

**TOWNSHIP OF ALLEGHENY
WESTMORELAND COUNTY, PENNSYLVANIA**

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

**Township of Allegheny
December 31, 2018
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DEBLASIO & DEBLASIO ASSOCIATES

A PROFESSIONAL CORPORATION

The American Institute of
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS

The Pennsylvania Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township of Allegheny
Leechburg, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Township of Allegheny, Leechburg, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Allegheny, Leechburg, Pennsylvania as of December 31, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

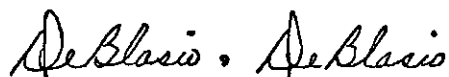
Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Allegheny, Leechburg, Pennsylvania's basic financial statements. The budgetary comparison information on page 11, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Township has not presented the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.



DeBlasio & DeBlasio Associates
Certified Public Accountants
Greensburg, Pennsylvania
November 12, 2019

Primary Government Financial Statements

**Township of Allegheny
Statement of Net Position - Modified Cash Basis
December 31, 2018**

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ <u>1,167,439</u>
Total Current Assets	<u>1,167,439</u>
Noncurrent Assets	
Land	319,043
Land Improvements	279,709
Machinery and Equipment	2,013,035
Buildings and Building Improvements	2,305,699
Furniture and Equipment	488,181
Accumulated Depreciation	<u>(3,114,475)</u>
Total Noncurrent Assets	<u>2,291,192</u>
Total Assets	<u>\$ 3,458,631</u>
 Liabilities and Net Position	
Current Liabilities	
Other Current Liabilities	\$ 4,543
Payroll Taxes Payable	96
Current Portion of Long-Term Debt	<u>56,805</u>
Total Current Liabilities	<u>61,444</u>
Long-Term Liabilities	
Long-Term Debt	<u>5,280</u>
Total Liabilities	<u>66,724</u>
Net Position	
Net Investment in Capital Assets	2,229,107
Restricted	192,480
Unrestricted	<u>970,320</u>
Total Net Position	<u>3,391,907</u>
Total Liabilities and Net Position	<u>\$ 3,458,631</u>

The accompanying notes are an integral part of these financial statements.

Township of Allegheny
Statement of Activities And Changes in Net Position - Modified Cash Basis
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Gov	\$ 437,903	\$ 50,411	\$ 303,496	\$ (83,996)
Public Safety	1,113,089	22,956	-	(1,090,133)
Public Works	1,492,542	20,415	361,295	(1,110,832)
Culture and Rec	50,088	-	-	(50,088)
Other	795,488	-	-	(795,488)
Principal and Interest on Debt	8,260	-	-	(8,260)
Depreciation	<u>218,822</u>	<u>-</u>	<u>-</u>	<u>(218,822)</u>
Total Governmental Activities and Primary Government	\$ <u>4,116,192</u>	\$ <u>93,782</u>	\$ <u>664,791</u>	<u>(3,357,619)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes, net				1,515,448
Taxes levied for specific purposes				1,365,475
Licenses permits, fines and forfeits				210,192
Investment Earnings				1,358
Miscellaneous				<u>134,719</u>
Total General Revenues				<u>3,227,192</u>
Change in Net Position				(130,427)
Net Position at December 31, 2017				<u>3,522,334</u>
Net Position at December 31, 2018				\$ <u>3,391,907</u>

The accompanying notes are an integral part of these financial statements.

Township of Allegheny
Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2018

	General Fund	Non Major Funds	Total Gov. Funds
Assets			
Current Assets			
Cash	\$ <u>953,947</u>	\$ <u>213,492</u>	\$ <u>1,167,439</u>
Total Assets	\$ <u>953,947</u>	\$ <u>213,492</u>	\$ <u>1,167,439</u>
Liabilities and Fund Balances			
Other Current Liabilities	\$ 4,543	\$ -	\$ 4,543
Payroll Taxes Payable	<u>96</u>	<u>-</u>	<u>96</u>
Total Liabilities	<u>4,639</u>	<u>-</u>	<u>4,639</u>
Fund Balances			
Restricted	100,000	92,480	192,480
Committed	76,908	121,012	197,920
Unassigned	<u>772,400</u>	<u>-</u>	<u>772,400</u>
Total Fund Balances	<u>949,308</u>	<u>213,492</u>	<u>1,162,800</u>
Total Liabilities and Fund Balances	\$ <u>953,947</u>	\$ <u>213,492</u>	\$ <u>1,167,439</u>

The accompanying notes are an integral part of these financial statements.

