

PERKIOMEN TOWNSHIP

Collegeville, Pennsylvania

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Perkiomen Township
Collegedale, Montgomery County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of Perkiomen Township, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perkiomen Township, Pennsylvania as of December 31, 2018, and the respective changes in financial position 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 6 through 11 and 37 through 39 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 Perkiomen Township'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of Perkiomen Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perkiomen Township's internal control over financial reporting and compliance.

Dreslin and Company, Inc.

East Norriton, Pennsylvania
May 9, 2019

PERKIOMEN TOWNSHIP

Management's Discussion and Analysis

Our discussion and analysis of Perkiomen Township's financial performance provides an overview of the Township's financial activities for the year ending December 31, 2018. Please read it in conjunction with the Township's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Township enjoys a General Fund budgetary fund balance of \$10,173,518, which is also a clear indication of the Township's overall financial health. The General Fund Budgetary Comparison Schedule is presented on page 37.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13, and page 14) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE TOWNSHIP AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the Township as a whole begins on page 8. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position – the difference between assets and liabilities – as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's tax base and the condition of the Township's infrastructure, to assess the overall health of the Township.

PERKIOMEN TOWNSHIP

Management's Discussion and Analysis (Continued)

The Statement of Net Position and the Statement of Activities present the following:

- Governmental Activities – Most of the Township's basic services are reported here, including general administration, public safety, public works, and parks and recreation. Property taxes, the Earned Income Tax, and Real Estate Transfer Taxes finance most of these activities.
- Component units – The Township includes two separate legal entities in its report: Perkiomen Township Fire Company (a 501(c)(3) nonprofit organization) and the Perkiomen Township Municipal Authority. Although legally separate, these component units are important because the Township is financially accountable for them. Separate audited financial statements are issued and available for the Municipal Authority.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statement

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the Township as a whole. Perkiomen Township Board of Supervisors establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. The Township has one kind of fund – governmental – which uses the following accounting approach.

- Governmental Funds – The Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a separate reconciliation following the fund financial statements.

THE TOWNSHIP AS TRUSTEE

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, for its employees' pension fund. Because of legal restrictions, this fund can only be used for the designated beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19 and 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

THE TOWNSHIP AS A WHOLE

Tables 1 and 2 that follow present a summarization of Perkiomen Township's net position and changes in net position for fiscal years ended in 2018 and 2017.

Table 1
Net Position
(actual dollars)

	Governmental Activities	
	2018	2017
Current Assets	\$ 11,870,954	\$ 10,855,938
Capital Assets	6,576,734	6,541,204
Total Assets	<u>\$ 18,447,688</u>	<u>\$ 17,397,142</u>
Long-Term Debt Outstanding	\$ -	\$ -
Other Liabilities	219,567	134,268
Total Liabilities	<u>\$ 219,567</u>	<u>\$ 134,268</u>
Net Position:		
Invested in Capital Assets, Net of Debt	\$ 6,576,734	\$ 6,541,204
Restricted	1,366,731	1,029,985
Unrestricted	10,284,656	9,691,685
Total Net Position	<u>\$ 18,228,121</u>	<u>\$ 17,262,874</u>

The Township has a significant investment in capital assets for its governmental activities. Also, the Township enjoys a healthy balance of unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Present capital expenditure requirements are relatively low because the Township is not expanding the scope of its operations and the Township's successful preventive maintenance program has prolonged the life of existing capital assets. The financial statements present a reconciliation of the Governmental Fund Balances to the Total Net Position on page 16.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

Table 2
Changes in Net Position
(actual dollars)

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 48,193	\$ 121,713
Operating Grants	366,258	361,220
General Revenues:		
Earned Income Tax	2,406,503	2,315,859
Real Estate Tax	303,353	303,708
Real Estate Transfer Taxes	219,131	243,408
Licenses and Permits	170,601	181,459
Other General Revenues	255,841	91,236
	<u>3,769,880</u>	<u>3,618,603</u>
Program Expenses		
General Government	721,909	817,029
Public Safety	535,095	245,970
Public Works	1,340,483	1,406,506
Culture and Recreation	122,077	142,091
Other Expenses	85,069	82,765
	<u>2,804,633</u>	<u>2,694,361</u>
Total Expenses	<u>2,804,633</u>	<u>2,694,361</u>
Increase in Net Position	<u>\$ 965,247</u>	<u>\$ 924,242</u>

