state. The Township has incurred \$17,953 of claims for the year ended December 31, 2018.

NOTE L - 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 manages these various risks of loss primarily through the purchase of commercial insurance, except as described below. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

NOTE M - DEFICIT NET POSITION

The Township's proprietary funds include the operations of the Ingleside Golf Course. For 2018, the golf course expenditures exceeded revenues. The resulting deficit fund balance is \$196,365 at December 31, 2018. The Township has implemented plans to eliminate the deficit which include increasing usage of the course with additional marketing, improving the course, and restructuring the fees.

NOTE N - SUBSEQUENT EVENT

In July 2019, the Township issued General Obligation Note, 2019 Series, in the amount of \$5,233,000 for certain capital projects.

NOTE O - GOING CONCERN - GOLF COURSE

The Golf Course has suffered recurring losses from operations and has a net position deficiency that raises substantial doubts about its ability to continue as a going concern. Management is reviewing the operations of the golf course including the revenue stream and the expenses along with other options to improve the financial performance of the golf course and maintain its operations. The Township has no plans to discontinue the operations of the golf course.

REQUIRED SUPPLEMENTARY INFORMATION

CALN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 392,102	\$ 373,430	\$ 317,220	\$ 302,114	\$ 247,523
Interest	781,750	724,257	674,711	629,617	583,268
Changes of benefit terms	-	-	-	202,140	-
Differences between expected and actual experience	-	(227,179)	-	(104,991)	-
Changes of assumptions	-	191,565	-	523,605	-
Benefit payments	(295,136)	(294,919)	(314,207)	(291,435)	(285,345)
NET CHANGE IN TOTAL PENSION LIABILITY	878,716	767,154	677,724	1,261,050	545,446
Total pension liability, beginning	10,920,839	10,153,685	9,475,961	8,214,911	7,669,465
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 11,799,555</u>	<u>\$ 10,920,839</u>	<u>\$ 10,153,685</u>	<u>\$ 9,475,961</u>	<u>\$ 8,214,911</u>
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	\$ 670,139	\$ 721,776	\$ 546,388	\$ 539,937	\$ 468,734
Member	86,622	94,030	93,087	91,959	87,217
Net investment income	(180,915)	971,352	526,989	50,021	267,591
Benefit payments, including refunds of member contributions	(295,136)	(294,919)	(314,207)	(291,435)	(285,345)
Administrative expense	(70,950)	(56,401)	(48,337)	(42,856)	(12,675)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	209,760	1,435,838	803,920	347,626	525,522
Plan fiduciary net position, beginning	8,157,231	6,721,393	5,917,473	5,569,847	5,044,325
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 8,366,991</u>	<u>\$ 8,157,231</u>	<u>\$ 6,721,393</u>	<u>\$ 5,917,473</u>	<u>\$ 5,569,847</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 3,432,564</u>	<u>\$ 2,763,608</u>	<u>\$ 3,432,292</u>	<u>\$ 3,558,488</u>	<u>\$ 2,645,064</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>70.91%</u>	<u>74.69%</u>	<u>66.20%</u>	<u>62.45%</u>	<u>67.80%</u>
COVERED PAYROLL	<u>\$ 1,747,000</u>	<u>\$ 1,571,340</u>	<u>\$ 1,932,398</u>	<u>\$ 1,806,387</u>	<u>\$ 1,714,193</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>196.48%</u>	<u>175.88%</u>	<u>177.62%</u>	<u>196.99%</u>	<u>154.30%</u>

NOTES TO SCHEDULE

Changes of Assumptions: In 2017 the inflation assumption was lowered from 3.0% to 2.75%, the mortality assumption was updated from RP-2000 Combined Healthy Mortality table to RP-2014 Mortality Tables, and the disability assumption was updated from 60% of the rates from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence. In 2015, the interest rate assumption was lowered from 7.5% to 7.0%.

Changes of Benefits: In 2015 the minimum age for normal retirement was increased from 52 to 54 for those hired after January 1, 2014, and a survivor benefit was added for the spouse of a participant who dies before normal retirement disability but after vesting.

