

**WEST HANOVER TOWNSHIP**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2018  
AND  
INDEPENDENT AUDITOR'S REPORT

WEST HANOVER TOWNSHIP  
YEAR ENDED DECEMBER 31, 2018

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# HAMILTON & MUSSER, P.C.

*Certified Public Accountants • Consultants to Management*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
West Hanover Township  
Harrisburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of West Hanover Township, Harrisburg, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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*Members of the American and Pennsylvania Institutes of CPAs*

## 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of West Hanover Township, Harrisburg, Pennsylvania, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-19 and 55 - 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Hanover Township, Harrisburg, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

July 1, 2019

Mechanicsburg, Pennsylvania



*Certified Public Accountants*

## **MD&A INTRODUCTION**

The following Management's Discussion and Analysis (MD&A) of West Hanover Township's financial performance is prepared by the Township Manager and provides an overview of the Township's financial activities for the year ended December 31, 2018. Users of this report are encouraged to read the MD&A in conjunction with the auditor's report and the Township's financial statements, which follow this section.

### **Financial Highlights for 2018:**

- Capital asset additions totaled \$1,002,229.
- Total assets for the primary Government increased from \$33,932,501 as of December 31, 2017, to \$34,513,779 as of December 31, 2018.
- The assets of the primary Government in West Hanover Township exceeded its liabilities at the close of 2018 by \$25,234,382 (*total net position*).
- At the close of 2018, West Hanover Township's governmental funds reported a combined ending total fund balance of \$9,082,721 which is an \$840,322 increase from \$8,242,399 in 2017. Approximately 60% of this total, or \$5,442,145, is available for spending at the government's discretion (*unassigned fund balance*).

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements for West Hanover Township have three fundamental components which are:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

### **Government-wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of Township finances as a whole in a manner that is similar to a private sector business. Two components comprise the government-wide financial statements which are (a) the Statement of Net Position and (b) the Statement of Activities. These statements are defined below.

- Statement of Net Position – The Statement of Net Position presents information on all Township assets, deferred outflows, liabilities, and deferred inflows. Assets plus deferred outflows less liabilities and deferred inflows results in the Township's net position. Determined increases or decreases, over time, indicate the financial position of the Township. Increases reflect an improving financial position. Decreases reflect a declining financial position.
- Statement of Activities – The Statement of Activities presents information indicating how the Township's assets have changed in the past fiscal year. Certain changes in net position are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as uncollected income taxes and earned but unused vacation leave.

Both of the government-wide financial statements listed above distinguish the functions of the Township's (a) governmental activities, which are principally supported by taxes and intergovernmental revenues, and (b) business-type activities, which are other functions that are intended to cover their costs primarily from user fees and charges. The governmental activities of the Township include general government, public health and safety, public works, park and recreation, community development and conservation, debt interest, etc. Business-type activities of the Township do not exist. However, the Township does reflect the Water and Sewer Authority as a Component Unit.

See Pages 20 and 21 of the financial report for the Township's government-wide statements.

## **Fund Financial Statements:**

West Hanover Township utilizes fund accounting to demonstrate and ensure compliance with financial related legal requirements. A fund, by definition, is a set of interrelated accounts that record assets and liabilities related to a specific purpose. Fund accounting is useful for monitoring and maintaining control over resources that have been segregated for specific activities or objectives. All of the funds of the Township can be divided into three categories as (a) governmental funds, (b) proprietary funds, and (c) fiduciary funds.

- **Governmental Funds** – Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of usable resources, as well as on balances of usable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

West Hanover Township holds and maintains a variety of funds for a number of purposes. In 2018, the Township financial report details two major governmental funds that include the General Fund, and the Water and Sewer Authority General Obligation Bond Fund. Information for these major funds is presented in the Balance Sheet and also Statement of Revenues, Expenditures and Changes in Fund Balances. Supplemental schedules on pages 57 and 58 combine and describe all non-major funds.

West Hanover Township adopts an annual appropriated budget for its General Fund. A *budgetary comparison schedule* has been provided on page 55 for the General Fund to demonstrate compliance with the budget. In addition, individual fund data for the Water and Sewer Authority General Obligation Bond Fund is provided in the form of budgetary comparison schedules on page 56.

### **Fund Financial Statements (Continued):**

- Proprietary Funds – There are two types of proprietary funds: *enterprise funds* and *internal service funds*. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. If undertaken, West Hanover may use enterprise funds to account for business-like activities operated by the Township (e.g. water utilities, wastewater/storm water utilities, a convention center, or a transit system). West Hanover Township does not currently have any enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. If undertaken, West Hanover could use internal service funds to account for activities that benefit the Township government (e.g. fleet of vehicles, information systems, risk management programs, etc.). Because internal service funds predominantly benefit the government rather than business-type functions, they would be included in the governmental activities in the government-wide financial statements. West Hanover Township currently does not use internal service funds.

The basic proprietary fund financial statements for the West Hanover Township Water and Sewer Authority are not reported in the Fund Financial Statements since the Authority is reported as a component unit of the Township and is discretely presented. Financial statements for the Authority may be obtained by contacting the Authority during regular business hours at (717) 540-0124.

- Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. West Hanover Township currently has two fiduciary funds: the Senior Citizen Van Fund and the Pension Trust Fund. These two funds are reported separately after the fund statements.
- Notes to Financial Statements – Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28.

### **Government-wide Financial Analysis:**

The following tables, graphs and analysis discuss the current and changing financial position for West Hanover Township as a whole for the year ended December 31, 2018. Comparative information is provided for 2017.

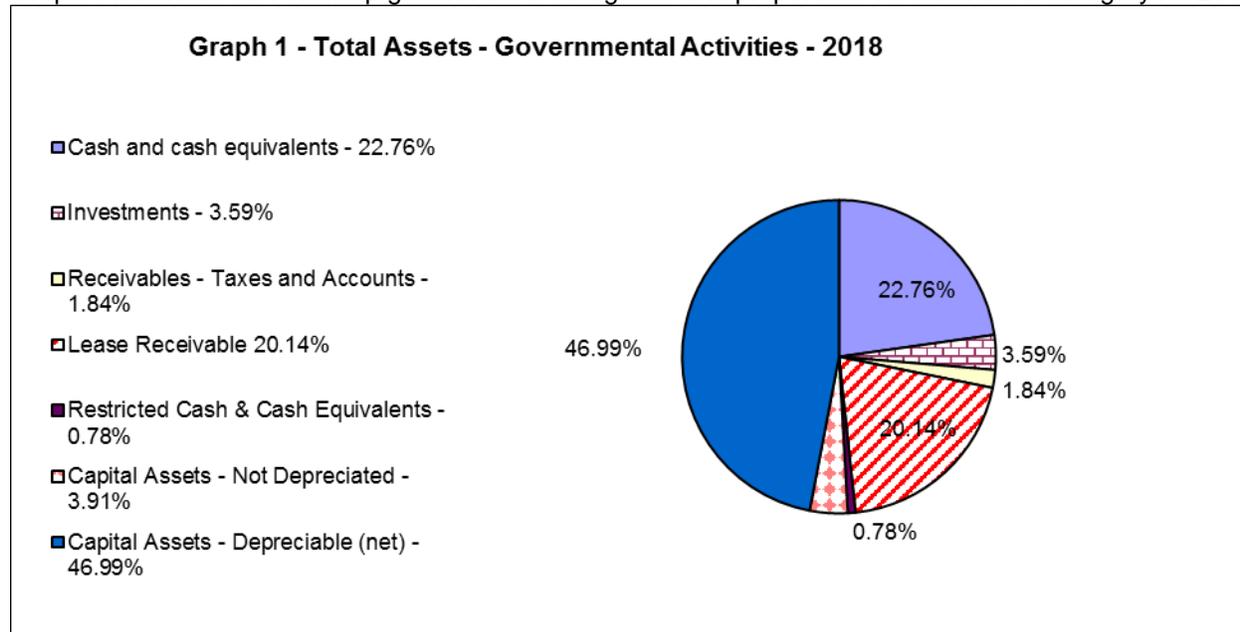
**Statement of Net Position:**

The Statement of Net Position provides a year-end summary of the Township's asset categories, liability categories and the net difference in these figures (page 20). Total assets exceed total liabilities by \$25,234,382 at the close of fiscal year 2018. Key components of this change are summarized in Table MDA – 1 as follows:

<b>MDA -TABLE 1</b>	<b>West Hanover Township's Net Assets</b>	
	2018	2017
<b><u>ASSETS</u></b>		
Capital assets, net	\$ 17,566,690	\$ 17,932,637
Other assets	<u>16,947,089</u>	<u>15,999,864</u>
Total assets	<u>34,513,779</u>	<u>33,932,501</u>
<b><u>LIABILITIES</u></b>		
Long-term liabilities	8,449,461	8,858,931
Other liabilities	<u>829,936</u>	<u>510,249</u>
Total liabilities	<u>9,279,397</u>	<u>9,369,180</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	16,643,829	17,092,820
Restricted	2,034,955	1,743,273
Unrestricted	<u>6,555,598</u>	<u>5,727,228</u>
Total net position	<u>\$ 25,234,382</u>	<u>\$ 24,563,321</u>

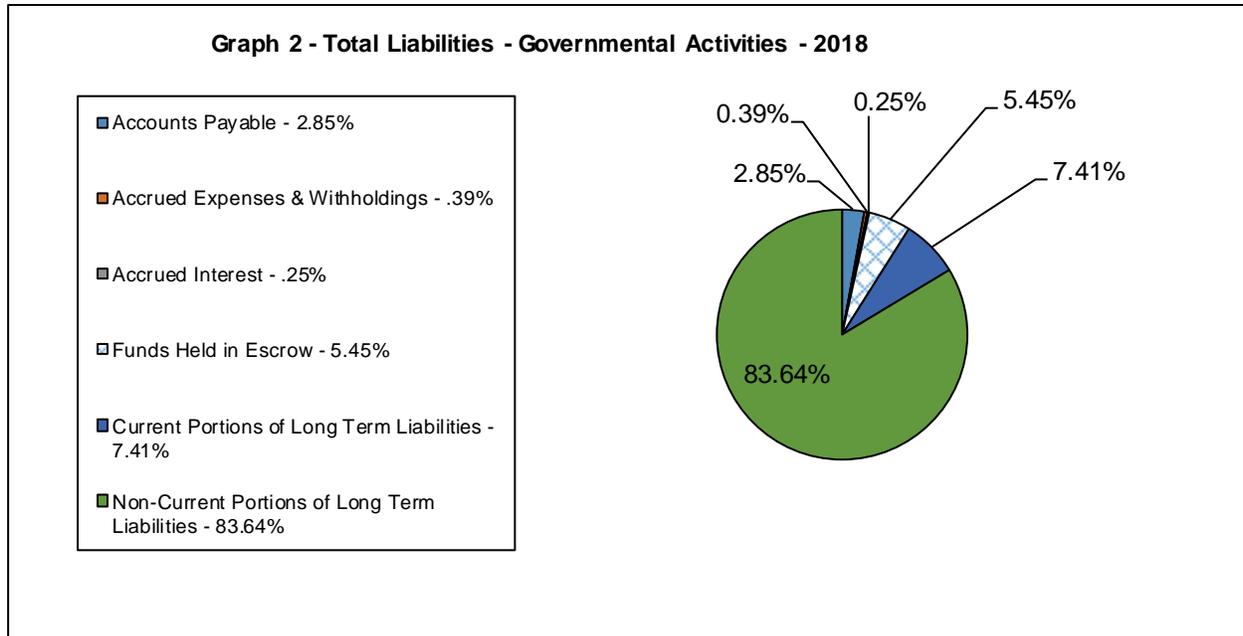
Capital assets (e.g. land, buildings, machinery and equipment), both depreciable and non-depreciable, totaled \$17,566,690. These assets represent the largest portion (50.90%) of the Township's total assets at December 31, 2018. West Hanover Township invests in and utilizes its capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The Township investment in capital improvements and assets is reported on the Statement of Net Position, net of any related debt and equaled \$16,643,829 at year end.