The cost of all governmental activities this year was \$2,804,633 compared with \$2,694,361 for the prior year. As shown in the Statement of Activities on page 14, the amount our taxpayers ultimately financed for these activities through taxes was \$2,390,182 as compared with \$2,211,428 for 2017. The balance of these costs was paid by those who directly benefited by the programs (\$48,193) in 2018 and (\$121,713) in 2017, or by other governments or organizations that subsidized certain programs with grants and contributions (\$366,258) in 2018 and (\$361,220) in 2017. Overall, the Township's governmental program revenues and general revenues amounted to \$3,769,880 in fiscal 2018 compared with \$3,618,603 in fiscal 2017. The difference is primarily due to an increase in earned income taxes and sale of fixed assets for the current year.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

Table 3
Governmental Activities
(actual dollars)

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 721,909	\$ 708,412	\$ 817,029	\$ 793,152
Public Safety	535,095	429,970	245,970	73,708
Public Works	1,340,483	1,044,654	1,406,506	1,119,712
Culture and Recreation	122,077	122,077	142,091	142,091
All Others	85,069	85,069	82,765	82,765
Totals	<u>\$ 2,804,633</u>	<u>\$ 2,390,182</u>	<u>\$ 2,694,361</u>	<u>\$ 2,211,428</u>

THE TOWNSHIP'S FUNDS

As the Township completed the fiscal year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$11,414,892, which is an increase of \$927,735 from last year's total of \$10,487,157. The General Fund and Capital Reserve Fund reported fund balances of \$10,173,518 and \$656,049 as of December 31, 2018, which represented an increase of \$847,003 for the General Fund and a decrease of \$71,239 for the Capital Reserve Fund.

General Fund Budgetary Highlights

The General Fund Budgetary Comparison Schedule on page 37 reflects that the Township ended fiscal 2018 with a budgetary fund balance of \$10,173,518. At the time the 2018 budget was passed, the prior year ending fund balance was not yet known. A conservative figure was used for budgeting purposes.

Overall revenues were better than projected. Earned Income Tax Revenue was \$248,099 greater than budgeted, and Interest Earnings exceeded the budget by \$73,338. Charges for services were \$13,493 greater than budgeted.

Overall expenditures in 2018 for the General Fund were less than budgeted, resulting in a favorable variance of \$476,598.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the Township had \$6,576,734 invested in a broad range of capital assets including public works equipment, municipal buildings and land, park facilities, roads, bridges and storm sewer. The Township expended \$315,373 for capital assets in 2018. The capital expenditures were made to public work projects, and the purchase of new equipment.

The Township's fiscal 2019 capital budget calls for a similar level of capital expenditures for road improvements, open space acquisition, and equipment purchases. These projects are to be funded from the capital projects and general funds.

Debt

At year-end, the Township had no notes outstanding in either 2018 or 2017. There was no new debt incurred during the past year.

ECONOMIC FACTORS AND THE 2019 BUDGETS AND RATES

The Township's elected and appointed officials consider many factors when setting the fiscal year 2019 budget. One of those factors was the economy. Increases in tax revenues were assumed to be modest. Inflation and interest rates were expected to remain consistent throughout 2018.

These indicators were taken into account when adopting the General Fund budget for 2018. General Fund Budgeted Revenues for 2018 were \$2,930,068; the actual amount received was \$3,243,122. The increases were a result of receipts in excess of projections in the Earned Income Taxes, Charge for Services, and Interest Earnings. The Township will use this increase in revenues to fund current programs and add to the unrestricted net asset balance.