CALN TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 670,139	\$ 721,776	\$ 546,388	\$ 539,937	\$ 468,734
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>670,139</u>	<u>721,776</u>	<u>546,388</u>	<u>539,937</u>	<u>468,734</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>				
COVERED PAYROLL	<u>\$ 1,747,000</u>	<u>\$ 1,571,340</u>	<u>\$ 1,932,398</u>	<u>\$ 1,806,387</u>	<u>\$ 1,714,193</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>38.36%</u>	<u>45.93%</u>	<u>28.28%</u>	<u>29.89%</u>	<u>27.34%</u>

NOTES TO SCHEDULE

Valuation date:	January 1, 2015	January 1, 2013
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	10 years	12 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	3.0%	3.0%
Salary increases	5.0% annual increase	5.0% annual increase
Investment rate of return	7.0%	7.0%
Retirement age	Normal Retirement Age, or attained age if currently eligible to retire	Normal Retirement Age, or attained age if currently eligible to retire
Mortality	RP-2000 Combined Healthy Mortality Table	RP-2000 Combined Healthy Mortality Table

CALN TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-2.22%</u>	<u>14.46%</u>	<u>8.95%</u>	<u>0.91%</u>	<u>5.99%</u>

CALN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET EMPLOYEE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 132,234	\$ 126,079	\$ 163,685	\$ 163,943
Interest	315,537	330,966	315,015	297,960
Differences between expected and actual experience	-	(465,478)	-	51,493
Changes of assumptions	-	160,170	43,001	-
Transfers	-	-	(54,333)	-
Benefit payments	<u>(183,979)</u>	<u>(146,841)</u>	<u>(185,739)</u>	<u>(167,020)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	263,792	4,896	281,629	346,376
Total pension liability, beginning	<u>5,968,810</u>	<u>5,963,914</u>	<u>5,682,285</u>	<u>5,335,909</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,232,602</u>	<u>\$ 5,968,810</u>	<u>\$ 5,963,914</u>	<u>\$ 5,682,285</u>
PLAN FIDUCIARY NET POSITION				
Contributions, employer	\$ 225,384	\$ 210,377	\$ 214,845	\$ 168,903
Net investment income	876,668	354,999	(129,212)	121,647
Transfers	-	-	(54,333)	-
Benefit payments, including refunds of member contributions	(183,979)	(146,841)	(185,739)	(167,020)
Administrative expense	<u>(13,220)</u>	<u>(14,381)</u>	<u>(12,147)</u>	<u>(11,018)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	904,853	404,154	(166,586)	112,512
Plan fiduciary net position, beginning	<u>5,133,924</u>	<u>4,729,770</u>	<u>4,896,356</u>	<u>4,783,844</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 6,038,777</u>	<u>\$ 5,133,924</u>	<u>\$ 4,729,770</u>	<u>\$ 4,896,356</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 193,825</u>	<u>\$ 834,886</u>	<u>\$ 1,234,144</u>	<u>\$ 785,929</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>96.89%</u>	<u>86.01%</u>	<u>79.31%</u>	<u>86.17%</u>
COVERED PAYROLL	<u>\$ 1,236,865</u>	<u>\$ 1,413,358</u>	<u>\$ 1,648,354</u>	<u>\$ 1,672,957</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>15.67%</u>	<u>59.07%</u>	<u>74.87%</u>	<u>46.98%</u>

NOTE TO SCHEDULE

Changes of Assumption: In 2016, the investment return assumption for municipal assets decreased from 5.5% to 5.25%. In 2015, assumptions based on the PMRS Experience Study for the period January 1, 2009 through December 31, 2013, issued by the actuary in July 2015 first effective.

CALN TOWNSHIP
SCHEDULE OF EMPLOYEE
PENSION PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 225,364	\$ 210,357	\$ 214,825	\$ 168,843
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>225,384</u>	<u>210,377</u>	<u>214,845</u>	<u>168,903</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ (60)</u>
COVERED PAYROLL	<u>\$ 1,236,685</u>	<u>\$ 1,413,358</u>	<u>\$ 1,648,354</u>	<u>\$ 1,672,957</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>18.22%</u>	<u>14.88%</u>	<u>13.03%</u>	<u>10.10%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015 January 1, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, normal	Entry age, normal
Amortization method	Level dollar	Level dollar
Asset valuation method	Based upon the municipal reserves	Based upon the municipal reserves
Inflation	3.0%	3.0%
Salary increases	Age related scale	Age related scale
Investment rate of return	5.5%	5.5%
Retirement age	Age related range	Age related range
Mortality	RP 2000 Combined Healthy Mortality Table	RP 2000 Combined Healthy Mortality Table