Graph 1 illustrates all Township general asset categories and proportions for each asset category for 2018.



**Statement of Net Position (Continued):**

West Hanover Township also has liabilities that are part of its financial position. Liabilities equaled \$9,279,397 at the close of the 2018 fiscal year. Graph 2 illustrates the Township's general liability categories and the proportion of each liability for 2018. Liabilities due in more than one year (e.g. Non-Current Portion of Long Term Liabilities) represent the largest portion (83.64%) of the Township's total liabilities. Liabilities in this category include Township debt and accrued compensated absences. Other liabilities include accounts payable, accrued expenses and payroll taxes, accrued interest, and funds held in escrow.



The Statement of Net Position (page 20) provides the complete financial data to support Table 1, Graph 1, and Graph 2, and describes the total net position for West Hanover Township at December 31, 2018.

In addition to the net investment in capital assets discussed on the previous page, the net position of the Township is made up of resources that are subject to restrictions and other unrestricted amounts. As of December 31, 2018, the Township's restricted net position totaled \$2,034,955 and the unrestricted net position totaled \$6,555,598.

**Governmental Activities:**

The Township's governmental activities and changes to net position can be described in general terms through a comparison of operating revenues and operating expenditures in the Statement of Activities (page 21). Financial trends for Township operations are also available in more detail in the Township's annual budget and its monthly financial statements.

In 2018, the Township experienced a change in net position of \$671,061 from the previous year. Key components of this change are summarized in Table – 2 as follows:

<b>MDA TABLE – 2</b>	<b>West Hanover Township's Changes in Net Position</b>	
	2018	2017
<b>REVENUES:</b>		
Program Revenues		
Charges for Services	\$ 1,218,369	\$ 732,887
Operating Grants and Contributions	682,260	639,707
Capital Grants and Contributions	250,000	450,000
General Revenues		
General Property Taxes	1,219,792	1,206,855
Other Taxes	1,982,398	1,902,215
Interest Earnings	138,162	66,371
Refund of Prior Year Expenses	37	-
Gain on Disposal of Assets	45,000	-
Insurance Claims	-	38,880
Total Revenues	<u>5,536,018</u>	<u>5,036,915</u>
<b>EXPENSES:</b>		
General Government	777,111	690,009
Community Development	257,967	217,363
Public Health & Safety	849,148	850,667
Public Works	2,276,521	2,175,204
Parks & Recreation	671,971	705,081
Interest on Long-Term Debt	32,239	13,476
Total Expenses	<u>4,864,957</u>	<u>4,651,800</u>
Increase in Net Position	671,061	385,115
Net Position-Beginning	<u>24,563,321</u>	<u>24,178,206</u>
Net Position-Ending	<u>\$ 25,234,382</u>	<u>\$ 24,563,321</u>

**Governmental Activities: (Continued)**

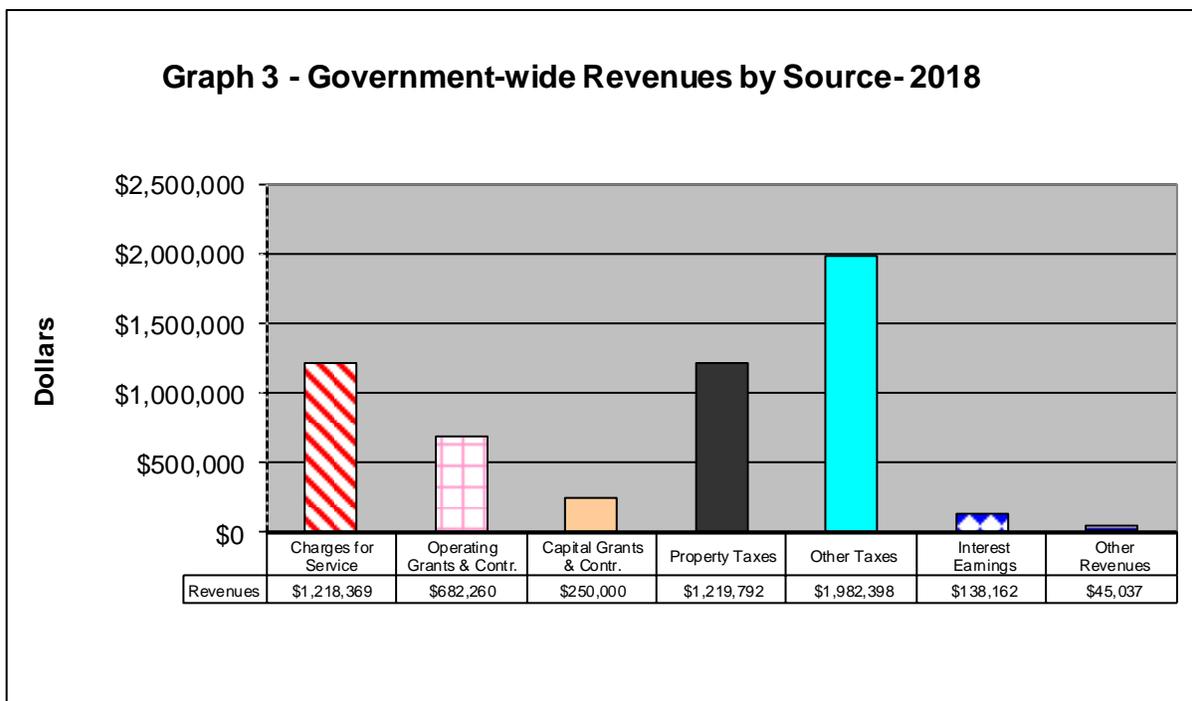
Revenues for Governmental Activities

Program Revenues – As shown in Table 2 and Graph 3 below, program revenues consist of charges for services, grants, and contributions. In 2018, charges for services and operating grants/contributions covered 22.01% and 12.32%, respectively, of the governmental activities revenues. Charges for services increased by \$485,482 (66.24%) as compared to 2017. Operating grants/contributions increased \$45,553 as compared to 2017. Capital grants/contributions decreased by \$200,000 primarily due to variances in gaming grant funding. In 2018, the Township received \$250,000 from a gaming grant. In comparison, gaming grant proceeds in 2017 totaled \$450,000.

General Revenues encompass property taxes and similar tax revenue. This category of revenue also includes income from investments and revenue from the liquidation of Township capital assets. These forms of revenue are typically not restricted or applicable to a specific governmental activity or program.

In 2018, general revenues totaled \$3,385,389. Of that total, General Property Taxes accounted for \$1,219,792 of the Township's General Revenues in 2018. Other Taxes accounted for \$1,982,398 of General Revenue. Other items in this section include interest earnings of \$138,162 and gain on disposal of assets of \$45,000.

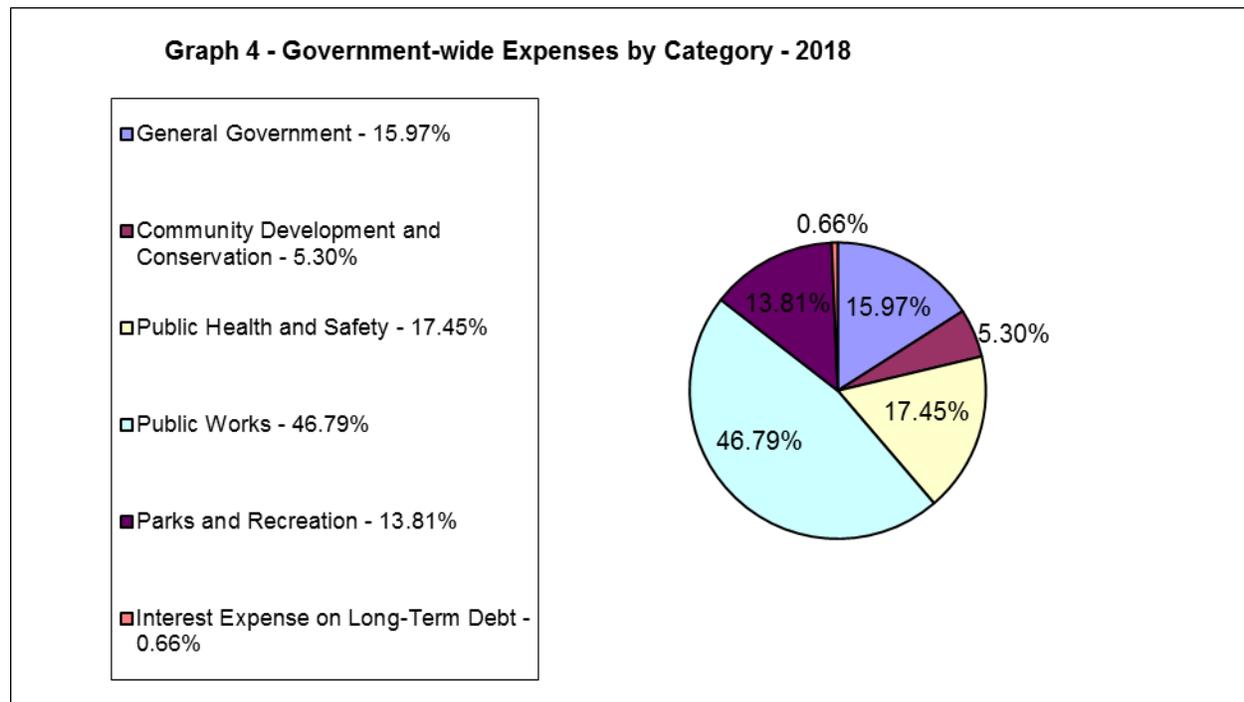
Revenues for Governmental Activities



**Governmental Activities (continued):**

Expenses for Governmental Activities

Table 2 and Graph 4 below illustrate each department's expenses in comparison to the total expenses of the Township's governmental activities. As a result of the growth and development in the community, the Township has had a growing demand for public services. Additionally, the Township is committed to improving public infrastructure and other programs. Public Works remained as the largest expense category (46.79%) with \$2,276,521 in total expenses in 2018. Public Health and Safety represented the second largest expense category at \$849,148 (17.45%). In 2018, General Government, which included general administration, insurance, and staff pension and benefit expenses, totaled \$777,111 and represented the third largest activity (15.97%). Parks and Recreation represented the fourth largest expense category at \$671,971 (13.81%).