**Township of Allegheny
 Reconciliation of the Governmental Funds Balances Sheet
 to the Statement of Net Position
 December 31, 2018**

Total Fund Balances - Governmental Funds **\$ 1,162,800**

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

Land	\$	319,043	
Land Improvements		279,709	
Machinery and Equipment		2,013,035	
Building and Building Improvements		2,305,699	
Furniture and Equipment		488,181	
Accumulated Depreciation		<u>(3,114,475)</u>	2,291,192

Noncurrent liabilities, including lease obligations and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Notes Payable		<u>(62,085)</u>	<u>(62,085)</u>
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Total Net Position - Governmental Activities **\$ 3,391,907**

Township of Allegheny
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

Revenues	<u>General Fund</u>	<u>Non Major Fund</u>	<u>(Memorandum Only) Total</u>
Real Property Taxes	\$ 1,236,644	\$ 278,804	\$ 1,515,448
Local Enabling Act Taxes	1,365,475	-	1,365,475
Licenses and Permits	185,203	-	185,203
Fines and Forfeits	24,989	-	24,989
Interest, Rents and Royalties	1,257	101	1,358
Intergovernmental Revenues	303,496	361,295	664,791
Charges for Services	93,782	-	93,782
Miscellaneous	<u>147,479</u>	<u>-</u>	<u>147,479</u>
Total Revenues	<u>3,358,325</u>	<u>640,200</u>	<u>3,998,525</u>
Expenditures			
General Government	437,903	-	437,903
Public Safety	1,159,497	-	1,159,497
Public Works	1,069,163	639,372	1,708,535
Culture and Recreation	50,088	-	50,088
Other Expenditures	737,431	58,414	795,845
Debt Service			
Principal	139,761	147,375	287,136
Interest	<u>32</u>	<u>8,228</u>	<u>8,260</u>
Total Expenditures	<u>3,593,875</u>	<u>853,389</u>	<u>4,447,264</u>
Excess/(Deficiency) of Revenues Over Expenditures	(235,550)	(213,189)	(448,739)
Other Financing Sources/(Uses)			
Operating Transfers In	100,133	25,177	125,310
Operating Transfers Out	<u>(25,177)</u>	<u>(100,133)</u>	<u>(125,310)</u>
Net Change in Fund Balance	(160,594)	(288,145)	(448,739)
Beginning Fund Balance	<u>1,109,902</u>	<u>501,637</u>	<u>1,611,539</u>
Ending Fund Balance	<u>\$ 949,308</u>	<u>\$ 213,492</u>	<u>\$ 1,162,800</u>

The accompanying notes are an integral part of these financial statements.

**Township of Allegheny
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended December 31, 2018**

Net Change in Fund Balances - Governmental Funds **\$ (448,739)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.

Capital Outlays	\$ 205,594	
Depreciation Expense	<u>(218,822)</u>	(13,228)

The proceeds from the sale of Capital Assets are reported as a revenue in the governmental funds, whereas the gain or loss from the sale of Capital Assets is reported in the Statement of Activities. Thus, the change in Net Position differs from the change in fund balance by the cost of capital assets sold less depreciation.

