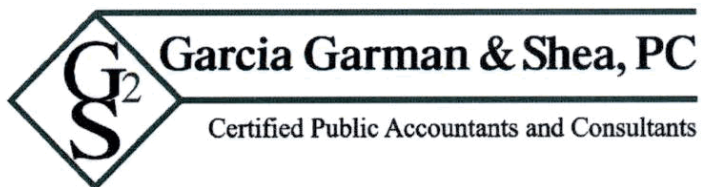


MILLCREEK TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2019

MILLCREEK TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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Vincent M. Garcia, CPA
Matthew P. Garman, CPA
Angela K. Shea, CPA
Kelly A. Miller, CPA

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Millcreek Township
Newmanstown, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Millcreek Township as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek Township, as of December 31, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of Millcreek Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. These primary government financial statements do not include financial data for the Township's legally separate component units, which are required to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the modified cash basis financial position of the reporting entity of the Township, as of December 31, 2019, the changes in its modified cash basis financial position or, where applicable, its cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

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

Other-Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Millcreek Township's basic financial statements. The budgetary comparison information and historical pension information on pages 29 through 33, which are the responsibility of management, are presented for additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the budgetary comparison information and the historical pension 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.

Millcreek Township has not presented management's discussion and analysis that, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements is not affected by this missing information.

Garcia Garman & Shea, PC

Lebanon, Pennsylvania
March 24, 2020

MILLCREEK TOWNSHIP
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 584,563
Total current assets	<u>584,563</u>

NON-CURRENT ASSETS

Capital assets	
Depreciable buildings, property and equipment, net	<u>642,139</u>
Total assets	<u><u>\$ 1,226,702</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Payroll taxes and other withholdings	\$ 1,650
Escrow payable	4,306
Current portion of long-term obligations	
Notes	<u>42,590</u>
Total current liabilities	48,546

NON-CURRENT LIABILITIES

Non-current portion of long-term obligations	
Notes	<u>90,174</u>
Total liabilities	<u>138,720</u>

NET POSITION

Invested in capital assets, net of related debt	509,375
Restricted net position	
Street Light	74,486
Hydrant	8,909
Highway Aid	117,740
Parks and Recreation	5,000
Unrestricted net position	<u>372,472</u>
Total net position	<u>1,087,982</u>
Total liabilities and net position	<u><u>\$ 1,226,702</u></u>

See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 185,185	\$ 841	\$ 42,510	\$ -
Public safety	292,208	6,156	28,085	-
Public works	607,553	-	220,879	-
Culture and recreation	20,125	1,730	5,250	-
Community development	750	-	-	-
Insurance	30,642	-	-	-
Employee benefits	267,677	-	-	-
Interest on long-term debt	6,704	-	-	-
Total primary government	\$ 1,410,843	\$ 8,727	\$ 296,724	\$ -

General revenues

Taxes

Property taxes, levied for general purpose

Earned income taxes, levied for general purpose

Other enabling taxes, levied for general purpose

Franchise taxes

Public service taxes

Investment earnings

Miscellaneous

Total general revenues, special items, and transfers

Change in net position

Net position, beginning

Net position, ending

See accompanying notes to the financial statements.

Net (Expense) Revenue and
Changes in Net Position
Primary Government

Governmental Activities	Total
----------------------------	-------

\$ (141,834)	\$ (141,834)
(257,967)	(257,967)
(386,674)	(386,674)
(13,145)	(13,145)
(750)	(750)
(30,642)	(30,642)
(267,677)	(267,677)
(6,704)	(6,704)
<hr/>	
(1,105,392)	(1,105,392)
<hr/>	

403,127	403,127
489,892	489,892
118,701	118,701
55,603	55,603
57,661	57,661
974	974

-	-
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1,125,958	1,125,958
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20,566	20,566
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1,067,416	1,067,416
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\$ 1,087,982	\$ 1,087,982
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See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Highway Aid	Street Light	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 331,711	\$ 117,702	\$ 76,011	\$ 59,139	\$ 584,563
Due from other funds	1,911	38	12	-	1,961
Total current assets	<u>\$ 333,622</u>	<u>\$ 117,740</u>	<u>\$ 76,023</u>	<u>\$ 59,139</u>	<u>\$ 586,524</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Due to other funds	\$ 38	\$ -	\$ 1,537	\$ 386	\$ 1,961
Escrow payable	4,306	-	-	-	4,306
Payroll taxes and other withheld	1,650	-	-	-	1,650
Total liabilities	<u>5,994</u>	<u>-</u>	<u>1,537</u>	<u>386</u>	<u>7,917</u>
FUND BALANCES					
Restricted					
Highway Aid	-	117,740	-	-	117,740
Street Light	-	-	74,486	-	74,486
Hydrant	-	-	-	8,909	8,909
Parks and Recreation	5,000	-	-	-	5,000
Committed	-	-	-	49,844	49,844
Unassigned	322,628	-	-	-	322,628
Total fund balances	<u>327,628</u>	<u>117,740</u>	<u>74,486</u>	<u>58,753</u>	<u>578,607</u>
Total liabilities and fund balances	<u>\$ 333,622</u>	<u>\$ 117,740</u>	<u>\$ 76,023</u>	<u>\$ 59,139</u>	<u>\$ 586,524</u>

See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Governmental funds balance total	\$	578,607
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Governmental funds do not include capital assets and accumulated depreciation; however, they are included in the government-wide statement of net position:

Capital assets	\$	1,884,392	
Accumulated depreciation		<u>(1,242,252)</u>	
			642,139