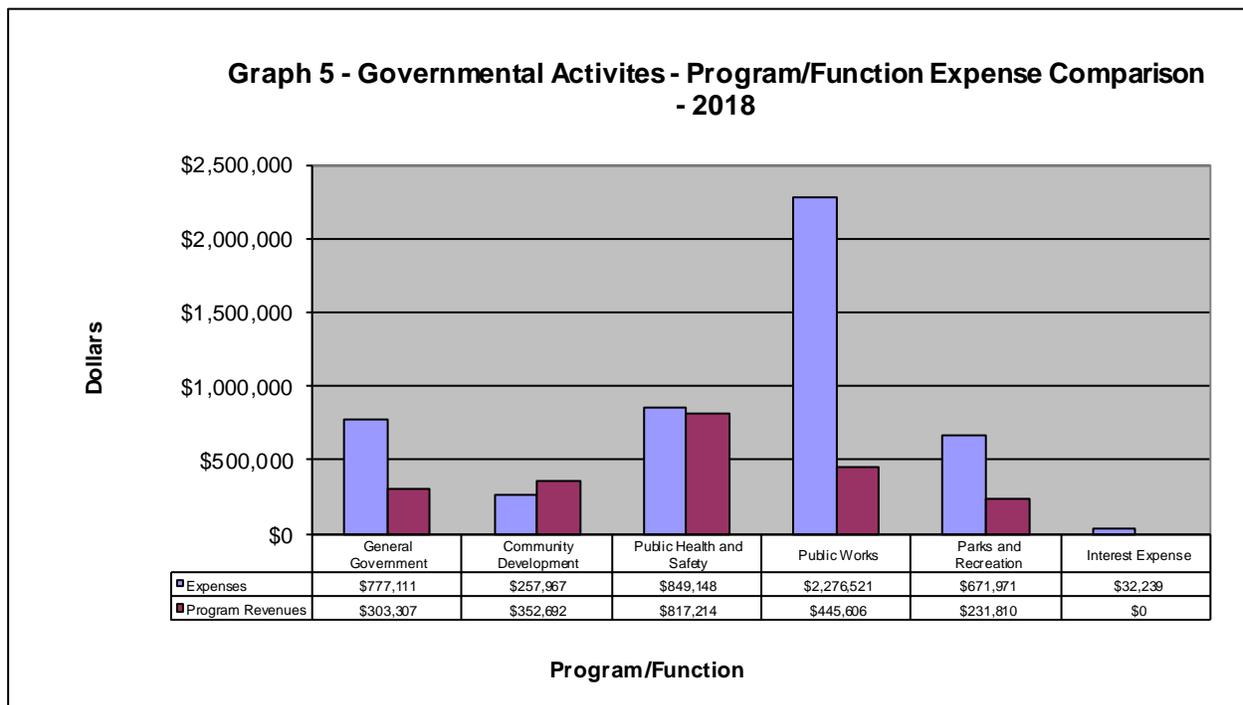


**Governmental Activities (Continued):**

Expense/Revenue Comparison

To demonstrate the extent to which the governmental functions produce revenues to offset program costs, Graph 5 is presented below to illustrate the functional revenues and expenses of each governmental activities area. Expenses not paid for by direct program revenues are paid primarily by local taxes, licenses, and shared revenues.

Public Works expenses required the most general revenue support, utilizing \$1,830,915 in 2018. General Government required \$473,804 in general revenue support. Other departments utilizing general revenues included Parks and Recreation which required \$440,161 in support, and Public Health and Safety which required \$31,934 in support.



**Business-type Activities:**

West Hanover Township does not have any true “business-type activities” reflected in the financial statements in 2018. Instead, the West Hanover Township Water and Sewer Authority (Authority) financial data is reflected as a Component Unit. Detailed changes in the Authority’s business activities and changes to net position are also described in general terms through a comparison of operating revenues and operating expenditures in the Statement of Activities (page 21). Financial trends for the Authority operations are also available in more detail in the Authority’s annual budget and financial statements. A copy of the audited financial statements may be requested from:

**The West Hanover Water and Sewer Authority  
7901 Jonestown Road  
Harrisburg, PA 17112**

## **FINANCIAL ANALYSIS OF TOWNSHIP FUNDS**

As discussed earlier, West Hanover Township uses fund accounting to account for financial activities and demonstrate compliance with laws and regulations. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Balance Sheet on page 22 provides a detailed look at the Township's most significant activities. The sections below provide a discussion of the governmental, proprietary and fiduciary funds for West Hanover Township.

**Governmental Funds -** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Township's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2018, the governmental funds of the Township reported a combined fund balance of \$9,082,721, which is an increase from \$8,242,399 in 2017.

**The General Fund** is the chief operating fund of the Township. At the end of 2018, the unassigned fund balance of the General Fund (page 22) was \$5,442,145 which is an increase from \$4,724,246 in 2017. The unassigned fund balance represents 93.22% of the total General Fund balance.

**Water and Sewer Authority General Obligation Bond Fund** is used to account for activity related to the General Obligation Bond Series 2011 debt. The fund was established in 2011 and had an ending restricted fund balance of \$2,171. The General Obligation Bond Series of 2015 was used to refund the Series of 2011 and this fund will continue to be used to account for the activity related to the Series of 2015.

## **FINANCIAL ANALYSIS OF TOWNSHIP FUNDS (CONTINUED)**

**Nonmajor Funds** include the following other funds: Capital Reserve Fund, Building Fund, Street Light Fund, Exit 77 Fund, LST Fund, Hydrant Fund, Highway Aid Fund, Fire Tax Fund, and FILO Fund. The ending fund balance for all of the nonmajor funds totaled \$3,242,731 as of December 31, 2018. This is an increase of \$503,283 (18.37%) from 2017. Eight of the nine funds experienced increases in fund balance. Fund balances of the other fund decreased due to expenditures exceeding tax revenue, allocations and charges for services. Expenditures for that fund in 2018 included expenditures for street light utilities.

**Proprietary Funds:** Financial data for the Township's Water and Sewer Authority is reported as a discretely presented component unit.

**Fiduciary Funds:** The Township has two Fiduciary Funds: the Senior Citizen Van Fund and the Pension Trust Fund.

The Senior Citizen Van Fund is used to monitor operating revenues, donations and expenditures for the Township's senior citizen van program. The Balance Sheet for this Agency Fund is located on page 26 of the financial statements.

The Pension Trust Fund is used to account for the change in plan net assets of the employees' retirement plan. The Pension Trust Fund had total assets of \$1,591,058 as of December 31, 2018. Detail for these investments can be found in Note 2 of the financial statements.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

With assistance from Township department staff, the Township Manager develops and prepares the annual Township budget in accordance with the basic procedures for establishing the budget as outlined in Part 1 of the annual budget document. Following review and adjustment to the proposal, the Board of Supervisors approves the annual budget appropriations by resolution in accordance with the PA Second Class Township Code. Revisions that alter the capital improvement planning (Public Investment Plan) are presented to the Board of Supervisors for consideration and approval. Any necessary revisions that alter the fund appropriations of the General Fund or any fund are also presented to the Board of Supervisors for consideration and approval by resolution. Annual unused appropriations for all of the annually budgeted funds lapse at the end of the year, except for the unexpected balance of such appropriations where contracts are in the course of construction at the end of the year.

The budget amounts shown in the financial statements are the final authorized amounts for the purpose specified. All budget accounts and line items are categorized using the chart of accounts established by Pennsylvania State Association of Township Supervisors (PSATS) and the Pennsylvania Department of Community and Economic Development (DCED), as amended.

Budget Adjustments: During the fiscal year, the Township is permitted to revise the budget on multiple occasions, if necessary. Generally, budget amendments fall into one of several categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases and revisions in appropriations that become necessary to provide and maintain services. In 2018, the Board of Supervisors made no adjustments to the annual budget.

## **GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

### **2018 General Fund Budget Highlights:**

**Revenue:** Total actual general fund revenues exceeded amounts budgeted by \$861,413. The largest revenue variance was due to an increase in earned income tax and transfer tax revenue which exceeded amounts anticipated. Of the total positive taxes variance of \$308,654, the variance attributable to earned income taxes equaled \$235,864. Actual transfer tax revenue exceeded expectations by \$44,534. Additionally, cable television franchise fees exceeded budget by \$15,507 and license and permit revenue exceed amounts budgeted by \$197,371.

**Expenditures:** The Township implemented cost cutting measures to control rising costs and keep expenditures in line with budgeted parameters. Total general fund expenditures were \$614,460 over budget which was primarily due to public works being over budget by \$613,133 related to road projects and the purchase of new assets.

## **CAPITAL ASSETS**

The West Hanover Township Public Investment Plan (PIP) describes the Township's capital improvement program for current and future years and presents a capital budget for the current year (2018). Compiled from adopted Township planning policies, staff and board recommendations, and various sources throughout the year, the PIP identifies major capital outlays, planning studies, design/engineering projects, major purchases and similar expenditures planned for future years to meet various needs of West Hanover Township.

As a project planning process partly separate from the general fund operating budget and other fund budgets, the annual PIP development process and current year capital budget also present sources of funding or means of funding/financing projects and acquisitions during the current fiscal period and beyond.

The PIP is organized in such a manner that capital projects are listed and outlined by each Township department and budget category. The PIP briefly describes each project proposal and specifies the estimated and/or actual financial resources necessary to finance the projected expenditures over a period of time. The PIP also reveals the anticipated funding source for projects as recommended by the Township Manager and staff and approved by the Board of Supervisors during the budget deliberations. Anticipated projects were funded in total or in part from Township operating and capital funds.

**CAPITAL ASSETS (CONTINUED)**

**Capital Assets:**

The Township's investment in capital assets at December 31, 2018, net of accumulated depreciation, amounted to \$17,566,690 a decrease of 2.04% from last year. In 2018, West Hanover Township fixed asset additions included construction in progress; a new equipment for public works; a used fire engine; and other equipment. Following is a summary of Capital Assets at December 31.

**TABLE – MDA – 3 Summary of Capital Assets**

	<u>2018</u>	<u>2017</u>
<b>Capital Assets</b>		
Land	\$ 738,261	\$ 738,261
Construction in Progress	609,790	140,840
Infrastructure	15,273,803	15,273,803
Buildings	7,327,133	7,327,133
Other Improvements	2,132,443	2,037,011
Machinery and Equipment	4,251,620	3,980,020
Total Capital Assets	<u>30,333,050</u>	<u>29,497,068</u>
Less accumulated depreciation for:		
Infrastructure	7,117,325	6,359,286
Buildings	1,690,583	1,504,294
Other Improvements	1,303,685	1,201,586
Machinery and Equipment	2,654,767	2,499,265
Total accumulated depreciation	<u>12,766,360</u>	<u>11,564,431</u>
Total Governmental Activities Capital Assets, net	<u>\$ 17,566,690</u>	<u>\$ 17,932,637</u>

More detailed information about the Township's Capital Assets can be found in Note 6 of Notes to Financial Statements.

**LONG-TERM DEBT**

At the end of 2018, West Hanover Township had outstanding Long-Term Debt of \$8,428,072. This debt is from (1) a Line of Credit, (2) an Emmaus Loan for construction of a new Fire Station, (3) an infrastructure bank loan, (4) a General Obligation Bond in 2015 for the West Hanover Water and Sewer Authority, and (5) Leases Payable for the purchase of Equipment and Vehicles.

- (1) The Township approved the Line of Credit from Fulton Bank in the amount of \$1,430,000 for right-of-way acquisition and utility relocation in conjunction with the Interstate 81 Exit 77 construction project. At the end of 2018, the Township had a remaining balance due of \$138,814.
- (2) The Township issued a General Obligation Note-Series 2011, in the amount of \$2,880,000 to fund the construction of a new fire station located at 7624 Jonestown Road; Harrisburg, PA 17112 and pay issuance costs on the Note. As of December 31, 2018, the outstanding balance of the Note was \$595,000.
- (3) In 2014, the Township received \$825,000 for a Dauphin County Infrastructure Bank Loan for the Devonshire Heights Intersection Relocation Project. As of December 31, 2018, the outstanding balance of the loan was \$416,397.
- (4) The Township, on behalf of the Authority, issued a General Obligation Bond, Series of 2015 in the amount of \$7,510,000 to refund the General Obligation Bond, Series of 2011. Pursuant to a Subsidy Agreement between the West Hanover Sewer and Water Authority and the Township, the Authority has agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds from the receipts and revenues from the Authority's sewer system when they become due. The Township has pledged its full faith, credit and taxing power for the payment of the principal and interest on the bonds. The outstanding principal balance of the General Obligation Bond, Series of 2015 remaining at December 31, 2018 was \$6,950,000.
- (5) The Township entered into several leases payable for the purchase of equipment and vehicles. As of December 31, 2018 the outstanding balance of the Leases was \$327,861.