	<u>(12,403)</u>	(12,403)
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Borrowing and Repayments of loan and lease obligations are reported in governmental funds as revenues and expenditures. However, in the Statement of Activities, these transactions have been adjusted to reflect the balance sheet position

Net change in borrowing	<u>343,943</u>	
		<u>343,943</u>

Change in net position of governmental activities **\$ (130,427)**

**Township of Allegheny
Statement of Fiduciary Net Position - OPEB Trust Fund
For the Year Ended December 31, 2018**

	OPEB Trust Fund
Assets	
Investments at Fair Value:	
Money Market Fund	\$ 9,165
Mutual Funds - Large Cap Equity	51,460
Mutual Funds - Small Cap Equity	55,937
Mutual Funds - International Equity	60,262
Mutual Funds - Emerging Market Equity	10,998
Mutual Funds - Blended Equity	31,173
Mutual Funds - Domestic Core Taxable	97,525
Mutual Funds - Bank Loans	22,032
Mutual Funds - Real Assets	21,436
Exchange Traded Fund - Large Cap Equity	34,381
Exchange Traded Fund - Mid Cap Equity	<u>24,569</u>
Total Assets	<u>418,938</u>
Net Position	
Restricted for Other Post Employment Benefits	<u>\$ 418,938</u>

The accompanying notes are an integral part of these financial statements.

Township of Allegheny
Statement of Changes in Fiduciary Net Position - OPEB Trust Fund
For the Year Ended December 31, 2018

	<u>OPEB Trust Fund</u>
Additions	
Contributions	
Investment Income	
Interest and Dividends	\$ 18,758
Loss on Investment	<u>(52,052)</u>
Net Investment Income	<u>(33,294)</u>
Total Additions	<u>(33,294)</u>
Deductions	
Administrative Expenses	<u>4,938</u>
Total Deductions	<u>4,938</u>
Net Increase	(38,232)
Beginning Net Position	<u>457,170</u>
Ending Net Position	<u>\$ 418,938</u>

The accompanying notes are an integral part of these financial statements.

Township of Allegheny
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund - Modified Cash Basis
For the Year Ended December 31, 2018

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Real Property Taxes	\$ 1,249,869	\$ 1,236,644	\$ (13,225)
Local Enabling Act Taxes	1,284,750	1,365,475	80,725
Licenses and Permits	132,500	185,203	52,703
Fines and Forfeits	25,850	24,989	(861)
Interest, Rents and Royalties	20,950	1,257	(19,693)
Intergovernmental Revenues	134,270	303,496	169,226
Charges for Services	57,000	93,782	36,782
Miscellaneous	<u>940,550</u>	<u>147,479</u>	<u>(793,071)</u>
Total Revenues	<u>3,845,739</u>	<u>3,358,325</u>	<u>(487,414)</u>
Expenditures			
General Government	577,043	437,903	139,140
Public Safety	1,148,352	1,159,497	(11,145)
Public Works	1,002,410	1,069,163	(66,753)
Culture and Recreation	46,500	50,088	(3,588)
Other Expenditures	1,051,434	737,431	314,003
Debt Principal and Interest	<u>-</u>	<u>139,793</u>	<u>(139,793)</u>
Total Expenditures	<u>3,825,739</u>	<u>3,593,875</u>	<u>231,864</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>20,000</u>	<u>(235,550)</u>	<u>(255,550)</u>
Other Financing Sources/(Uses)			
Operating Transfers In	-	100,133	100,133
Operating Transfers Out	<u>(20,000)</u>	<u>(25,177)</u>	<u>(5,177)</u>
Net Change in Fund Balance	-	(160,594)	(160,594)
Fund Balance, January 1		<u>1,109,902</u>	
Fund Balance, December 31		<u>\$ 949,308</u>	

The accompanying notes are an integral part of these financial statements.

Notes to Primary Government Financial Statements

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar components units apply Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Township is a governmental entity established by the provisions of Act of May 1, 1933 (P. L. 103, No. 69) known as "The Second Class Township Code" and was reenacted and amended July 10, 1947 (P. L. 1481, No. 567) as amended. The general supervision of the affairs of the Township is in the hands of three registered electors of the Township, who are styled Township Supervisors. The following services are provided: highways and streets, public safety, health and social, culture-recreation, education, public improvements, planning and zoning, and general administrative.

B. Basis of Presentation

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Township:

Governmental Fund Types:

General Fund -The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds -Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Liquid Fuels Highway Fund and the Capital Project Funds.

Fiduciary Funds - Other Post Employment Benefits (OPEB) Trust Funds are used to account for assets held by the Township in a trustee capacity for the OPEB plans for the Township.

C. Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business like activities are presented using modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All governmental-wide financial statements would be presented on the accrual basis of accounting.

D. Cash Equivalents

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Property Taxes

The Township's property taxes are levied and receivable on March 1, based on the assessed (taxable) value as of the prior January 1, for all general property located in the Township. All taxes are due and payable by June 30 and are considered delinquent effective July 1. Annually, as of December 31, all delinquent taxes are submitted to the County Tax Claim Bureau for collection.

F. Transfers

Operating Transfers are routine or recurring transfers between funds to finance current operations. Such transfers are separately reported as other financing sources and uses.

G. Budgets

At least thirty days prior to the adoption of the budget, the Township's Board of Supervisors must begin preparation of a proposed budget. After preparation, the Board gives public notice by advertising in a newspaper of general circulation that the proposed budget is available for public inspection in a designated place; the proposed budget must remain so available for twenty days after notice and before adoption. On or before December 31, the Board must finally adopt the budget. The Board must adopt the real estate tax resolution in sufficient time to assure delivery of the tax duplicate to the Township Tax Collector within thirty days of the adoption of the budget.

H. Property, Plant and Equipment

General fixed assets acquired for general governmental purposes are recorded as expenditures in the governmental fund when purchased or constructed. Assets received as gifts or donations are recorded at fair market value at the time of receipt. Interest costs incurred during construction periods related to major construction projects are capitalized as part of the cost of the related asset, if material.

I. Use of Estimates

The preparation of financial statements in conformity with other comprehensive basis of accounting require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

J. Fund Equity

The township has implemented GASB Statement No. 54. GASB Statement establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type and permanent fund type are clarified by the provisions in the Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definition of other governmental fund types also have been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the town council the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the town council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the township's "intent" to be used for specific purposes, but are neither restricted nor committed. The townships supervisors and manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the township's policy to use externally restricted resources first, the unrestricted resources - committed, assigned, and unassigned - in order as needed.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

NOTE 2: CASH AND CASH EQUIVALENTS

Various restrictions on deposits and investments are imposed by state statutes. These are summarized as follows:

Deposits:

The Township is required by Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971, to maintain deposits that are properly collateralized. Collateralization is permitted to be on a “pooled” basis.

Investments:

The Township is authorized to invest in U.S. Treasury Bills and short term obligations of the Federal Government or its instrumentality obligations.

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits might not be recovered. The Township does not have a policy regarding custodial credit risk; however, deposits are in compliance with Act 72. As of December 31, 2018 \$904,808 of the Township’s bank balance of \$1,154,808 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

As of December 31, 2018, \$250,000 of the Township’s bank balances were covered by FDIC insurance.

Interest Rate Risk:

Interest rate risk arises from investments and is defined as “The risk that changes in interest rates will adversely affect the fair value of the investment.” During the year and at year end, December 31, 2018 the Township’s investments consisted of deposits with financial institutions and had no significant interest rate risk.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Assets:				
Land	\$ 319,043	\$ -	\$ -	\$ 319,043
Land Improvements	279,709	-	-	279,709
Buildings and Building Imp	2,305,699	-	-	2,305,699
Furniture and Equipment	488,181	-	-	488,181
Machinery and Equipment	<u>1,836,485</u>	<u>205,594</u>	<u>(29,044)</u>	<u>2,013,035</u>
Total	<u>5,229,117</u>	<u>205,594</u>	<u>(29,044)</u>	<u>5,405,667</u>
Accumulated Depreciation:				
Land Improvements	(236,887)	(7,628)	-	(244,515)
Buildings and Building Imp	(1,077,048)	(55,975)	-	(1,133,023)
Furniture and Equipment	(268,393)	(25,138)	-	(293,531)
Machinery and Equipment	<u>(1,329,965)</u>	<u>(130,081)</u>	<u>16,640</u>	<u>(1,443,406)</u>
Total	<u>(2,912,293)</u>	<u>(218,822)</u>	<u>16,640</u>	<u>(3,114,475)</u>
Net Capital Assets	<u>\$ 2,316,824</u>	<u>\$ (13,228)</u>	<u>\$ (12,404)</u>	<u>\$ 2,291,192</u>

NOTE 4: ALLEGHENY TOWNSHIP NON-UNIFORM PENSION PLAN:

A. Plan Description

General: The Allegheny Township pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 9-1986 adopted pursuant to Act 15 of 1974. 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.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

Plan Membership: Membership of the plan consisted of the following at December 31, 2018.