Governmental funds do not include long-term debt; however, it is included in the government-wide statement of net position		<u>(132,764)</u>
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Net position	\$	<u><u>1,087,982</u></u>
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See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Highway Aid	Street Light	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,011,720	\$ -	\$ 49,586	\$ 8,075	\$ 1,069,381
Licenses and permits	55,603	-	-	-	55,603
Fines	6,156	-	-	-	6,156
Interest and rents	293	100	42	539	974
Grants and gifts	93,610	203,114	-	-	296,724
Other revenue	2,571	-	-	-	2,571
Total revenues	1,169,953	203,214	49,628	8,614	1,431,409
EXPENDITURES					
Administration	128,992	-	-	-	128,992
Tax collection	15,091	-	1,535	252	16,878
Municipal buildings	20,515	-	-	-	20,515
Protection to persons and property	277,639	-	-	8,481	286,120
Highways and streets	343,877	182,115	-	-	525,992
Library contribution	750	-	-	-	750
Employee payroll taxes and benefits	267,677	-	-	-	267,677
Insurance	30,642	-	-	-	30,642
Street lighting	-	-	44,806	-	44,806
Parks and recreation	18,897	-	-	-	18,897
Debt service					
Principal	23,280	17,729	-	-	41,009
Interest	4,044	2,660	-	-	6,704
Total expenditures	1,131,404	202,504	46,341	8,733	1,388,982
Excess (deficiency) of revenues over expenditures	38,549	710	3,287	(119)	42,427
Transfers in	-	-	-	23,500	23,500
Transfers (out)	(23,500)	-	-	-	(23,500)
Net change in fund balances	15,049	710	3,287	23,381	42,427
Fund balances, beginning	312,579	117,030	71,199	35,372	536,180
Fund balances, ending	\$ 327,628	\$ 117,740	\$ 74,486	\$ 58,753	\$ 578,607

See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

Net change in fund balances, governmental funds	\$	42,427
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Governmental fund statements include capital acquisitions as expenditures whereas on the government-wide statements they are included in capital assets on the statement of net position and depreciation is included as an expense:

Asset purchases (less financing)	\$	15,934	
Depreciation expense		<u>(78,803)</u>	
			(62,869)

In the governmental fund statements, the incurrence of debt is considered a financing source and the payment of debt principal as an expenditure whereas on the government-wide statements they are considered as additions and reductions of liabilities, respectively:

Principal payments		<u>41,008</u>
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Change in net position, statement of activities	\$	<u><u>20,566</u></u>
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See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Police Pension Fund	Non-Uniformed Pension Fund	Total Fiduciary Funds
ASSETS			
Investments at fair value with PMRS	\$ 569,885	\$ 385,040	\$ 954,925
NET POSITION			
Net position held in trust for pension benefits	\$ 569,885	\$ 385,040	\$ 954,925

See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Police Pension Fund	Non-Uniformed Pension Fund	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 36,896	\$ 6,907	\$ 43,803
Commonwealth	60	40	100
Member	-	2,373	2,373
Investment income (loss), interest	(39,682)	(25,727)	(65,409)
Total additions	(2,726)	(16,407)	(19,133)
DEDUCTIONS			
Administrative expenses	1,348	979	2,327
Benefit payments	-	10,750	10,750
Total deductions	1,348	11,729	13,077
Net decrease	(4,074)	(28,136)	(32,210)
Net position, beginning	573,959	413,176	987,135
Net position, ending	\$ 569,885	\$ 385,040	\$ 954,925

See accompanying notes to the financial statements.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Millcreek Township conform to the modified cash basis of accounting. The following summary of significant accounting policies of Millcreek Township is presented to assist in understanding the Township's financial statements. The financial statements and notes are representations of the Township's management who is responsible for their integrity and objectivity.

Reporting Entity

The combined financial statements of the Township include all funds, functions and activities to which the Board of Supervisors has oversight responsibility. The criteria for such oversight responsibility are financial interdependency, selection of governing authority, designation of management, significant influence on operations and accountability for fiscal matters.

Newmanstown Water Authority and Millcreek-Richland Joint Authority are considered component units of Millcreek Township. Their financial statements are on file at the Township office.

Fund Accounting

The Township of Millcreek uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operation of each fund is accounted for within a set of self-balancing accounts.

The Township's governmental funds are grouped as follows:

Major Governmental Funds

- 1) General Fund is the general operating fund of the Township. It is utilized to account for all revenues and expenditures except those required to be accounted for in another fund.
- 2) Highway Aid Fund is a Special Revenue Fund used to account for revenues and expenditures related to street repair and maintenance.
- 3) Street Light Fund is a Special Revenue Fund used to account for revenues and expenditures related to street lighting and maintenance.

Non-Major Governmental Funds

- 1) Hydrant Fund is a Special Revenue Fund used to account for revenues and expenditures related to street hydrants and maintenance.
- 2) Capital Projects Fund is used to account for revenues and expenditures related to the construction of or acquisition of equipment or construction projects.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the Township as a trustee or agent for other funds or governmental entities.

- Uniformed Pension Fund – This fund accounts for the activities of the uniformed pension plan, which accumulates resources for pension benefits payments to qualified employees.
- Non-Uniformed Pension Fund – This fund accounts for the activities of the non-uniformed pension plan, which accumulates resources for pension benefits payments to qualified employees.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government. The government-wide statements account for capital assets, accumulated depreciation and long-term debt on the Statement of Financial Position and depreciation in the Statement of Activities. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expense and program revenues for each function or program of the governmental activities of the Township. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements for a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the Township.