**TABLE – MDA – 4 Summary of Long -Term Debt**

	<u>2018</u>	<u>2017</u>
Beginning Balance at 1/1	\$ 8,837,068	\$ 9,565,428
Additions	382,803	-
Principal retirement	<u>(791,799)</u>	<u>(728,360)</u>
Ending Balance 12/31	<u>\$ 8,428,072</u>	<u>\$ 8,837,068</u>

The Pennsylvania Local Government Debt Act formally establishes the legal limits of general obligation debt and other forms of debt the Township may incur in any given period. More detailed information regarding Township borrowing is available in the annual audit report and in formal documentation establishing the debt. The Township currently has an established credit rating of Aa3 by Moody's for general obligation debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

As the Township has grown, and the amount and complexity of county, state, and federal regulatory requirements has expanded, the Township's governmental organization of elected supervisors, volunteer boards and staff continues to work together to provide for the safety, health, and general welfare of its community.

The outlook for the 2019 economy and budget is much improved over recent years. Earned income taxes are a major source of revenue for the Township and are expected to be comparable to 2018. With the passage of Act 32 and its requirement to move to a county-wide tax collector, collections are now less confusing for employers. There are also signs of improvement in subdivision and land development projects with more activity at the planning commission level. Informal inquiries in the zoning office indicate preliminary plans for several more subdivisions throughout the Township. In addition, the Board of Supervisors continues to seek grant funds to support debt reduction and future capital expenditures.

## **CONTACTING THE TOWNSHIP REGARDING MANAGEMENT AND FINANCIAL REPORTS**

This financial report is designed to provide a general overview of West Hanover Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**West Hanover Township  
ATTN: Township Manager  
7171 Allentown Blvd.  
Harrisburg, PA 17112**

Other information regarding West Hanover Township and the programs and services provided by the Township may be found at the Township's website: [www.westhanover.com](http://www.westhanover.com)

WEST HANOVER TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018

	Primary Government Governmental Activities	Component Unit
<b>Assets</b>		
Cash and Cash Equivalents	\$ 7,347,984	\$ 662,122
Escrow Deposits	505,747	464
Investments	1,238,520	6,000,000
Receivables		
Accounts	-	1,364
Taxes	483,270	-
Other	153,196	4,933
Sewer	-	98,128
Lease Receivable	6,950,000	-
Restricted Cash and Cash Equivalents	268,372	-
Capital Assets Not Being Depreciated	1,348,051	642,110
Capital Assets, Net of Accumulated Depreciation	16,218,639	14,323,457
Total Assets	\$ 34,513,779	\$ 21,732,578
<b>Liabilities</b>		
Accounts Payable	\$ 264,624	\$ 39,242
Accrued Expenses and Withholdings	35,923	41,994
Accrued Interest	23,642	36,110
Funds Held in Escrow	505,747	464
Current Portions of Long Term Liabilities:		
Loan Payable	82,451	-
Note Payable	65,000	-
Line of Credit	75,000	-
Bond Payable	215,000	500,000
Leases Payable	198,429	215,000
Non-Current Portions of Long Term Liabilities:		
Loan Payable	333,946	-
Note Payable	530,000	-
Line of Credit	63,814	-
Bond Payable	6,735,000	4,455,000
Leases Payable	129,432	6,735,000
Unamortized Bond Premiums and Discounts	-	38,020
Accrued Compensated Absences	21,389	-
Total Liabilities	9,279,397	12,060,830
<b>Net Position</b>		
Net Investment in Capital Assets	16,643,829	3,022,547
Restricted for:		
Capital improvements	662,484	-
Building improvements	116,396	-
Highway aid	681,001	-
Fire protection	521,413	-
Street light improvements	34,951	-
Hydrant expenses	18,710	-
Unrestricted	6,555,598	6,649,201
Total Net Position	25,234,382	9,671,748
Total Liabilities and Net Position	\$34,513,779	\$21,732,578

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

WEST HANOVER TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary	
					<u>Governmental Activities</u>	<u>Component Unit</u>
Primary Government:						
Governmental Activities:						
General Government	\$ 777,111	\$ 287,943	\$ 15,364	\$ -	\$ (473,804)	\$ -
Community Development	257,967	346,502	6,190	-	94,725	-
Public Health and Safety	849,148	355,371	211,843	250,000	(31,934)	-
Public Works	2,276,521	8,875	436,731	-	(1,830,915)	-
Parks and Recreation	671,971	219,678	12,132	-	(440,161)	-
Interest on Long-Term Debt	32,239	-	-	-	(32,239)	-
Total Governmental Activities	4,864,957	1,218,369	682,260	250,000	(2,714,328)	-
Total Primary Government	\$ 4,864,957	\$ 1,218,369	\$ 682,260	\$ 250,000	\$ (2,714,328)	\$ -
Component Unit:						
West Hanover Township Water and Sewer Authority	\$ 1,798,342	\$ 2,482,380	\$ -	\$ 102,520		\$ 786,558
Total Component Unit	\$ 1,798,342	\$ 2,482,380	\$ -	\$ 102,520		\$ 786,558
General Revenues:						
Taxes:						
General Property Tax					1,219,792	-
Other Taxes					1,982,398	-
Interest Earnings					138,162	95,573
Refund of Prior Year Expenses					37	-
Gain on Disposal of Assets					45,000	-
Total General Revenues					3,385,389	95,573
Change in Net Position					671,061	882,131
Net Position - Beginning					24,563,321	8,789,617
Net Position - Ending					\$ 25,234,382	\$ 9,671,748

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

WEST HANOVER TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	General Fund	WSA G.O. Bond Fund	Non-Major Funds	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,442,491	\$ -	\$ 2,905,493	\$ 7,347,984
Escrow Deposits	505,747	-	-	505,747
Investments	1,002,595	-	235,925	1,238,520
Receivables				
Taxes	431,940	-	51,330	483,270
Other	64,221	2,171	88,975	155,367
Restricted Cash and Cash Equivalents	268,372	-	-	268,372
Due from Other Funds	-	-	56,330	56,330
Lease Receivable	-	6,950,000	-	6,950,000
<b>Total Assets</b>	<b>\$ 6,715,366</b>	<b>\$ 6,952,171</b>	<b>\$ 3,338,053</b>	<b>\$ 17,005,590</b>
<u>Liabilities</u>				
Accounts Payable	\$ 252,552	\$ -	\$ 12,072	\$ 264,624
Accrued Expenses and Withholdings	35,923	-	-	35,923
Due to Other Funds	56,330	-	-	56,330
Due to Water and Sewer Authority	-	6,950,000	-	6,950,000
Held for Debt Service	-	-	-	-
Funds Held in Escrow	505,747	-	-	505,747
<b>Total Liabilities</b>	<b>850,552</b>	<b>6,950,000</b>	<b>12,072</b>	<b>7,812,624</b>
<u>Deferred Inflows of Resources</u>				
Deferred taxes and other revenues	26,995	-	83,250	110,245
<b>Total Deferred Inflows of Resources</b>	<b>26,995</b>	<b>-</b>	<b>83,250</b>	<b>110,245</b>
<u>Fund Balances</u>				
Restricted	268,372	2,171	1,256,075	1,526,618
Committed	127,302	-	471,499	598,801
Assigned	-	-	1,515,157	1,515,157
Unassigned	5,442,145	-	-	5,442,145
<b>Total Fund Balances</b>	<b>5,837,819</b>	<b>2,171</b>	<b>3,242,731</b>	<b>9,082,721</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 6,715,366</b>	<b>\$ 6,952,171</b>	<b>\$ 3,338,053</b>	<b>\$ 17,005,590</b>

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

WEST HANOVER TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

Total fund balances for governmental funds		\$ 9,082,721
The total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital Assets, including Infrastructure assets, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		17,566,690
Amounts paid out of bond proceeds from accounts held at the Township on behalf of the component unit are reported as expenditures in the funds, but reduce amounts due to the component unit for the governmental activities. Interest income from unused proceeds are recorded as income in the funds, but increase amounts due to the component unit for the governmental activities.		(2,171)
Certain revenues (including delinquent property taxes) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are excluded from fund balances.		110,245
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. All liabilities - both current and long-term - are reported in the Statement of Net Position.		
Balances at December 31, 2018 are:		
Accrued Interest	(23,642)	
Line of Credit	(138,814)	
Note Payable	(595,000)	
Loan Payable	(416,397)	
Leases Payable	(327,861)	
Accrued Compensated Absences	(21,389)	
	(1,523,103)	
Total net position of governmental activities		\$ 25,234,382

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

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

	General	WSA G.O. Bond Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,665,654	\$ -	\$ 536,144	\$ 3,201,798
Licenses and Permits	355,371	-	-	355,371
Fines and Forfeitures	2,881	-	-	2,881
Interest and Investment Earnings	90,045	-	48,117	138,162
Intergovernmental	272,879	-	658,201	931,080
Charges for Services	734,334	-	105,060	839,394
Miscellaneous	21,903	-	46,853	68,756
<b>Total Revenues</b>	<b>4,143,067</b>	<b>-</b>	<b>1,394,375</b>	<b>5,537,442</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	747,557	-	4,154	751,711
Community Development	257,967	-	-	257,967
Public Health and Safety	399,350	-	210,835	610,185
Public Works	1,687,209	-	609,413	2,296,622
Parks and Recreation	578,168	-	19,445	597,613
<b>Debt Service</b>				
Principal	206,799	-	370,000	576,799
Interest	4,918	-	29,145	34,063
<b>Total Expenditures</b>	<b>3,881,968</b>	<b>-</b>	<b>1,242,992</b>	<b>5,124,960</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>261,099</b>	<b>-</b>	<b>151,383</b>	<b>412,482</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	152,000	152,000
Operating Transfers (Out)	(152,000)	-	-	(152,000)
Lease proceeds	182,903	-	199,900	382,803
Gain on Disposal of Assets	45,000	-	-	45,000
Refund of Prior Year (Revenues) Expenditures	37	-	-	37
<b>Total Other Financing Sources (Uses)</b>	<b>75,940</b>	<b>-</b>	<b>351,900</b>	<b>427,840</b>
<b>Net Change in Fund Balances</b>	<b>337,039</b>	<b>-</b>	<b>503,283</b>	<b>840,322</b>
<b>Fund Balances - January 1, 2018</b>	<b>5,500,780</b>	<b>2,171</b>	<b>2,739,448</b>	<b>8,242,399</b>
<b>Fund Balances - December 31, 2018</b>	<b>\$ 5,837,819</b>	<b>\$ 2,171</b>	<b>\$ 3,242,731</b>	<b>\$ 9,082,721</b>

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

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

Net change in fund balances - total governmental funds \$ 840,322

The change in net position reported for governmental activities in the Statement of Activities is different because:

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. The amount by which capital outlays exceeds depreciation in the period is as follows:

Depreciation expense	(1,368,176)	
Capital outlays	<u>1,002,229</u>	(365,947)

Repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the Statement of Net Position. 576,799

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the Statement of Activities, however, revenues are recorded regardless of when financial resources are available.