Active employees	14	
Retirees and beneficiaries receiving benefits	4	
Terminated employees entitled to but not yet receiving benefits	0	
Total	18	

Benefit Provisions: The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

B. Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

C. Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

In accordance with the plan's governing Ordinance, members are required to contribute 4.00% of compensation to the plan.

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

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

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:

Mortality Rates - Were based on the RP2000 Mortality Table.

**Township of Allegheny
Notes to the Financial Statements
December 31, 2018**

Investment Rate of Return - 5.5 % compounded annually, net of expenses.

Cost of Living - 3.0% per year, subject to plan limitation

Discount Rate - The discount rate used to measure the total pension liability was 5.5%.

NOTE 5: ALLEGHENY TOWNSHIP POLICE PENSION PLAN

A. Description of Plan

General

The Allegheny Township Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established June 1, 1968 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated by Ordinance No. 12-2002, effective January 1, 2002. The Plan is governed by the Board of Supervisors of Allegheny Township which may amend plan provisions and which is responsible for the management of Plan assets. The Board of Supervisors has delegated the authority to manage certain Plan assets to Principal Financial Group. The plan is required to file PC-201C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

Plan Membership

The plan provides pensions for full-time uniformed employees of the Township. As of December 31, 2017 the pension plan's membership consisted of:

Active employees	9
Retirees and beneficiaries receiving benefits	4
Terminated employees entitled to but not yet receiving benefits	0
Total	13

Benefit Provisions

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living increases are provided at the discretion of the municipality.

B. Summary of Significant Accounting Policies

Basis of Accounting

These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

Valuation of Investments

Plan investments are listed at fair market value as reported by Principal Financial Group.

C. Contributions

Act 205 (as amended) requires that annual contributions based upon the Minimum Municipal Obligation (MMO), which is based upon the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0 percent of covered payroll. Contributions are currently waived. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

D. Investments That Represent Five Percent or More of Plan Net Assets

At December 31, 2018, all of the Plan's investments were held by Principal Financial Group.

E. Deposits

At December 31, 2018, the Plan held no deposits.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality Rates - Were based on the RP2014 Mortality Table.

Investment Rate of Return - 7.0 % compounded annually, net of expenses.

Cost of Living - 4.75% per year, subject to plan limitation

Discount Rate - The discount rate used to measure the total pension liability was 7.0%.

NOTE 6: OTHER POST EMPLOYMENT BENEFITS

Plan Description

Plan Administration -The Township administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Notes 4 and 5. The Township Manager is responsible for administration of the plan in accordance with the OPEB Trust Agreement with the Township Council's oversight. The plan is reported as a Trust Fund in the Township's Financial Statements. The plan does not issue a publicly available financial report.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

Plan Membership -As of December 31, 2018 the plan membership data is as follows:

Active Employees	8	
Retires	-	
Total	8	

Benefits Provided - The plan provides medical insurance for eligible retirees through the Township's health insurance plan, which covers both active and retired members. Benefits provisions are established and amended by the union contracts through negotiations between the Township and the respective unions. The plan provides the following benefits based on employee group upon retirement:

Police - Any police officer with a hire date on or prior to December 31, 2015 shall have the right to receive post-retirement health insurance through the Township's health insurance carrier.

Contributions -Contribution requirements are negotiated between the Township and the respective unions. The Township contributes an amount to the plan. For the fiscal year ended December 31, 2018, the Township was not required to contribute.

Basis of Accounting - The Post Employment Benefits Trust Fund's financial statements are prepared using the cash basis of accounting. Plan member contributions are recognized in the period in which the contributions are made. Employer contributions are recognized when made as well.