Fund Financial Statements

Fund financial statements report detailed information about the Township. Their focus is on major funds rather than reporting by fund type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

Basis of Accounting

The Township uses a modified cash accounting system for the General Fund. Modifications in such method from the accrual basis follow:

- Revenues are recorded as collected or received.
- Expenditures are recorded as cash is disbursed, not when incurred. Prepaid expenses are not recorded; they are considered an expense of the period in which they are paid.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets and Depreciation

General fixed assets are recorded as expenditures in the respective fund at time of purchase. Purchased buildings, vehicles and assets are listed at cost. In the government-wide statements, all reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Land improvements	30 years
Building and improvements	12 to 40 years
Furniture and equipment	5 to 20 years
Vehicles	8 to 20 years
Infrastructure	10 to 50 years

The cost of building and maintaining infrastructure assets, roads, bridges, sidewalks and similar assets, is recorded as an expenditure in the respective fund at the time of acquisition. Infrastructure assets are required to be capitalized prospectively. The threshold for capitalization of infrastructure is established at \$55,000. The threshold for capitalization of other long-lived assets is \$500. Activity related to capital assets for the year ended December 31, 2019 was as follows:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Governmental activities				
Land	\$ 79,025	\$ -	\$ -	\$ 79,025
Land improvements	52,777	-	-	52,777
Furniture and equipment	479,513	15,934	-	495,447
Automotive equipment	635,374	-	-	635,374
Buildings	203,286	-	-	203,286
Infrastructure	418,483	-	-	418,483
Total cost	1,868,458	15,934	-	1,884,392
Less accumulated depreciation				
Land improvements	41,142	888	-	42,030
Furniture and equipment	263,538	27,908	-	291,446
Automotive equipment	473,245	14,570	-	487,815
Buildings	107,434	5,243	-	112,677
Infrastructure	278,090	30,194	-	308,284
Total accumulated depreciation	1,163,449	78,803	-	1,242,252
Capital assets, net	\$ 705,008	\$ (62,869)	\$ -	\$ 642,139

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Depreciation expense was charged to governmental functions as follows:

Recreation	\$ 1,228
Police	6,088
Highway	52,689
General	<u>18,799</u>
Total	<u><u>\$ 78,803</u></u>

Interfund Activity

Transfers between governmental and business-type activities on government-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Cash and Cash Equivalents

The Township considers cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash that mature within three months or less.

Restricted Resources

The Township utilizes restricted resources first on those occasions where both restricted and unrestricted resources are available for the same purpose.

Pension Plans

The Township has two pension plans that cover police and non-uniform employees.

Government-wide Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Budgets

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. Prior to the beginning of each fiscal year, an annual budget is adopted for the governmental funds. No budget revisions were made between the original and final budget during the year. Appropriations lapse at the end of the year.

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The Township is permitted to invest funds consistent with sound business practices in the following types of investments:

- 1) Obligations of (a) the United States of America, (b) the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed respectively by their full faith and credit.
- 2) Deposits in savings, time deposit or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or Township policy.

At year end, the carrying amount of the Township's cash and deposits in all fund types was \$584,563 and the bank balance was \$595,612 of which \$250,000 was fully insured and \$291,302 was collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Township's name. When collateral is required in excess of insurance limits, the requirements of Act 72 of 1971 are followed with respect to pooling, custody and type of collateral. The remaining \$54,310 was with the Pennsylvania Local Government Investment Trust (PLGIT) and not categorized as discussed below.

Investments in PLGIT were not categorized because they are not evidenced by securities that exist in physical or book entry form. This fund invests in U.S. Treasury and agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. As of December 31, 2019, the Township's investment in PLGIT was rated AAAM by Standard & Poor's.

The Township places no limit on the amounts invested in any one issuer. The Township's deposits in Fulton Bank represented 90.9% of the Township's total investments.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS *(continued)*

The Weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within an investment type. The WAM for investments held by PLGIT was under 60 days as of December 31, 2019.

The Township does not have a formal investment policy that limits investment maturities as a means of managing changing interest rates, addresses custodial credit risk, concentration of credit risk, or foreign currency risk.

NOTE 3 – PROPERTY TAXES

Based upon assessed valuations provided by the county, the tax collector bills and collects taxes on behalf of the Township. The schedule for property taxes levied for 2019 is as follows:

Tax levy date	March 1, 2019
2% discount period	Through April 30, 2019
Face payment period	Through June 30, 2019
10% penalty period	Beginning July 1, 2019
Lien filing date	January 1, 2020

The Township tax rate in 2019 was 1.33 (\$1.33 per \$1,000 assessed value).

NOTE 4 – LONG-TERM DEBT

(A) On March 29, 2017, the Board of Supervisors entered into a capital lease agreement to John Deere Financial requiring annual payments of \$20,389, commencing March 31, 2017 and continuing through March 31, 2022. The purpose of the lease was to purchase a 710L loader backhoe.

(B) On June 1, 2017, the Board of Supervisors entered into a loan obligation to Daimler Truck Financial in the amount of \$148,673, requiring annual payments of \$27,324 with interest of 4.086% through June 1, 2022. The purpose of the loan was to purchase a 2018 Freightliner truck.

Changes to long-term debt are as follows:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19	Amounts Due in One Year
Equipment Lease - (A)	\$ 74,789	\$ -	\$ (17,728)	\$ 57,061	\$ 18,359
Equipment Loan - (B)	98,983	-	(23,280)	75,703	24,231
	<u>\$ 173,772</u>	<u>\$ -</u>	<u>\$ (41,008)</u>	<u>\$ 132,764</u>	<u>\$ 42,590</u>

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – LONG-TERM DEBT *(continued)*

The following is a schedule of the required Debt Service for the next five years:

Loan	2020	2021	2022	2023	2024	Total
Principal						
(A)	\$ 18,359	\$ 19,012	\$ 19,690	\$ -	\$ -	\$ 57,061
(B)	24,231	25,221	26,251	-	-	75,703
Interest						
(A)	2,029	1,377	700	-	-	4,106
(B)	3,093	2,103	1,073	-	-	6,269
Total	\$ 47,712	\$ 47,713	\$ 47,714	\$ -	\$ -	\$ 143,139

Long-term debt is liquidated from the General Fund.

NOTE 5 – FUND BALANCE

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

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.