Change in deferred taxes:		
Real estate taxes		392

Governmental funds report loan proceeds as revenues. However, in the Statement of Activities, these financing sources are recorded as long-term liabilities (382,803)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. The Statement of Activities, however, is presented on the accrual basis, and expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Change in accrued interest	1,824	
Change in compensated absences	<u>474</u>	<u>2,298</u>

Change in net position of governmental activities \$ 671,061

WEST HANOVER TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST AND AGENCY FUND  
DECEMBER 31, 2018

	<b>Pension Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash	\$ -	\$ 23,719
Investments	1,591,058	-
Accounts Receivable	-	-
Total Assets	\$ 1,591,058	\$ 23,719
<b>Liabilities</b>		
Total Liabilities	\$ -	\$ -
<b>Net Position</b>		
Reserved for operations	-	23,719
Reserved for employees' pension benefits	1,591,058	-
Total Net Position	1,591,058	23,719
<b>Total Liabilities and Net Position</b>	\$ 1,591,058	\$ 23,719

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

WEST HANOVER TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUND  
YEAR ENDED DECEMBER 31, 2018

	<b>Pension Trust Fund</b>
<b>Additions</b>	
Contributions:	
Employer Contributions	\$ 17,593
Employee Contributions	-
State Aid	<u>56,213</u>
Total Contributions	<u>73,806</u>
Investment Income	
Investment Income (Loss)	<u>(82,884)</u>
Total Investment Income (Loss)	<u>(82,884)</u>
Total Additions	<u>(9,078)</u>
<b>Deductions</b>	
Periodic Payouts & Death Benefits	416,673
Administrative Expenses	<u>8,263</u>
Total Deductions	<u>424,936</u>
<b>Net change</b>	<u>(434,014)</u>
<b>Held in Trust for Pension Benefits:</b>	
January 1, 2018	<u>2,025,072</u>
December 31, 2018	<u>\$ 1,591,058</u>

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

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of West Hanover, Pennsylvania (the "Township") operates under the Second Class Township Code under the laws of the Commonwealth of Pennsylvania. The operations of the Township are vested in a board of supervisors. The Township provides the following services: streets, sanitation, health, recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A summary of the Township's significant accounting policies is as follows:

A) Reporting Entity

GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*", and GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus*," established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Township's financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

Discretely Presented Component Unit

Based on the above criteria, the West Hanover Township Water and Sewer Authority (the "Authority") is included in the reporting entity as a discretely presented component unit. Separate financial statements for the West Hanover Township Water and Sewer Authority can be obtained from the Authority's office. The Authority operates on a fiscal year ending December 31.

B) Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. In addition, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) 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.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B) Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the agency fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year-end to be deemed available. Expenditures generally are recorded when a liability is incurred.

Licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

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

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

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

The Township reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.
- The Water and Sewer Authority General Obligation Bond Fund is used to account for activity related to the General Obligation Bond Series 2015 debt.

Fiduciary funds account for assets held by the Township as a trustee or agent for individuals, organizations or other government units. Therefore, these funds are not available to support the Township's own programs and are not included in the government-wide financial statements. The Township reports the following fiduciary funds:

- Agency funds are custodial in nature (assets equal liabilities) and do not involve revenues and expenditures. The Township acts in a trustee capacity for the Senior Van Fund.
- The Pension Trust Fund is used to account for the change in plan assets of the employees' retirement plan.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

WEST HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash, Cash Equivalents, and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are reported at carrying amounts which reasonably estimate fair value. Investments are reported at fair value.

2. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the governmental activity column in the government-wide financial statements. Property, plant and equipment and infrastructure assets, with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	25-40
Other improvements	10-30
Machinery and equipment	3-10
Infrastructure	20-30

3. Allowance for Doubtful Accounts

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

4. Compensated Absences

Township policy permits employees to accumulate a limited amount of earned, but unused vacation time. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide financial statements.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond and note issuance costs are reported as an outflow of resources in the reporting period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond and note premiums and discounts, as well as bond and note issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Deferred Inflows of Resources – Unearned Revenues

The Township recognizes property tax revenues when they become available. "Available" includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

7. Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

**Net investment in capital assets** – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

**Restricted** – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints are placed on the use of the assets either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

8. Fund Balance Classifications

Governmental funds report fund balances in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balances for governmental funds can consist of the following:

***Nonspendable Fund Balance*** – includes amounts that are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts and long term notes receivable).

***Restricted Fund Balance*** – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

***Committed Fund Balance*** – includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Supervisors (the Township’s highest level of decision-making authority). Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (e.g. resolution and ordinance).

The Township utilizes an operating reserve fund as a stabilization arrangement for unforeseen operating expenditures. The stabilization amount of \$127,302 is reported as committed fund balance in the general fund.

***Assigned Fund Balance*** – includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. The Board of Supervisors and the Township 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 not restricted or committed.

***Unassigned Fund Balance*** – this residual classification is used for the General Fund and includes all spendable amounts not contained in the other classifications.

When multiple classifications of fund balance are available for expenditure, it is the Township’s policy to first spend from the most restricted classification and then to exhaust those funds to the extent legally or contractually permitted before moving down to the next classification with available funds.

It is the goal of the Township to achieve and maintain an unassigned fund balance in the general fund equal to \$500,000.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

9. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

10. Accounting Estimates

The preparation of the 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 amounts may differ from those estimates.

E) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that Township governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes the General Fund, Special Revenue Funds and the Capital Reserve Fund, and is based on estimates of revenues and expenditures approved by the Township Supervisors. The Township adopted the 2018 budget on the same basis of accounting as reported in the financial statements.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

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

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E) Budgets and Budgetary Accounting (continued)

Level of Control

The Township maintains budgetary control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

F) Restricted Cash

Restricted cash represents funds held in escrow for inspection fees and road maintenance, and sinking funds required by debt covenants.

**West Hanover Township Water and Sewer Authority**

Basis of Presentation and Accounting:

The Authority was created on July 16, 1990 under the Municipality Authorities Act of 1945, P.L. 382, as amended, for the purpose of addressing and solving water and sewer problems in West Hanover Township. The Authority has been designated as an operating authority, and is funded primarily from sewer fees collected from residents of West Hanover Township. The Authority is a proprietary fund type and utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for based upon flow of economic resources measurement focus. Accordingly, all assets, deferred inflows, deferred outflows and all liabilities associated with operations are included on the balance sheet. Net position (i.e. total assets plus deferred outflows, less liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted elements.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Authority's investments are held by the trust department of Fulton Bank and consist of certificates of deposit. All investments are recorded at historical cost which approximates market value.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**West Hanover Township Water and Sewer Authority (Continued)**

Bad Debts

The Authority places liens on the property of customers who are significantly in arrears on sewer and water payments. When circumstances warrant the write-off of an account, the expense is recognized at the time the account is written off. Potential uncollectible accounts receivable at year-end are considered immaterial to total accounts receivable; therefore, an allowance for such losses has not been established.

Capital Assets

Capital assets are stated at cost and are defined by Authority policy as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Donated fixed assets are recorded at their estimated fair value at the date of donation. Interest costs incurred during the construction period related to the construction of the treatment plant and collection system were capitalized as part of the cost of the related assets. Depreciation is computed using the straight-line method over the asset's estimated useful life. Estimated useful lives, in years, are as follows:

Sewer Treatment Plant	20-40 years
Pump Stations	40 years
Sewer Collection System	40 years
Sludge Facility	40 years
Vermicomposting Facilities	30 years
Machinery & Equipment	3-20 years

Depreciation expense for the year ended December 31, 2018 totaled \$602,519.

Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services (including tapping, connection, and facilities fees) and the costs of providing those services, including depreciation and excluding interest expense. All other revenues and expenses are reported as nonoperating.

Revenue – User Charges

Charges for sewer usage are billed monthly by the Authority to its commercial customers based primarily upon a flat fee or usage for sewer billings. Charges for residential customers are billed quarterly based upon a flat fee base for sewer billings.

Revenue – Tapping and Connection Fees, Meters, Permits, etc.

Charges for tapping, connection and other related fees are billed by the Authority to the customer based on established fee schedules.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

**West Hanover Township Water and Sewer Authority (Continued)**

Use of Estimates

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

Budget

The Authority adopts a flexible annual operating and capital budget. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operating, maintenance, certain interest and general functions, and other charges for the year. The budget also details the plan to receive and expend capital contributions, special assessments, grants, borrowings and certain revenues for capital projects.

All unexpended items in the operating budget lapse at the end of the year. No appropriation for a capital project in the budget lapses until the purpose for which the funds were appropriated has been accomplished or abandoned.

Management submits a proposed budget to the Authority's Board prior to the close of the calendar year. The budget is approved by motion prior to the beginning of the new calendar year. During the year, management may transfer budgeted amounts between line items within the Authority's division only with prior approval from the Board.

NOTE 2: DEPOSIT AND INVESTMENT RISK

Township funds may be invested in: (1) United States Treasury Bills, (2) short-term obligations of the Federal Government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits, to the extent fully insured, (4) obligations of the United States or any of its agencies or instrumentalities backed by its full faith and credit, (5) shares of an investment company registered under the Investment Company Act of 1940, or (6) certificates of deposit to the extent that they are secured by acceptable collateral. The Township's pension plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Cash and Cash Equivalents

*Custodial Credit Risk* – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. The Township's investment policy requires that investments be placed in qualified financial institutions.

WEST HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

The Township had deposits of \$53,243 in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT separately issues audited financial statements which are available to the public. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth is the formal external regulatory oversight for the pool. At December 31, 2018, PLGIT carried a rating of AAAM and had an average maturity of less than one year.

For public unit accounts, insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC) depends upon the type of deposit and the location of the insured depository institution.

The Township's year-end bank and cash balances totaled \$8,342,394. Of this total, \$7,788,749 was uninsured, but insured with collateral held by the pledging bank's trust department according to Act 72. This collateral is not in the Township's name. Of the bank balances, \$500,002 was covered by federal depository insurance.

Cash and Cash Equivalents (Continued)

Goldman Sachs Financial Square Treasury Obligations are invested in short-term U.S. Treasury securities, guaranteed by the U.S. Treasury, and repurchase agreements relating to these securities.

Proceeds of \$268,372 from a Dauphin County Infrastructure Bank Loan are held in an account at First National Bank by the Dauphin County Industrial Development Authority. The account is covered by Act 72 and is monitored by the Commonwealth of Pennsylvania.

The reconciliation of deposits to the financial statements at December 31, 2018 is as follows:

Uninsured amount above	\$ 7,788,749
Plus:	
Insured by Federal Depository Insurance (FDIC)	500,002
Petty Cash	400
PLGIT	<u>53,243</u>
	8,342,394
Plus(Less):	
Outstanding Deposits	-
Outstanding Checks	<u>(196,572)</u>
Total	<u>\$ 8,145,822</u>
Governmental activities	
Cash and Cash Equivalents	\$ 7,347,984
Escrow Deposits	505,747
Restricted Cash and Cash Equivalents	268,372
Fiduciary Funds	<u>23,719</u>
Total	<u>\$ 8,145,822</u>

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments

As of December 31, 2018, the Township had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 1,238,520
Total – governmental activities	<u>1,238,520</u>
Fixed income investment options **	184,112
Mutual funds	1,285,258
Other securities – Principal Financial Group	17,771
Annuity contract	<u>103,917</u>
Total – pension trust fund	<u>1,591,058</u>
 Total	 <u>\$ 2,829,578</u>

*\*\* Effective durations range from 5.37 to 7.32 years; except for \$137,296 in a U.S. Property separate account whereby an effective duration cannot be calculated.*

*Custodial Credit Risk –*

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2018, \$250,000 of the certificates of deposit held as investments by the Township were insured by FDIC insurance, and the remaining balance of \$988,520 was collateralized under Act 72.

Of the Township’s pension investments, \$1,591,058 is held by the counterparty’s agent in the name of the Township’s pension plan. Insurance products and plan administrative services are provided by The Principal Life Insurance Company.