NOTE 7: LONG TERM DEBT

Long-term debt at December 31, 2018 consists of:

General obligation note, varying principal payments, maturing on June 30, 2019. With effective interest rate of 1.781% per annum.	\$54,165
General obligation note, varying principal payments, maturing on March 30, 2021. With no effective interest per annum.	<u>7,920</u>
Total	<u>\$62,085</u>

The maximum amount payable for future maturities of note principal included in general long-term debt at December 31, 2018 is summarized below:

<u>January 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 56,805	\$ 488	\$ 57,293
2020	2,640	-	2,640
2021	<u>2,640</u>	<u>-</u>	<u>2,640</u>
Total	<u>\$ 62,085</u>	<u>\$ 488</u>	<u>\$ 62,573</u>

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

During 2018, general long-term debt changed as follows:

	<u>Principal Outstanding January</u>	<u>New Issues</u>	<u>Debit Retired</u>	<u>Principal Outstanding December 31</u>	<u>Amount Due Within One Year</u>
Obligation Notes	\$ 287,137	\$ -	\$ 287,137	\$ -	\$ -
Obligation Notes	108,332	-	54,167	54,165	54,165
Obligation Notes	<u>10,560</u>	<u>-</u>	<u>2,640</u>	<u>7,920</u>	<u>2,640</u>
Total Debt	<u>\$ 406,029</u>	<u>\$ -</u>	<u>\$ 343,944</u>	<u>\$ 62,085</u>	<u>\$ 56,805</u>

NOTE 8: ALLEGHENY TOWNSHIP MUNICIPAL AUTHORITY (ATMA)

The Township of Allegheny, established the Allegheny Township Municipal Authority (ATMA) on January 31, 1969. The ATMA is a component unit of the Township of Allegheny and issues separate, audited financial statements which can be obtained through the ATMA office.

NOTE 9: GUARANTEE OF INDEBTEDNESS OF OTHERS

The Township has guaranteed \$7,246,977 in Penn Vest loans to the Allegheny Township Municipal Authority, a component unit. The balance of these loans at December 31, 2018 was \$4,172,551.

NOTE 10: GOVERNMENT FUND REPORTING

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted		
General Fund	Tech Grant	100,000
Non Major	Liquid Fuels	\$ 92,480
Committed		
General Fund	Capital Projects	76,908
Non Major	VFD	117,134
Non Major	Debt	3,878
Unassigned		
General Fund		<u>772,400</u>
Total Fund Balance		<u>\$ 1,162,800</u>

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

NOTE 11: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations has the ability to access.
- Level 2 Inputs to valuation included:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Input to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Mutual Funds - Valued at quoted net asset values of the shares at year-end.

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2018:

Investments at Fair Value as of December 31, 2018

<u>Fiduciary Fund</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 9,165	\$ 9,165	\$ -	\$ -
Mutual Funds - Large Cap Equity	51,460	51,460	-	-
Mutual Funds - Small Cap Equity	55,937	55,937	-	-
Mutual Funds - International Equity	60,262	60,262	-	-
Mutual Funds - Emerging Market Equity	10,998	10,998	-	-
Mutual Funds - Blended Equity	31,173	31,173	-	-
Mutual Funds - Domestic Core Taxable	97,525	97,525	-	-
Mutual Funds - Bank Loans	22,032	22,032	-	-
Mutual Funds - Real Assets	21,436	21,436	-	-
Exchange Traded Fund - Large Cap Equity	34,381	34,381	-	-
Exchange Traded Fund - Mid Cap Equity	<u>24,569</u>	<u>24,569</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 418,938</u>	<u>\$ 418,938</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 12: COMPONENT UNIT

Municipal Authority of Allegheny Township
Balance Sheet
December 31, 2018

Assets

Current Assets	\$ 837,044
Fixed Assets	<u>21,331,316</u>
Total Assets	<u>\$ 22,168,360</u>

Liabilities and Net Assets

Current Liabilities	\$ 377,020
Long-Term Debt	3,824,913
Net Assets	<u>17,966,427</u>
Total Liabilities and Net Assets	<u>\$ 22,168,360</u>