Unassigned fund balance – amounts available for any purpose. Positive amounts are reported only in the General Fund.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 – FUND BALANCE *(continued)*

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Township will typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

At December 31, 2019, the Township had \$49,844 committed to future capital projects.

NOTE 6 – PENSION PLANS

The Township maintains two defined benefit pension plans. The Police Pension Plan covers all of its full-time police officers. The Non-Uniformed Pension Plan, covers all of the Township's general full-time employees. The assets of the plans are not commingled. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (the Act).

Basis of Accounting

The plans' financial statements are prepared on the accrual basis of accounting. Contributions to the plans are recognized when due as required by the Act. Benefits are recognized when due and payable in accordance with the terms of the individual plans.

Method used to Value Investments

Investments are reported at fair value. All of the Plans' assets are held in trust with PMRS and are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS' separately issued CAFR.

Funding Standards and State Aid

The Township is required to make annual contributions to the plan pursuant to Act 205, which specifies minimum funding standards for municipal pension plans in the Commonwealth. Act 205 requires the Township to budget and contribute to the plan the minimum municipal obligation, which includes both the normal cost of the plan and an amortization contribution sufficient to amortize unfunded liabilities by target dates established under the Act.

Act 205 also establishes a general municipal pension system state aid program, financed by a tax on the premiums of casualty and fire insurance policies sold in the Commonwealth. The Township is eligible for this aid for each of its pension plans; however, the ultimate obligation to contribute the minimum municipal obligation to the plans is the Township's.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Plan Membership

Membership of each plan consisted of the following at December 31, 2018, the date of the latest actuarial valuations:

	<u>Non-Uniformed</u>	<u>Police Pension</u>
Active plan members	5	2
Retiree beneficiaries currently receiving benefits	2	-
Terminated plan members entitled to benefits but not yet receiving them	-	1
	<hr/>	<hr/>
Total	<u>7</u>	<u>3</u>

Plan Administration

The plans are governed by Township Supervisors which may amend plan provisions, subject to collective bargaining and to Act 600, *the Municipal Police Pension Law* and Act 205, *the Municipal Pension Plan Funding Standard and Recovery Act*, for the Uniformed and Non-Uniformed plans respectively. The Plans participate in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office; P.O. Box 1165, Harrisburg, PA 17108-1165.

Benefits Provided

The Police Plan covers all full-time members of the police force upon employment, and provides retirement, disability, and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement upon attaining age 55 and 12 years of vesting service. The normal retirement benefit is calculated by multiplying the member's final salary by all years of credited service and multiplying by the benefit accrual rate of 2%, not to exceed 50% of the member's final salary. Upon death, the retiree's spouse or eligible child receives a benefit equal to 50% of the member's benefit. Active members who become disabled in the line of duty are eligible for disability pension benefits equal to 50% of the member's monthly salary at the time of disability. If an active member is eligible for retirement on the date of death, monthly death benefits are payable to his/her surviving spouse or eligible child equal to 50% of the monthly benefit the member would have been receiving if retired at the time of death.

The Non-Uniformed Plan covers all of the Township's general full-time employees, and provides retirement, disability, and death benefits to plan members and their beneficiaries.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Members are eligible for normal retirement upon attaining age 65. Retirement benefits are determined as 1% of the member's final salary multiplied by all years of credited service. Upon death, a survivor monthly annuity death benefit will be paid to the member's surviving spouse equal to the amount that would have been paid had the member terminated employment on the date of death and was eligible for retirement with a qualified joint and 50% survivor annuity in effect. A single sum death benefit equal to the member's transfer value will be paid if the participant does not meet requirements of the survivor annuity death benefit. Active members who become disabled in the line of duty are eligible for disability pension benefits equal to 50% of the member's monthly salary at the time of disability. Active members who have a non-service disability are eligible for disability pension benefits equal to 30% of the member's monthly salary at the time of disability.

The plan administrator will only take into account the first \$275,000 of compensation, as adjusted for cost-of-living increases in accordance with IRC Section 401(a)(17) of any participant's annual compensation for determining all benefits provided under the plan for the applicable 12 month period.

Vesting

Police Plan member's benefits vest upon completion of 12 years of vesting service. Non-Uniformed Plan member's benefits vest upon completion of 10 years of vesting service.

Contributions

Police Plan member contributions are 0% of pay, effective January 1, 2015. Member contributions to the plan may be suspended if an actuarial study shows the plan to have sufficient assets to fund plan benefits. Police Plan members' contributions, if any, are credited with 5.5% annual interest. Contributions include \$40,964 in state pension aid for the year ended December 31, 2018.

Non-uniformed employees shall contribute 3% of their total compensation. If sufficient funds exist, the Township may annually elect to lower or waive the required member contribution rate by adopting a resolution and filing it with the Board.

Concentrations

Concentrations are defined as investments held by the Plan, other than those issued or explicitly guaranteed by the U.S. Government, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2018, there were no concentrations of investments in the Plan.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on Uniformed and Non-Uniformed Plans' investments, net of pension plan investment expense, was -4.57%%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Investment Policy

The Plans' policy in regard to the allocation of invested assets is established and may be amended by PMRS's Board. The following was the PMRS's adopted asset allocation policy for the Plan as of December 31, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
Large capitalized firms	25.0%	4.6%
Small capitalized firms	15.0	7.3%
International developed markets	15.0	3.5%
Emerging markets	10.0	8.3%
Fixed income	15.0	1.1%
Real estate	20.0	5.4%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plans' fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

	Schedule of Investment Returns				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Actual Money Rated Rate of Return, Net of Investment Expenses	-4.57%	17.84%	8.23%	0.10%	5.70%