*Interest Rate Risk –*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township’s investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

*Credit Risk –*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township’s investment policy does not formally address credit risk, although it requires that investments only be placed in qualified financial institutions. Separate accounts held at the Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts were not rated. Separate accounts held at the Principal Financial Group may use derivatives as part of their investment strategy.

*Concentration of Credit Risk –*

Accounts held at the Principal Financial Group are not subject to concentration of credit risk, custodial risk, or foreign currency risk.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Component Unit – Deposit and Investment Risk

**West Hanover Township Water and Sewer Authority**

Cash and Cash Equivalents

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

All of the Authority's cash deposits are either insured or collateralized. Custodial risk is the risk that the Authority's deposits may not be recoverable to it in the event of a depository institution failure. The Authority does not have a formal policy regarding custodial credit risk for deposits. However, the Authority requires all deposits in excess of FDIC insurance coverage to be collateralized by the depository institution with approved collateral as provided by law. As of December 31, 2018, the Authority had the following:

- Deposit balances at December 31, 2018 with two local banks in the amount of \$715,443 of which \$500,000 was insured and \$215,443 was collateralized with securities held by the bank's agent in a collateral pool. The Authority is exposed to custodial risk because the collateral securities held by the bank's agent are not in the Authority's name.

Investments

Investments are held by the Trust department of Fulton Bank and are recorded at historic cost which approximates market value.

Investments at December 31, 2018 consist of fixed income investments held at one local financial institution as follows:

Certificates of Deposit	
Mid Penn Bank, 1.7%, 3/22/19	\$ 3,000,000
Mid Penn Bank, 1.99%, 8/23/19	1,000,000
Mid Penn Bank, 2.4%, 3/22/20	<u>2,000,000</u>
Total Investments	<u>\$ 6,000,000</u>

Interest rate risk is the risk that changes in interest rates will adversely affect fair value of an investment. The Authority does not have a formal investment policy for interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have a formal policy for credit risk.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 3: REAL ESTATE TAXES

Real estate property taxes attach as an enforceable lien on property on January 1, based on the assessed value listed as of the prior December 31 for all real property located in the Township. Assessed values are established by the County Assessment Board at approximately 100% of calculated market value. Taxes are billed on or about February 1, payable under the following terms: 2% discount, February 1 through March 31; face amount, April 1 through May 31, and 5% penalty June 1 through July 31, and a 10% penalty from August 1 through December 31. The County bills these taxes, which are collected by the tax collectors and remitted to the Township. Real estate property taxes levied for 2018 are recorded as receivables, net of estimated uncollectible. The net receivables collected and expected to be collected within the first sixty (60) days of 2019 are recognized as revenue in 2018. Net receivables estimated to be collectible subsequent to February 28 are reflected in deferred inflows of resources. Prior years' levies are recorded using these same principles and remaining receivables are annually reevaluated as to collectibility.

The rate of real estate taxation in 2018 was .9149 mills for general purposes, .3385 mills for fire protection purposes, .0720 mills for fire hydrant purposes and a range of .075 to .35 mills for street light purposes on a total Township assessed valuation of \$748,599,400. Of the taxes levied for 2018, 98% were collected during the year.

NOTE 4: ESCROW PAYABLE

As of December 31, 2018, the Township held funds in escrow totaling \$505,747. These funds represent amounts held as security by the Township until developers complete construction of specified projects.

**West Hanover Township Water and Sewer Authority**

The Authority enters into contractual arrangements with developers which provide for reimbursement by the developers of certain legal and engineering fees incurred by the Authority in connection with the construction of certain sewer-related facilities. At December 31, 2018, developer escrow deposits held by the Authority totaled \$464.

NOTE 5: RECEIVABLES

The Township recognized the delinquent and unpaid taxes receivable as follows. A portion of the receivable amount, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements at December 31, 2018.

	Gross Taxes Receivable	Tax Revenue recognized	Deferred Taxes
Real estate taxes	\$ 44,054	\$ 17,059	\$ 26,995
Earned income taxes	362,690	362,690	-
Fire protection taxes	6,187	6,187	-
Fire hydrant taxes	872	872	-
Street light taxes	482	482	-
Transfer taxes	25,196	25,196	-
Local services taxes	43,789	43,789	-
	\$ 483,270	\$ 456,275	\$ 26,995

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 5: RECEIVABLES (CONTINUED)

**West Hanover Township Water and Sewer Authority**

All sewer rentals receivable as of December 31, 2018 are considered collectible and no allowance has been made for uncollectible accounts. The Authority has increased collection efforts through the recording of property liens and the termination of water and sewer service due to sewer arrears. The Authority will negotiate payment plans to pay prior balances in addition to current balances with customers who are unable to pay the entire amount due.

The Authority utilizes installment agreements for residents to pay their tapping and connection fees. The agreements have an annual interest rate of 6%. There were no outstanding balances on tapping agreements receivable as of December 31, 2018.

NOTE 6: CAPITAL ASSETS

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

Governmental Activities

	<u>Balance at 12/31/2017</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Balance at 12/31/2018</u>
Capital assets, not being depreciated				
Land	\$ 738,261	\$ -	\$ -	\$ 738,261
Construction in Progress	140,840	468,950	-	609,790
Total Capital Assets, not being depreciated	879,101	468,950	-	1,348,051
Capital assets, being depreciated				
Infrastructure	15,273,803	-	-	15,273,803
Buildings	7,327,133	-	-	7,327,133
Other Improvements	2,037,011	95,432	-	2,132,443
Machinery and Equipment	3,980,020	437,847	166,247	4,251,620
Total capital assets, being depreciated	28,617,967	533,279	166,247	28,984,999
Less accumulated depreciation for:				
Infrastructure	6,359,286	758,039	-	7,117,325
Buildings	1,504,294	186,289	-	1,690,583
Other Improvements	1,201,586	102,099	-	1,303,685
Machinery and Equipment	2,499,265	321,749	166,247	2,654,767
Total accumulated depreciation	11,564,431	1,368,176	166,247	12,766,360
Total Capital Assets, being depreciated, net	17,053,536	(834,897)	-	16,218,639
Total Governmental Activities Capital Assets, net	\$ 17,932,637	\$ (365,947)	\$ -	\$ 17,566,690

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$	32,916
Public Health and Safety		289,550
Public Works		881,958
Parks and Recreation		163,752
		163,752
Total Depreciation Expense, Governmental Activities	\$	1,368,176

**West Hanover Township Water and Sewer Authority**

Capital asset activity during 2018 was as follows:

	Balance at 12/31/2017	Additions	Decreases	Balance at 12/31/2018
Capital assets, not being depreciated:				
Land	\$ 446,195	\$ -	\$ -	\$ 446,195
Construction in Progress	88,665	107,250	-	195,915
Total	534,860	107,250	-	642,110
Capital assets, being depreciated:				
Sewer Treatment Plant	11,818,525	12,961	-	11,831,486
Pump Stations	1,076,519	51,030	-	1,127,549
Sewer Collection System	8,015,760	153,445	-	8,169,205
Sludge Facility	979,004	-	-	979,004
Vermicomposting Facilities	2,597,263	-	-	2,597,263
Machinery & Equipment	310,680	7,494	10,101	308,073
Total	24,797,751	224,930	10,101	25,012,580
Less accumulated depreciation for:				
Sewer Treatment Plant	4,083,143	241,426	-	4,324,569
Pump Stations	531,914	37,689	-	569,603
Sewer Collection System	3,995,193	202,313	-	4,197,506
Sludge Facility	461,559	24,356	-	485,915
Vermicomposting Facilities	779,183	86,610	-	865,793
Machinery & Equipment	245,713	10,125	10,101	245,737
Total	10,096,705	602,519	10,101	10,689,123
Capital assets, being depreciated, net	14,701,046	(377,589)	-	14,323,457
Capital assets, net	\$ 15,235,906	\$ (270,339)	\$ -	\$ 14,965,567

WEST HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 7: EMPLOYEES' RETIREMENT PLANS

Plan Description

The Township adopted the West Hanover Township Pension Plan on January 1, 1973. The pension plan was created for employees of the Township in accordance with the Municipal Plan Funding Standard and Recovery Act, P.L. 1005, No. 205. The Plan is currently administered by Principal Financial Group.

The Plan is a single-employer defined contribution pension plan for employees with one year of service and over 1,500 hours worked during the fiscal year. The normal retirement age is 65 and contributions are vested over a five year period. Members are not required to contribute. In 2018, the Township contributed 10% of the member's compensation on behalf of each member who was a participant on the last day of the plan year. The Township's contribution rates are established by the pension plan adoption agreement. The Plan does not issue a separate report.

Plan Membership

The Plan membership as of December 31, 2018 consisted of the following:

Active employees	13
Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>7</u>
Total	<u>20</u>

Funding Policy

Active members are not required to contribute to the Plan. The municipality is required to contribute 10 percent of annual pay for each eligible plan member. The Plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution. The Township's contributions to the plan were \$56,213 for the year ended December 31, 2018. The total contributed by the Authority to the Township's plan for the year ended December 31, 2018 was \$17,593.

**West Hanover Township Water and Sewer Authority**

The Authority participates in West Hanover Township's defined contribution plan. Employees become eligible to participate in the plan when they earn a year of entry service at the end of a service period in which 1,500 or more hours of service have been performed. The Authority contributes at a rate determined by the Township on an annual basis. For the year ended December 31, 2018, the contribution rate was 10%.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 7: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Benefit Provisions

Eligibility requirements	Normal retirement at attainment of age 65 Early retirement at attainment of age 55 and 5 years of vesting service
Vesting	100% after 5 years of vesting service (graded)
Retirement benefit	An active member's benefit value becomes 100% vested upon meeting the early or normal retirement provisions and is available for distribution if a severance from employment has occurred.
Survivor benefit	An active member's benefit value becomes 100% vested upon death and is available for the surviving spouse or beneficiary.
Disability benefit	An active member's benefit value becomes 100% vested upon meeting total and permanent disability provisions.

Summary of Significant Accounting Policies:

*Basis of Accounting*

The Plan's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, contributions and related assets are recognized when received rather than when earned, except for investments, which are reported at market value, with unrealized gains and losses being recognized. Certain benefit payments and other expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles, which require the accrual basis of accounting.

*Valuation of Investments*

Investments are reported at market. Consequently, the investment account is adjusted for unrealized gains and unrealized losses.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 8: COMPENSATED ABSENCES

The Township's policy is to grant sick leave in the amount of 6 days per calendar year, accrued at ½ day per month up to a maximum of 36 days. Sick leave that is unused at termination is not payable to the employee. The Township's policy for vacation time is that time accrues monthly depending on the length of service. Employees with up to 5 years of service are allowed to carry over from one year to the next no more than 5 days of accrued vacation leave. Employees with over 5 years of service are allowed to carry over no more than 15 days of accrued vacation time. Employees at termination are paid for accumulated, unused vacation time at the pay rate in effect at that time.

Applicable GASB pronouncements require accrual of vacation pay that meets certain specific conditions. The Township has determined that such conditions apply to accumulated vacation pay of governmental funds. To the extent vacation pay liabilities in governmental funds are to be liquidated with available resources, they are accounted for as fund liabilities in the fund financial statements; the remainder of the obligation is accounted for as a liability in the government-wide financial statements. As of December 31, 2018 the balance accrued for compensated absences was \$21,389.

NOTE 9: LONG-TERM LIABILITIES

**\$1,430,000 Non-revolving Line of Credit**

In February 2007, the Township obtained a non-revolving line of credit in the amount of \$1,430,000 from a local bank. The funds were to be used for right-of-way acquisition and utility relocation at the Interstate 81 inter-change in the Township. Interest accrues on the outstanding balance at the bank qualified tax exempt variable rate of 55% of Lender's prime rate (capped at 8%) or at a bank qualified tax exempt fixed rate of 3.95% for seven years and reverts to the aforementioned variable rate or an agreed-upon negotiated fixed rate thereafter. As of December 31, 2018, the outstanding balance on the line of credit was \$138,814.