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

Municipal Authority of Allegheny Township
Statement of Revenues and Expenses
For The Year Ended December 31, 2018

Revenues	\$ 1,767,802
Operating Expenses	<u>1,213,030</u>
Operating Income	<u>554,772</u>
Other Income(Expense)	<u>(77,269)</u>
Net Income Prior to Debt Repayment and After Interest Expense	<u>\$ 477,503</u>

Municipal Authority of Allegheny Township
Statement of Cash Flows
For The Year Ended December 31, 2018

Net Cash Provided by Operating Activities	\$ 485,776
Net Cash Provided by Investing Activities	(6,000)
Net Cash Provided by Financing Activities	<u>(363,438)</u>
Net Increase in Cash	116,338
Beginning Cash and Cash Equivalents	<u>504,227</u>
Ending Cash and Cash Equivalents	<u>\$ 620,565</u>
 <u>Supplemental Disclosures</u>	
Cash Paid During the Year for Interest	<u>\$ 78,617</u>

Long Term Debt

The Authority was liable on the following notes included in long-term debt at December 31, 2018:

Pennsylvania Infrastructure Investment Authority (Pennvest)	
1.439% note payable, monthly payments of \$21,312, secured by a lien and perfected security interest in gross receipts, receivables and contract rights generated from operations subject only to previous outstanding liens, maturing May 2046.	\$ 3,088,014
 Pennsylvania Infrastructure Investment Authority (Pennvest)	
2.774% note payable, monthly payments of \$3,706, secured by a lien and perfected security interest in gross receipts, receivables and contract rights generated from operations subject only to previous outstanding liens, maturing April 2024.	220,216

Township of Allegheny
Notes to the Financial Statements
December 31, 2018

Pennsylvania Infrastructure Investment Authority (Pennvest)

2.774% note payable, monthly payments of \$14,544, secured by a lien and perfected security interest in gross receipts, receivables and contract rights generated from operations subject only to previous outstanding liens, maturing April 2024.

864,321
4,172,551

Less Current Maturities

(347,638)

Long-Term Notes Payable

\$ 3,824,913

Scheduled Principal payments on the above notes are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2019	\$ 347,639
2020	355,278
2021	359,586
2022	365,751
2023	374,822
Thereafter	<u>2,369,475</u>
Total Principal Payments	\$ <u>4,172,551</u>

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Independent Auditor's Report date which is the date the financial statements were available to be issued.

Supplementary Information

Township of Allegheny Non-Uniform Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2018
(Unaudited)

Schedule of Changes in Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost (Beginning of Year)	\$ 71,640	\$ 69,609	\$ 72,289	\$ 69,461
Interest (Includes Interest on Service Cost)	119,053	112,053	105,982	99,555
Difference Between Expected and Actual Experience	-	107,304	-	7,576
Changes in Assumptions	-	62,729	1,850	-
Benefit Payments, Including Refunds of Member Contributions	<u>(200,489)</u>	<u>(48,191)</u>	<u>(85,419)</u>	<u>(40,321)</u>
Net Change in Total Pension Liability	<u>(9,796)</u>	<u>303,504</u>	<u>94,702</u>	<u>136,271</u>
Total Pension Liability - Beginning	<u>2,295,003</u>	<u>1,991,499</u>	<u>1,896,797</u>	<u>1,760,526</u>
Total Pension Liability - Ending	<u>\$ 2,285,207</u>	<u>\$ 2,295,003</u>	<u>\$ 1,991,499</u>	<u>\$ 1,896,797</u>
Plan Fiduciary Net Position				
Contribution - Employer	\$ 28,769	\$ 27,337	\$ 23,723	\$ 21,774
Contribution - Member	29,985	30,569	29,573	27,753
Contribution - PMRS Assessment	20	-	-	-
PMRS Investment Income	117,563	118,605	108,173	104,453
Market Value Investment Income	240,071	52,727	(80,387)	8,220
Benefit Payments, Including Refunds of Member Contributions	<u>(200,489)</u>	<u>(48,191)</u>	<u>(85,419)</u>	<u>(40,321)</u>
PMRS Admin Expends	<u>(360)</u>	<u>(360)</u>	<u>(360)</u>	<u>(340)</u>
Additional Admin Expense	<u>(5,407)</u>	<u>(5,811)</u>	<u>(4,510)</u>	<u>(4,006)</u>
Net Change in Plan Fiduciary Net Position	<u>210,152</u>	<u>174,876</u>	<u>(9,207)</u>	<u>117,533</u>
Plan Fiduciary Net Position - Beginning	<u>2,176,601</u>	<u>2,001,725</u>	<u>2,010,932</u>	<u>1,893,399</u>
Plan Fiduciary Net Position - Ending	<u>\$ 2,386,753</u>	<u>\$ 2,176,601</u>	<u>\$ 2,001,725</u>	<u>\$ 2,010,932</u>
Net Pension Liability - Ending	<u>\$ (101,546)</u>	<u>\$ 118,402</u>	<u>\$ (10,226)</u>	<u>\$ (114,135)</u>