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Net Pension Liability

Net pension liability for non-uniformed and police at December 31, 2018, was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Non-Uniformed Pension Plan			
Balances at December 31, 2017	\$ 363,930	\$ 413,176	\$ (49,246)
Changes for the year:			
Service cost	8,962	-	8,962
Interest on the total pension liability	19,298	-	19,298
Changes of benefits	4,228	-	4,228
Differences between expected and actual experience	(24)	-	(24)
Contributions - employer		6,947	(6,947)
Contributions - employees		2,373	(2,373)
PMRS investment income	-	19,705	(19,705)
Market value investment income	-	(45,432)	45,432
Benefit payments	(10,750)	(10,750)	-
Pension plan administrative expense	-	(979)	979
Net changes	21,714	(28,136)	49,850
Balances at December 31, 2018	\$ 385,644	\$ 385,040	\$ 604

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Police Pension Plan			
Balances at December 31, 2017	\$ 634,309	\$ 573,959	\$ 60,350
Changes for the year:			
Service cost	25,659	-	25,659
Interest on the total pension liability	34,648	-	34,648
Differences between expected and actual experience	11,481	-	11,481
Contributions - employer		36,896	(36,896)
Contributions - PMRS assessment		60	(60)
PMRS investment income	-	28,856	(28,856)
Market value investment income	-	(68,538)	68,538
Pension plan administrative expense	-	(1,348)	1,348
Net changes	71,788	(4,074)	75,862
Balances at December 31, 2018	\$ 706,097	\$ 569,885	\$ 136,212

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Pension Expense

Pension expense calculated under GASB 68 for the Plan at December 31, 2018, was as follows:

Year Ended December 31, 2018	Non-Uniformed Pension	Police Pension
Service cost	\$ 8,962	\$ 25,659
Interest on the total pension liability	19,298	34,648
Change of benefit terms	4,228	-
Difference between expected and actual experience	(914)	8,747
Changes of assumptions	1,305	(574)
Member contributions	(2,373)	-
Projected earnings on pension plan investments	(19,705)	(28,856)
Difference between projected and actual earnings on investments	2,782	6,151
Pension plan administrative expense	979	1,348
Other changes in fiduciary net position	-	-
	<hr/>	<hr/>
Pension expense	\$ 14,562	\$ 47,123

Net Pension Liability

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

Description	Non-Uniformed	Police Pension
Total Pension Liability	\$ 385,644	\$ 706,097
Plan Fiduciary Net Position	385,040	569,885
	<hr/>	<hr/>
Net Pension (Asset) Liability	\$ 604	\$ 136,212
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100%	81%

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

For the year ended December 31, 2018, the Township would recognize pension expense of \$47,123 and \$14,562 for the Police Plan and Non-Uniformed Plan under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, respectively.

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

Police Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,374	\$ 35,768
Changes in assumptions	14,884	15,732
Net difference between projected and actual investment earnings	-	22,840
Contributions subsequent to the measurement date	34,067	-
	<u>\$ 50,325</u>	<u>\$ 74,340</u>

At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to the Non-Uniformed Plan from the following sources:

Non-Uniformed Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,856	\$ 1,007
Changes in assumptions	15	2,628
Net difference between projected and actual investment earnings	-	11,678
Contributions subsequent to the measurement date	6,897	-
	<u>\$ 10,768</u>	<u>\$ 15,313</u>

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

The Township reported \$34,067 and \$6,897 for the Police Plan and Non-Uniformed Plan, respectively, as deferred outflows of resources related to pensions resulting from Township's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Non-Uniformed Pension	Police Pension
2019	\$ 3,139	\$ 14,012
2020	(1,465)	9,094
2021	684	10,547
2022	9,084	16,214
2023	-	6,574
Thereafter	-	1,641
	\$ 11,442	\$ 58,082

Actuarial Assumptions

	Non-Uniformed Pension	Police Pension
Actuarial Valuation Date	December 31, 2015	December 31, 2015
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level Dollar based upon the amortization periods in Act 205	Level Dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves	Based upon the municipal reserves
Pre-Retirement Mortality	RP 2000, Males Non-Annuitant table projected 15 years with Scale AA, Females Non-Annuitant table projected 15 years with Scale AA and then setback 5 years.	RP 2000, Males Non-Annuitant table projected 15 years with Scale AA, Females Non-Annuitant table projected 15 years with Scale AA and then setback 5 years.
Post-Retirement Mortality	Sex Distinct RP 2000 Combined Healthy Mortality	Sex Distinct RP 2000 Combined Healthy Mortality
Actuarial Assumptions		
Discount Rate	5.50%	5.50%
Inflation	3.00%	3.00%
Projected Salary Increases	Age-related scale for merit/seniority including inflation	Age-related scale for merit/seniority including inflation
COLA Increases	3.0 % for those eligible for a COLA	3.0% for those eligible for a COLA

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – PENSION PLANS *(continued)*

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Police Plan's net pension liability calculated using the discount rate of 5.25%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability - Police Plan	\$ 265,571	\$ 136,212	\$ 30,510

The following presents the Non-Uniformed Plan's net pension liability calculated using the discount rate of 5.25%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability - Non-Uniformed Plan	\$ 32,695	\$ 604	\$ (27,505)

NOTE 7 – DEFERRED COMPENSATION PLAN

The Township offers employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits the employees to voluntarily defer a percentage of their salary until future years. The Township matches employee contributions into the Plan up to 3%. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The compensation deferred is managed by outside trustees under various investment options. As a result, the deferred compensation plan is excluded from the accompanying financial statements.

MILLCREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The Township has no material violations of finance related legal and contractual provisions.

Deficit Net Position

The Township does not have any deficit in net position.

Excess of Expenditures over Appropriations

Increased cost relating to legal fees, equipment purchases and snow/ice supplies attributed to the Township's expenditures exceeding the appropriations.