Using the interest rates in effect at December 31, 2018, the debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2019	\$ 75,000	\$ 2,481	\$ 77,481
2020	63,814	1,141	64,955
Totals:	\$ 138,814	\$ 3,622	\$ 142,436

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

**\$2,880,000 General Obligation Note Series 2011**

In April 2011, West Hanover Township issued a General Obligation Note-Series 2011, in the maximum principal amount of \$ 2,880,000 final maturity February 1, 2028. The proceeds of the Note were used to fund construction of a new fire station located at 7624 Jonestown Road, Harrisburg, PA 17112 and pay issuance costs on the Note. Interest is payable on the outstanding principal balance at a variable rate. Interest payments are due monthly and principal payments are due annually. As of December 31, 2018, the outstanding balance of the Note was \$595,000.

Using the interest rates in effect at December 31, 2018, the debt service requirements to maturity are as follows:

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2019	\$ 65,000	\$ 10,115	\$ 75,115
2020	70,000	9,010	79,010
2021	80,000	7,820	87,820
2022	80,000	6,460	86,460
2023	85,000	5,100	90,100
2024 - 2027	215,000	6,035	221,035
Totals:	<u>\$ 595,000</u>	<u>\$ 44,540</u>	<u>\$ 639,540</u>

**\$ 825,000 Infrastructure Bank Loan**

In March 2014, the Township obtained an infrastructure bank loan in the amount of \$825,000 from Dauphin County. The funds are to be used to fund the relocation of portions of Devonshire Heights and Douglas Roads, and the installation of a traffic signal at the intersection of State Route 39. Interest accrues on the outstanding balance at an annual rate of .5% until the final maturity date of January 1, 2024. The loan is evidenced by a Guaranteed Revenue Note issued by the Township. As of December 31, 2018, the outstanding balance on the loan was \$416,397.

Using the interest rates in effect at December 31, 2018, the debt service requirements to maturity are as follows:

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2019	\$ 82,451	\$ 2,082	\$ 84,533
2020	82,863	1,670	84,533
2021	83,277	1,255	84,532
2022	83,694	839	84,533
2023	84,112	421	84,533
Totals:	<u>\$ 416,397</u>	<u>\$ 6,267</u>	<u>\$ 422,664</u>

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

**\$7,510,000 General Obligation Bond Series 2015**

In March 2015, the Authority issued the General Obligation Bond Series of 2015 in the amount of \$7,510,000 in order to refinance the General Obligation Bonds Series 2011. The Series of 2015 Bonds are scheduled to mature in 2031 and interest rates range from .28% to 3.1%.

Pursuant to a Subsidy Agreement between the West Hanover Sewer and Water Authority and the Township, the Authority agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds when they become due from the receipts and revenues from the Authority's sewer system. The Township has pledged its full faith, credit and taxing power to the payment of the principal of and interest on the bonds.

The outstanding principal balance of the General Obligation Bond, Series of 2015 at December 31, 2018 totaled \$6,950,000.

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2019	\$ 215,000	\$ 183,483	\$ 398,483
2020	225,000	180,258	405,258
2021	220,000	176,601	396,601
2022	230,000	172,201	402,201
2023	235,000	167,602	402,602
2024 - 2028	3,140,000	697,095	3,837,095
2029 - 2031	2,685,000	165,675	2,850,675
Totals:	<u>\$ 6,950,000</u>	<u>\$ 1,742,915</u>	<u>\$ 8,692,915</u>

**Lease Payable 2016**

In November 2016, West Hanover Township entered into a lease payable in the amount of \$116,273. The proceeds of the lease were used to purchase a new 2016 International 7300 SFA Dump Truck with Accessories. Interest payments and principal payments are due annually. As of December 31, 2018, the outstanding balance of the lease was \$47,335. As of December 31, 2018 assets held through capital lease agreements totaled \$116,273 and accumulated depreciation for those assets totaled \$29,068.

The debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2019	\$ 23,263	\$ 1,644	\$ 24,907
2020	24,072	836	24,908
Totals:	<u>\$ 47,335</u>	<u>\$ 2,480</u>	<u>\$ 49,815</u>

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

**Lease Payable 2018**

In 2018, West Hanover Township entered into a lease payable in the amount of \$45,000. The proceeds of the lease were used to purchase a 2000 KME Rescue Engine. Interest payments and principal payments are due annually. As of December 31, 2018, the outstanding balance of the lease was \$45,000. As of December 31, 2018 assets held through capital lease agreements totaled \$45,000 and accumulated depreciation for those assets totaled \$4,500.

The debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31: 2019	\$ 45,000	\$ -	\$ 45,000
Totals:	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>

**Lease Payable 2018**

In 2018, West Hanover Township entered into a lease payable in the amount of 154,900. The proceeds of the lease were used to purchase a John Deere 624K-II Wheel Loader. Interest payments and principal payments are due annually. As of December 31, 2018, the outstanding balance of the lease was \$111,900. As of December 31, 2018 assets held through capital lease agreements totaled \$154,900 and accumulated depreciation for those assets totaled \$7,745.

The debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31: 2019	\$ 111,900	\$ -	\$ 111,900
Totals:	<u>\$ 111,900</u>	<u>\$ -</u>	<u>\$ 111,900</u>

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

**Lease Payable 2018**

In 2018, West Hanover Township entered into a lease payable in the amount of \$119,900. The proceeds of the lease were used to purchase a John Deere 410L Loader Backhoe. Interest payments and principal payments are due annually. As of December 31, 2018, the outstanding balance of the lease was \$70,953. As of December 31, 2018 assets held through capital lease agreements totaled \$119,900 and accumulated depreciation for those assets totaled \$5,995.

The debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2019	\$ 10,494	\$ 3,453	\$ 13,947
2020	11,004	2,943	13,947
2021	11,538	2,409	13,947
2022	12,098	1,849	13,947
2023	12,685	1,262	13,947
2024	13,134	646	13,780
Totals:	<u>\$ 70,953</u>	<u>\$ 12,562</u>	<u>\$ 83,515</u>

**Lease Payable 2018**

In 2018, West Hanover Township entered into a lease payable in the amount of \$63,003. The proceeds of the lease were used to purchase a Compact Track Loader. Interest payments and principal payments are due annually. As of December 31, 2018, the outstanding balance of the lease was \$52,673. As of December 31, 2018 assets held through capital lease agreements totaled \$63,004 and accumulated depreciation for those assets totaled \$3,150.

The debt service requirements to maturity are as follows:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2019	\$ 7,772	\$ 2,557	\$ 10,329
2020	8,150	2,179	10,329
2021	8,545	1,784	10,329
2022	8,960	1,369	10,329
2023	9,395	934	10,329
2024	9,851	478	10,329
Totals:	<u>\$ 52,673</u>	<u>\$ 9,301</u>	<u>\$ 61,974</u>

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

A summary of changes in long-term liabilities for the Township for the year ended December 31, 2018 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
General obligation bond debt	\$ 7,165,000	\$ -	\$ 215,000	\$ 6,950,000	\$ 215,000
General obligation note debt	770,000	-	175,000	595,000	65,000
Line of credit	333,814	-	195,000	138,814	75,000
Leases Payable	69,817	382,803	124,759	327,861	198,429
Infrastructure bank loan	498,437	-	82,040	416,397	82,451
Total Debt Payable	<u>8,837,068</u>	<u>382,803</u>	<u>791,799</u>	<u>8,428,072</u>	<u>635,880</u>
<b><u>Other Liabilities:</u></b>					
Compensated absences	21,863	50,555	51,029	21,389	-
Total Other Liabilities	<u>21,863</u>	<u>50,555</u>	<u>51,029</u>	<u>21,389</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 8,858,931</u>	<u>\$ 433,358</u>	<u>\$ 842,828</u>	<u>\$ 8,449,461</u>	<u>\$ 635,880</u>

**West Hanover Township Water and Sewer Authority**

The following is a summary of changes in long-term debt for the Authority for the year ended December 31, 2018.

	<u>Balance January 1</u>	<u>New Borrowings/ Refunding</u>	<u>Scheduled Redemptions</u>	<u>Balance December 31</u>	<u>Due within one year</u>
General Obligation Bond, Series of 2012	\$ 5,440,000	-	(485,000)	4,955,000	500,000
Lease Payable – West Hanover Township for General Obligation Bond Series 2015	7,165,000	-	(215,000)	6,950,000	215,000
Unamortized Premium	41,189	-	(3,169)	38,020	-
Total Long-Term Liabilities	<u>\$12,646,189</u>	<u>\$ -</u>	<u>\$ (703,169)</u>	<u>\$ 11,943,020</u>	<u>\$ 715,000</u>

**\$7,720,000 Guaranteed Sewer Revenue Bonds, Series 2012**

On November 20, 2012, the Authority issued Guaranteed Sewer Revenue Bonds in the amount of \$7,720,000 to currently refund the loan made by the Pennsylvania Infrastructure Investment Authority and currently refund the Authority's outstanding Sewer Revenue Note, Series 2006, and pay the costs of issuing the bonds. The Bonds are secured by current and future revenues of the Authority. The Township, as guarantor of this debt, must assist in repayment of these bonds should the Authority be unable to meet the obligation. Interest rates on the bonds range from .85% to 3.0%. The bonds are scheduled to mature in 2030. At December 31, 2018, the outstanding principal balance of the Guaranteed Sewer Revenue Bond, Series 2012 was \$4,955,000.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 9: LONG-TERM LIABILITIES (CONTINUED)

**\$7,510,000 General Obligation Bond Series 2015**

In March 2015, the Township, on behalf of the Authority approved the refinancing of the General Obligation Bonds Series 2011, and issued the General Obligation Bond Series of 2015 in the amount of \$7,510,000. The Bonds are scheduled to mature in 2031 and interest rates range from .28% to 3.1%. The targeted net savings of the refinancing is expected to be approximately \$352,000 over the life of the new debt. At December 31, 2018, the outstanding principal balance of the General Obligation Bond, Series 2015 was \$6,950,000.

Scheduled debt service requirements for the Authority are as follows:

Year	Principal	Interest	Total
2019	\$ 715,000	\$ 285,127	\$ 1,000,127
2020	735,000	273,052	1,008,052
2021	740,000	259,745	999,745
2022	760,000	245,495	1,005,495
2023	775,000	229,462	1,004,462
2024-2028	5,025,000	850,547	5,875,547
2029-2031	3,155,000	177,191	3,332,191
Totals	<u>\$ 11,905,000</u>	<u>\$ 2,321,405</u>	<u>\$ 14,226,405</u>

NOTE 10: INTERFUND OPERATING TRANSFERS AND BALANCES

Interfund transfers are executed in accordance with approved budgets to offset future operating and capital expenditures.

Transfers to/from other funds:

	Transfers from other funds	Transfers to other funds
Major Funds:		
General Fund	\$ -	\$ 152,000
Nonmajor Fund:		
Building Fund	75,000	
Exit 77	<u>77,000</u>	<u>-</u>
	<u>\$ 152,000</u>	<u>\$ 152,000</u>

Interfund balances at December 31, 2018 consisted of the following:

Due to/from other funds:

	Amount due from other funds	Amount due to other funds
Major Funds:		
General Fund	\$ -	\$ 56,330
Nonmajor Fund:		
Street Light	1,018	-
Hydrant	841	-
Fire Tax	7,618	-
Highway Aid	<u>46,853</u>	<u>-</u>
	<u>\$ 56,330</u>	<u>\$ 56,330</u>

WEST HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 10: INTERFUND OPERATING TRANSFERS AND BALANCES (CONTINUED)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 11: 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. No settlement exceeded insurance coverage since the Township's creation.