Township of Allegheny Non-Uniform Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2018
(Unaudited)

Schedule of Changes in Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan Fiduciary Net Position as a Percentage of the				
Total Pension Liability	104.44%	94.84%	100.51%	106.02%
Covered Employee Payroll	\$ 749,631	\$ 764,212	\$ 739,321	\$ 696,363
Net Pension Liability as a Percentage of Covered Employee Payroll	-13.55%	15.49%	-1.38%	-16.39%

Schedule of Employer Contributions

Actuarially Determined Contribution	\$ 27,582	\$ 26,068	\$ 23,139	\$ 11,865
Contributions in Relation to the Actuarially Determined Contribution	<u>28,789</u>	<u>27,337</u>	<u>23,723</u>	<u>21,774</u>
Contribution Deficiency/(Excess)	\$ (1,207)	\$ (1,269)	\$ (584)	\$ (9,909)
Covered - Employee Payroll	\$ 749,631	\$ 764,212	\$ 739,321	\$ 696,363
Contributions as a Percentage of Covered Employee Payroll	3.84%	3.58%	3.21%	3.13%

Township of Allegheny Police Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2018
(Unaudited)

Schedule of Changes in Net Pension Liability

	2018	2017	2016	2015
Total Pension Liability				
Service Cost (Beginning of Year)	\$ 125,646	\$ 108,634	\$ 103,461	\$ -
Interest (Includes Interest on Service Cost)	296,676	259,694	238,176	-
Changes of benefit terms	204,732	-	-	-
Difference Between Expected and Actual Experience	57,169	-	-	-
Changes in Assumptions	84,493	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(81,490)	(69,633)	(31,075)	-
Net Change in Total Pension Liability	687,226	298,695	310,562	-
Total Pension Liability - Beginning	3,806,250	3,507,555	3,196,993	-
Total Pension Liability - Ending	\$ 4,493,476	\$ 3,806,250	\$ 3,507,555	\$ 3,196,993
Plan Fiduciary Net Position				
Market Value Investment Income	712,932	254,976	(26,385)	236,303
Benefit Payments, Including Refunds of Member Contributions	(81,490)	(69,633)	(31,075)	(31,075)
Additional Admin Expense	(14,656)	(18,052)	(10,083)	(16,213)
Net Change in Plan Fiduciary Net Position	616,786	167,291	(67,543)	189,015
Plan Fiduciary Net Position - Beginning	4,543,621	4,376,330	4,443,873	4,254,858
Plan Fiduciary Net Position - Ending	\$ 5,160,407	\$ 4,543,621	\$ 4,376,330	\$ 4,443,873
Net Pension Liability - Ending	\$ (666,931)	\$ (737,371)	\$ (868,775)	\$ (1,246,880)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.8%	119.4%	124.8%	139.0%
Covered Employee Payroll	\$ 714,373	\$ 699,404	\$ 626,607	\$ 576,791
Net Position as a Percentage of Covered Employee Payroll	-93.3%	-105.4%	-138.6%	216.2%