NOTE 9 – CONTINGENCIES AND COMMITMENTS

In 2016, the Township entered into agreements to guarantee a certain portion of the Guaranteed Sewer Revenue Bonds Series of 2016 of the Millcreek-Richland Joint Authority (a component unit of Millcreek Township). The guarantee, in the amount of \$5,484,500, is backed by the full faith, credit and taxing power of the Township. The bonds were issued for the purpose of refinancing debt related to the construction additions, extensions, and improvements to the sanitary sewage system of the Authority, a portion of which serves the Township, and paying related costs and expenses. The bond has a final maturity of August 1, 2036. The outstanding balance on the bonds as of December 31, 2019, was \$7,835,000, of which the Township guarantees \$5,484,500.

REQUIRED SUPPLEMENTAL INFORMATION

MILLCREEK TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL - MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund		
	Budget	Actual	Variance Over (Under)
REVENUES			
Taxes	\$ 1,013,890	\$ 1,011,720	\$ (2,170)
Licenses and permits	57,050	55,603	(1,447)
Fines	8,500	6,156	(2,344)
Interest and rents	95	293	198
Grants and gifts	84,939	93,610	8,671
Other revenue	2,550	2,571	21
Other financing sources	-	-	-
Total revenues	1,167,024	1,169,953	2,929
EXPENDITURES			
Administration	123,996	128,992	(4,996)
Tax collection	17,100	15,091	2,009
Municipal buildings	34,855	20,515	14,340
Protection to persons and property	288,151	277,639	10,512
Highways and streets	333,626	343,877	(10,251)
Library contribution	750	750	-
Employee payroll taxes and benefits	287,319	267,677	19,642
Insurance	30,691	30,642	49
Street lighting	-	-	-
Parks and recreation	18,212	18,897	(685)
Debt service			
Principal	23,280	23,280	-
Interest	4,044	4,044	-
Total expenditures	1,162,024	1,131,404	30,620
Excess of revenues (under) over expenditures	5,000	38,549	33,549
OTHER FINANCING (USES)			
Refund of prior year revenues	-	-	-
Transfers (to) from other funds	(5,000)	(23,500)	(18,500)
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	15,049	\$ 15,049
Fund balance, beginning		312,579	
Fund balance, ending		\$ 327,628	

Special Revenue - Major Funds			Totals		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 48,493	\$ 49,586	\$ 1,093	\$ 1,062,383	\$ 1,061,306	\$ (1,077)
-	-	-	57,050	55,603	(1,447)
-	-	-	8,500	6,156	(2,344)
27	142	115	122	435	313
196,750	203,114	6,364	281,689	296,724	15,035
-	-	-	2,550	2,571	21
-	-	-	-	-	-
245,270	252,842	7,572	1,412,294	1,422,795	10,501
-	-	-	123,996	128,992	(4,996)
1,550	1,535	15	18,650	16,626	2,024
-	-	-	34,855	20,515	14,340
-	-	-	288,151	277,639	10,512
176,381	182,115	(5,734)	510,007	525,992	(15,985)
-	-	-	750	750	-
-	-	-	287,319	267,677	19,642
-	-	-	30,691	30,642	49
46,950	44,806	2,144	46,950	44,806	2,144
-	-	-	18,212	18,897	(685)
17,729	17,729	-	41,009	41,009	-
2,660	2,660	-	6,704	6,704	-
245,270	248,845	(3,575)	1,407,294	1,380,249	27,045
-	3,997	3,997	5,000	42,546	37,546
-	-	-	-	-	-
-	-	-	(5,000)	(23,500)	(18,500)
\$ -	3,997	\$ 3,997	\$ -	19,046	\$ 19,046
	188,229			500,808	
	\$ 192,226			\$ 519,854	

MILLCREEK TOWNSHIP
SCHEDULE OF EMPLOYER CONTRIBUTIONS -
NON-UNIFORMED AND POLICE PENSION PLANS

POLICE PENSION PLAN

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
December 31, 2010	\$ 24,160	\$ 24,160	\$ -		
December 31, 2011	27,751	27,751	-		
December 31, 2012	29,152	29,152	-		
December 31, 2013	31,290	31,290	-		
December 31, 2014	26,304	26,304	-	\$ 136,004	19.34%
December 31, 2015	29,795	29,795	-	150,918	19.74
December 31, 2016	30,737	30,737	-	159,216	19.31
December 31, 2017	37,695	37,695	-	161,547	23.33
December 31, 2018	36,956	36,956	-	169,839	21.76
December 31, 2019	34,067	34,067	-	146,058	23.32

NON-UNIFORMED PENSION PLAN

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
December 31, 2010	\$ 7,970	\$ 7,970	\$ -		
December 31, 2011	6,531	6,531	-		
December 31, 2012	9,347	9,347	-		
December 31, 2013	7,009	7,009	-		
December 31, 2014	7,679	8,009	(330)	\$ 216,847	3.69%
December 31, 2015	7,810	7,810	-	217,354	3.59
December 31, 2016	8,024	8,024	-	236,894	3.39
December 31, 2017	6,974	6,974	-	228,247	3.06
December 31, 2018	6,907	6,907	-	237,266	2.91
December 31, 2019	2,948	6,897	(3,949)	189,543	3.64

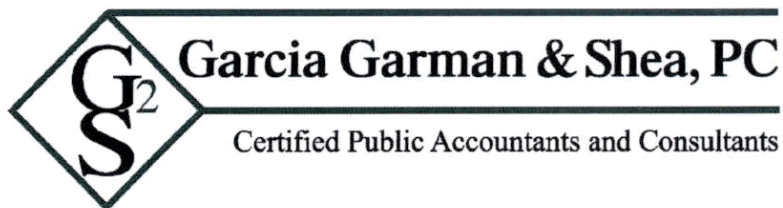
MILLCREEK TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
POLICE PENSION PLAN