**West Hanover Township Water and Sewer Authority**

The Authority 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 Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. No settlement exceeded insurance coverage since the Authority's creation.

NOTE 12: COMMITMENTS

In the normal course of business, there are various claims and suits pending against the Township and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Township's financial position at December 31, 2018.

**West Hanover Township Water and Sewer Authority**

The Authority is committed under the following significant contracts for purchases and construction projects outstanding, excluding any accounts payable and accrued expenses (retainage payable) on those contracts, as of December 31, 2018.

<u>Projects</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding</u>
Houck Manor Sanitary Sewer Expansion	\$ 552,250	\$ 552,250

During the normal course of business, the Authority is subject to various disputes, claims and lawsuits. At December 31, 2018, there were no suits or threatened litigation that, in the opinion of management and legal council, will have a material affect on the Authority's financial condition.

WEST HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 13: CONTINGENT LIABILITY

During 2015 a Board of View awarded a plaintiff \$1,250,000 in a suit against the Township regarding a right-of-way complaint resulting from a highway construction project. The Township has appealed the judgement based on a number of legal issues that the Board of View failed to recognize. The Judge of de novo trial has ruled that the legal issues could be resolved at a trial on the damages. The Township has retained special counsel to vigorously contest this matter. Since it is not possible to determine the outcome of these matters, no provision has been made in these financial statements for their ultimate resolution. However, in management's opinion, the final resolution of this legal matter will not have a material adverse effect on the Township's net position.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 1, 2019, the date which the financial statements were available to be issued.

**West Hanover Township Water and Sewer Authority**

The Authority has evaluated subsequent events through June 3, 2019, the date which the financial statements were available to be issued. It is management's opinion that there are no subsequent events which require additional disclosure in the notes to financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

WEST HANOVER TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 2,357,000	\$ 2,357,000	\$ 2,665,654	\$ 308,654
Licenses and Permits	158,000	158,000	355,371	197,371
Fines and Forfeitures	1,500	1,500	2,881	1,381
Interest and Investment Earnings	12,000	12,000	87,767	75,767
Intergovernmental	248,676	248,676	272,879	24,203
Charges for Services	487,200	487,200	734,334	247,134
Miscellaneous Revenue	<u>15,000</u>	<u>15,000</u>	<u>21,903</u>	<u>6,903</u>
<b>Total Revenues</b>	<u>3,279,376</u>	<u>3,279,376</u>	<u>4,140,789</u>	<u>861,413</u>
<b>Expenditures</b>				
General Government	519,800	519,800	686,993	(167,193)
Community Development	183,150	183,150	217,921	(34,771)
Public Health and Safety	365,810	365,810	399,350	(33,540)
Public Works	889,491	889,491	1,502,624	(613,133)
Parks and Recreation	598,725	598,725	499,675	99,050
Benefits	626,000	626,000	363,688	262,312
Debt Service	<u>84,532</u>	<u>84,532</u>	<u>211,717</u>	<u>(127,185)</u>
<b>Total Expenditures</b>	<u>3,267,508</u>	<u>3,267,508</u>	<u>3,881,968</u>	<u>(614,460)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>11,868</u>	<u>11,868</u>	<u>258,821</u>	<u>246,953</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(152,000)	(152,000)	(152,000)	-
Lease proceeds	-	-	182,903	182,903
Insurance Claims	-	-	45,000	45,000
Refund of Prior Year Expenditures	<u>-</u>	<u>-</u>	<u>37</u>	<u>37</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(152,000)</u>	<u>(152,000)</u>	<u>75,940</u>	<u>227,940</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>\$ (140,132)</u>	<u>\$ (140,132)</u>	<u>\$ 334,761</u>	<u>\$ 474,893</u>

Note: This presentation does not include the approved budget or actual revenue or expenditures of the Township's operating reserve.

A reconciliation for the presentation above to the fund statement presented on page 24 is as follows:

Revenues, as presented above:	4,140,789
Interest income - operating reserve fund	<u>2,278</u>
Total General Fund Revenues - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,143,067</u>
Benefits, as allocated	
General Government	60,564
Community Development	40,046
Public Works	184,585
Parks and Recreation	<u>78,493</u>
Benefits, as presented above	<u>\$ 363,688</u>

WEST HANOVER TOWNSHIP  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 WSA G.O. BOND FUND  
 YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Interest and Investment Earnings	\$ -	\$ -	\$ -	\$ -
Sinking fund deposits	-	308,891	308,891	-
Total Revenues	-	308,891	308,891	-
<b>Expenditures</b>				
Debt Service	-	308,891	308,891	-
Total Expenditures	-	308,891	308,891	-
 Excess of Revenues Over (Under) Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

A reconciliation for the presentation above to the fund statement presented on page 24 is as follows:

Revenues, as presented above:	308,891
Authority sinking fund payments	(308,891)
Total W.S.A. G.O. Bond Fund Revenues - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ -
 Expenditures, as presented above:	 308,891
Debt service payments	(308,891)
Total W.S.A. G.O. Bond Fund Expenditures - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ -

**OTHER SUPPLEMENTARY INFORMATION**

WEST HANOVER TOWNSHIP  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018

	LST	Building	Capital Reserve	Exit 77	Hydrant Fund	Street Light	Highway Aid	Fire Tax	FILO	Total Non-Major Governmental Funds
<u>Assets</u>										
Cash and Cash Equivalents	\$ 529,476	\$ 116,396	\$ 662,484	\$ 191,303	\$ 20,125	\$ 38,485	\$ 634,148	\$ 432,880	\$ 280,196	\$ 2,905,493
Investments	157,699	-	-	-	-	-	-	78,226	-	235,925
Receivables										
Taxes	43,789	-	-	-	872	482	-	6,187	-	51,330
Other	5,725	-	-	83,250	-	-	-	-	-	88,975
Due from Other Funds	-	-	-	-	841	1,018	46,853	7,618	-	56,330
<b>Total Assets</b>	<b>\$ 736,689</b>	<b>\$ 116,396</b>	<b>\$ 662,484</b>	<b>\$ 274,553</b>	<b>\$ 21,838</b>	<b>\$ 39,985</b>	<b>\$ 681,001</b>	<b>\$ 524,911</b>	<b>\$ 280,196</b>	<b>\$ 3,338,053</b>
<u>Liabilities</u>										
Accounts Payable	\$ 412	\$ -	\$ -	-	\$ 3,128	\$ 5,034	\$ -	\$ 3,498	\$ -	\$ 12,072
Deferred Revenue	-	-	-	83,250	-	-	-	-	-	\$ 83,250
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>412</b>	<b>-</b>	<b>-</b>	<b>83,250</b>	<b>3,128</b>	<b>5,034</b>	<b>-</b>	<b>3,498</b>	<b>-</b>	<b>95,322</b>
<u>Fund Balances</u>										
Restricted	-	-	-	-	18,710	34,951	681,001	521,413	-	1,256,075
Committed	-	-	-	191,303	-	-	-	-	280,196	471,499
Assigned	736,277	116,396	662,484	-	-	-	-	-	-	1,515,157
<b>Total Fund Balances</b>	<b>736,277</b>	<b>116,396</b>	<b>662,484</b>	<b>191,303</b>	<b>18,710</b>	<b>34,951</b>	<b>681,001</b>	<b>521,413</b>	<b>280,196</b>	<b>3,242,731</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 736,689</b>	<b>\$ 116,396</b>	<b>\$ 662,484</b>	<b>\$ 274,553</b>	<b>\$ 21,838</b>	<b>\$ 39,985</b>	<b>\$ 681,001</b>	<b>\$ 524,911</b>	<b>\$ 280,196</b>	<b>\$ 3,338,053</b>

WEST HANOVER TOWNSHIP  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018

	LST	Building	Capital Reserve	Exit 77	Hydrant fund	Street Light	Highway Aid	Fire Tax	FILO	Total Non-Major Governmental Funds
<b>Revenues</b>										
Taxes	\$ 183,938	\$ -	\$ -	\$ -	\$ 38,172	\$ 60,330	\$ -	\$ 253,704	\$ -	\$ 536,144
Interest and Investment Earnings	11,407	2,343	11,854	3,407	655	1,153	13,244	3,928	126	48,117
Intergovernmental	-	125,000	-	125,000	-	-	408,201	-	-	658,201
Charges for Services	-	-	-	-	-	-	-	-	105,060	105,060
Miscellaneous	-	-	-	-	-	-	46,853	-	-	46,853
<b>Total Revenues</b>	<b>195,345</b>	<b>127,343</b>	<b>11,854</b>	<b>128,407</b>	<b>38,827</b>	<b>61,483</b>	<b>468,298</b>	<b>257,632</b>	<b>105,186</b>	<b>1,394,375</b>
<b>Expenditures</b>										
General Government	4,154	-	-	-	-	-	-	-	-	4,154
Public Health and Safety	28,281	-	-	-	36,250	-	-	146,304	-	210,835
Public Works	84,353	-	-	-	-	64,875	460,185	-	-	609,413
Parks and Recreation	-	-	-	-	-	-	-	-	19,445	19,445
Debt Service										
Principal	-	175,000	-	195,000	-	-	-	-	-	370,000
Interest	-	21,041	-	8,104	-	-	-	-	-	29,145
<b>Total Expenditures</b>	<b>116,788</b>	<b>196,041</b>	<b>-</b>	<b>203,104</b>	<b>36,250</b>	<b>64,875</b>	<b>460,185</b>	<b>146,304</b>	<b>19,445</b>	<b>1,242,992</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>78,557</b>	<b>(68,698)</b>	<b>11,854</b>	<b>(74,697)</b>	<b>2,577</b>	<b>(3,392)</b>	<b>8,113</b>	<b>111,328</b>	<b>85,741</b>	<b>151,383</b>
<b>Other Financing Sources (Uses)</b>										
Refund of prior years' expenditures	-	-	-	-	-	-	-	-	-	-
Proceeds from Long Term Debt	45,000	-	-	-	-	-	154,900	-	-	199,900
Operating Transfers In (Out)	-	75,000	-	77,000	-	-	-	-	-	152,000
<b>Total Other Financing Sources (Uses)</b>	<b>45,000</b>	<b>75,000</b>	<b>-</b>	<b>77,000</b>	<b>-</b>	<b>-</b>	<b>154,900</b>	<b>-</b>	<b>-</b>	<b>351,900</b>
<b>Net Change in Fund Balances</b>	<b>123,557</b>	<b>6,302</b>	<b>11,854</b>	<b>2,303</b>	<b>2,577</b>	<b>(3,392)</b>	<b>163,013</b>	<b>111,328</b>	<b>85,741</b>	<b>503,283</b>
<b>Fund Balances - January 1, 2018</b>	<b>612,720</b>	<b>110,094</b>	<b>650,630</b>	<b>189,000</b>	<b>16,133</b>	<b>38,343</b>	<b>517,988</b>	<b>410,085</b>	<b>194,455</b>	<b>2,739,448</b>
<b>Fund Balances - December 31, 2018</b>	<b>\$ 736,277</b>	<b>\$ 116,396</b>	<b>\$ 662,484</b>	<b>\$ 191,303</b>	<b>\$ 18,710</b>	<b>\$ 34,951</b>	<b>\$ 681,001</b>	<b>\$ 521,413</b>	<b>\$ 280,196</b>	<b>\$ 3,242,731</b>