Police Pension	12/31/2018	12/31/2017	12/31/2016	12/31/2015
TOTAL PENSION LIABILITY				
Service cost	\$ 25,659	\$ 24,406	\$ 22,704	\$ 26,976
Interest	34,648	31,640	28,089	26,993
Differences between expected and actual experience	11,481	-	14,299	(2,746)
Changes of assumptions	-	-	25,173	(29,768)
Benefit payments, including refunds of employee contributions	-	-	-	-
Net change in total pension liability	71,788	56,046	90,265	21,455
Total pension liability, beginning	634,309	578,263	487,998	466,543
Total pension liability, ending	\$ 706,097	\$ 634,309	\$ 578,263	\$ 487,998
PLAN FIDUCIARY NET POSITION				
Contributions, employer	\$ 36,896	\$ 37,635	\$ 30,677	\$ 29,735
Contributions, PMRS assessment	60	60	60	60
Net investment income	(39,682)	82,232	31,004	(3,579)
Benefit payments, including refunds of employee contributions	-	-	-	-
Administrative expense	(1,348)	(1,235)	(1,223)	(936)
Net change in plan fiduciary net position	(4,074)	118,692	60,518	25,280
Plan fiduciary net position, beginning	573,959	455,267	394,749	369,469
Plan fiduciary net position, ending	\$ 569,885	\$ 573,959	\$ 455,267	\$ 394,749
Township's net pension liability, ending	\$ 136,212	\$ 60,350	\$ 122,996	\$ 93,249
Plan fiduciary net position as a percentage of the total pension liability	80.71%	90.49%	78.73%	80.89%
Covered employee payroll	\$ 169,839	\$ 161,547	\$ 159,216	\$ 150,918
Township's net pension liability as a percentage of covered employee payroll	80.20%	37.36%	77.25%	61.79%

MILLCREEK TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
NON-UNIFORMED PLAN

Non-Uniformed Pension	12/31/2018	12/31/2017	12/31/2016	12/31/2015
TOTAL PENSION LIABILITY				
Service cost	\$ 8,962	\$ 8,621	\$ 10,807	\$ 10,340
Interest	19,298	18,220	17,940	16,631
Differences between expected and actual experience	(24)	-	(9,591)	-
Changes of assumptions	4,228	-	6,567	(47)
Benefit payments, including refunds of employee contributions	(10,750)	(2,657)	(2,657)	(4,520)
Net change in total pension liability	21,714	24,184	23,066	22,404
Total pension liability, beginning	363,930	339,746	316,680	294,276
Total pension liability, ending	<u>\$ 385,644</u>	<u>\$ 363,930</u>	<u>\$ 339,746</u>	<u>\$ 316,680</u>
PLAN FIDUCIARY NET POSITION				
Contributions, employer	\$ 6,947	\$ 6,973	\$ 8,024	\$ 7,830
Contributions, employee	2,373	2,284	2,369	2,173
Net investment income	(25,727)	61,172	26,322	(735)
Benefit payments, including refunds of employee contributions	(10,750)	(2,657)	(2,657)	(4,520)
Administrative expense	(979)	(982)	(993)	(840)
Net change in plan fiduciary net position	(28,136)	66,790	33,065	3,908
Plan fiduciary net position, beginning	413,176	346,386	313,321	309,413
Plan fiduciary net position, ending	<u>\$ 385,040</u>	<u>\$ 413,176</u>	<u>\$ 346,386</u>	<u>\$ 313,321</u>
Township's net pension liability, ending	<u>\$ 604</u>	<u>\$ (49,246)</u>	<u>\$ (6,640)</u>	<u>\$ 3,359</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.84%</u>	<u>113.53%</u>	<u>101.95%</u>	<u>98.94%</u>
Covered employee payroll	<u>\$ 237,266</u>	<u>\$ 228,247</u>	<u>\$ 236,894</u>	<u>\$ 217,354</u>
Township's net pension liability as a percentage of covered employee payroll	<u>0.25%</u>	<u>-21.58%</u>	<u>-2.80%</u>	<u>1.55%</u>

SUPPLEMENTAL INFORMATION



Vincent M. Garcia, CPA
Matthew P. Garman, CPA
Angela K. Shea, CPA
Kelly A. Miller, CPA

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Board of Supervisors
Millcreek Township
Newmanstown, Pennsylvania

Our report on our audit of the basic financial statements of Millcreek Township for the year ended December 31, 2019, appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The combining balance sheet – modified cash basis – non-major governmental funds, combining statement of revenues, expenditures and changes in fund balances – modified cash basis – non-major government funds, the general fund – schedule of revenues – modified cash basis, and general fund – schedule of expenditures – modified cash basis were presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Township's basic financial statements for the year ended December 31, 2018 (none of which is presented herein), and we expressed an unqualified opinion on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The audit was conducted for purposes of forming an opinion on the financial statements as a whole. The general fund – schedule of revenues – modified cash basis, and general fund – schedule of expenditures – modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018, general fund – schedule of revenues – modified cash basis, and general fund – schedule of expenditures – modified cash basis are fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Garcia Garman & Shea, PC

Lebanon, Pennsylvania
March 24, 2020

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MILLCREEK TOWNSHIP
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Hydrant Fund	Capital Projects	Total Non-major Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,295	\$ 49,844	\$ 59,139
Total assets	<u>\$ 9,295</u>	<u>\$ 49,844</u>	<u>\$ 59,139</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to other funds	\$ 386	\$ -	\$ 386
Total liabilities	<u>386</u>	<u>-</u>	<u>386</u>
<u>FUND BALANCES</u>			
Restricted	8,909	-	8,909
Committed	-	49,844	49,844
Total fund balances	<u>8,909</u>	<u>49,844</u>	<u>58,753</u>
Total liabilities and fund balances	<u>\$ 9,295</u>	<u>\$ 49,844</u>	<u>\$ 59,139</u>

MILLCREEK TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Hydrant Fund	Capital Projects	Total Non-major Governmental Funds
REVENUES			
Taxes	\$ 8,075	\$ -	\$ 8,075
Interest and rents	6	533	539
Total revenues	8,081	533	8,614
EXPENDITURES			
Tax collection	252	-	252
Protection to persons and property	8,481	-	8,481
Total expenditures	8,733	-	8,733
Excess of revenues over expenditures	(652)	533	(119)
Transfers in	-	23,500	23,500
Transfers (out)	-	-	-
Net change in fund balances	(652)	24,033	23,381
Fund balances, beginning	9,561	25,811	35,372
Fund balances, ending	\$ 8,909	\$ 49,844	\$ 58,753

MILLCREEK TOWNSHIP
GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
TAXES		
Real estate, current year	\$ 394,889	\$ 390,034
Real estate, prior years	2,863	7,422
Real estate taxes, delinquent	3,798	3,474
Per capita taxes, current year	11,107	11,126
Per capita taxes, prior years	1,235	1,320
Real estate transfer tax	78,890	86,122
Local services tax, current year	21,323	20,672
Local services tax, prior year	5,954	5,507
Penalties on delinquent tax	1,769	2,291
Earned income tax	489,892	462,454
	<hr/>	<hr/>
Total taxes	1,011,720	990,422
	<hr/>	<hr/>
LICENSES AND PERMITS		
Zoning permits	1,280	140
Junkyard licenses	200	200
Encroachment permits	526	260
Cable television	53,597	55,851
	<hr/>	<hr/>
Total licenses and permits	55,603	56,451
	<hr/>	<hr/>
FINES		
District justice	2,276	3,691
Commonwealth of Pennsylvania	3,880	5,892
	<hr/>	<hr/>
Total fines	6,156	9,583
	<hr/>	<hr/>
INTEREST AND RENTS		
Interest earned on time deposits and savings accounts	293	152
	<hr/>	<hr/>
GRANTS AND GIFTS		
Municipal Pension System	40,964	37,475
Fireman's Relief Grant	25,939	24,450
Snow removal	17,765	19,004
Contributions	5,250	6,000
Other Grants	2,146	3,892
Public Utility Realty	965	1,038
Game Commission Lands	356	356
Liquor license fees	225	225
	<hr/>	<hr/>
Total grants and gifts	93,610	92,440
	<hr/>	<hr/>

MILLCREEK TOWNSHIP
GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS *(Continued)*
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OTHER REVENUE		
Miscellaneous	<u>2,571</u>	<u>1,480</u>
Total other revenue	<u>2,571</u>	<u>1,480</u>
OTHER FINANCING SOURCES		
Refund of prior year expense (revenue)	<u>-</u>	<u>1,990</u>
Total other financing sources	<u>-</u>	<u>1,990</u>
Total revenues	<u>\$ 1,169,953</u>	<u>\$ 1,152,518</u>

MILLCREEK TOWNSHIP
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
ADMINISTRATION		
Salaries, commissioners	\$ 5,625	\$ 5,625
Salary, township secretary	58,131	54,998
Material and supplies	7,074	8,881
General expense	3,011	3,134
Advertising and printing	2,554	1,652
Legal fees	29,242	18,081
Telephone	6,525	6,445
Accounting fees	12,180	11,150
Engineering services	4,650	4,160
Total administration	128,992	114,126
TAX COLLECTION		
Commissions	13,052	13,305
Material and supplies	2,039	1,985
Total tax collection	15,091	15,290
MUNICIPAL BUILDING		
Salary	6,504	10,944
Material and supplies	1,327	1,454
Utilities	10,672	11,411
Repairs and maintenance	2,012	3,634
Total municipal building	20,515	27,443
PROTECTION TO PERSONS AND PROPERTY		
Salaries, police	176,659	172,257
Retirement contributions	34,067	36,956
Vehicle operating expense	7,410	4,198
Material and supplies	4,188	9,431
General expense	2,573	3,216
Telephone and radio	3,054	2,680
Contribution to volunteer fire company	7,500	7,500
Fireman's Relief Fund	25,939	24,450
Fire engine fuel	1,573	2,269
Zoning	9,410	-

MILLCREEK TOWNSHIP
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS *(Continued)*
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
PROTECTION TO PERSONS AND PROPERTY <i>(Continued)</i>		
Communication expense, E.M.	1,590	1,270
Emergency management	2,724	2,724
Traffic signals	(894)	2,197
Collection and disposal	-	22
Equipment	1,846	1,775
	<hr/>	<hr/>
Total protection to persons and property	277,639	270,945
	<hr/>	<hr/>
HIGHWAYS AND STREETS		
Salaries and wages	225,476	201,619
Material and supplies	43,546	18,124
Repairs and maintenance of equipment	22,956	33,116
Vehicle operation	6,784	11,522
Construction and rebuilding of streets	36,117	6,405
Miscellaneous	8,998	7,427
	<hr/>	<hr/>
Total highways and streets	343,877	278,213
	<hr/>	<hr/>
PARKS AND RECREATION		
Salaries	5,971	5,255
Materials and supplies	3,081	7,411
Utilities	2,161	2,272
Equipment	-	6,668
Improvements	3,560	15,531
Other charges	4,124	5,280
	<hr/>	<hr/>
Total parks and recreation	18,897	42,417
	<hr/>	<hr/>
OTHER EXPENDITURES		
Contributions, library	750	750
Employee payroll taxes and benefits	267,677	234,401
Insurance	30,642	30,680
Debt service		
Principal	23,280	60,466
Interest	4,044	6,054
	<hr/>	<hr/>
Total other expenditures	326,393	332,351
	<hr/>	<hr/>
Total expenditures	\$ 1,131,404	\$ 1,080,785
	<hr/>	<hr/>