Budgeted General Fund expenditures for 2019 are expected to be comparable to the expenditures budgeted for 2018. The Township has not added any new programs, nor are any proposed to be added in 2019.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need clarification please contact Perkiomen Township at 1 Trappe Road, Collegeville, Pennsylvania 19426. Separately issued financial statements are available for the Perkiomen Township Municipal Authority, a separately-listed component unit in these financial statements.

PERKIOMEN TOWNSHIP
Statement of Net Position
December 31, 2018

		Component Units	
	Primary Government Governmental Activities	Perkiomen Township Municipal Authority	Perkiomen Township Fire Company
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 7,493,384	\$ 1,083,827	\$ 318,925
Investments	3,583,838	3,789,536	143,313
Taxes Receivable	700,011	-	-
Accounts Receivable	44,084	280,334	22,940
Due from Component Unit	22,850	-	-
Prepaid Insurance	26,787	-	-
Total Current Assets	11,870,954	5,153,697	485,178
Noncurrent Assets:			
Capital Assets:			
Land	3,537,002	-	-
Buildings and Building Improvements (Net)	763,705	-	418,245
Infrastructure (Net)	1,892,406	-	-
Sewer System (Net)	-	2,465,515	-
Furniture and Fixtures (Net)	3,271	-	-
Equipment (Net)	253,450	16,724	129,470
Vehicles (Net)	126,900	-	83,291
Total Capital Assets	6,576,734	2,482,239	631,006
Equipment Deposit	-	-	323,520
Recoverable Sewer Capacity Fees	-	16,000	-
Total Noncurrent Assets	6,576,734	2,498,239	954,526
Total Assets	\$ 18,447,688	\$ 7,651,936	\$ 1,439,704

(Continued)

PERKIOMEN TOWNSHIP
Statement of Net Position (Continued)
December 31, 2018

LIABILITIES	Primary Government Governmental Activities	Component Units	
		Perkiomen Township Municipal Authority	Perkiomen Township Fire Company
Current Liabilities:			
Accounts Payable	\$ 193,957	\$ 8,980	\$ 4,126
Accrued Wages Payable	11,753	2,130	-
Payroll Taxes Payable	2,549	163	-
Due to Escrow Fund	11,308	-	-
Due to Primary Government	-	22,850	-
Current Portion of Long Term Debt	-	-	11,042
Total Current Liabilities	<u>219,567</u>	<u>34,123</u>	<u>15,168</u>
Noncurrent Liabilities:			
Long-Term Debt, Net of Current Portion	<u>-</u>	<u>-</u>	<u>60,489</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>60,489</u>
Total Liabilities	<u>219,567</u>	<u>34,123</u>	<u>75,657</u>
NET POSITION			
Restricted for:			
Special Revenue	380,346	-	-
Open Space	986,385	-	-
Invested in Capital Assets, Net of Related Debt	6,576,734	2,482,239	559,475
Unrestricted	<u>10,284,656</u>	<u>5,135,574</u>	<u>804,572</u>
Total Net Position	<u>18,228,121</u>	<u>7,617,813</u>	<u>1,364,047</u>
Total Liabilities and Net Position	<u><u>\$ 18,447,688</u></u>	<u><u>\$ 7,651,936</u></u>	<u><u>\$ 1,439,704</u></u>

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

PERKIOMEN TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Perkiomen Township Municipal Authority Perkiomen Township Fire Company
Governmental Activities:						
General Government	\$ 721,909	\$ 2,022	\$ 11,475	\$ -	\$ (708,412)	
Public Safety	535,095	46,171	58,954	-	(429,970)	
Public Works - Sanitation	45,908	-	9,531	-	(36,377)	
Public Works - Highway	1,294,575	-	286,298	-	(1,008,277)	
Culture and Recreation	122,077	-	-	-	(122,077)	
Miscellaneous Expenditures	85,009	-	-	-	(85,009)	
Unallocated Depreciation	60	-	-	-	(60)	
	<u>2,804,633</u>	<u>48,193</u>	<u>366,258</u>	<u>-</u>	<u>(2,390,182)</u>	
Total Governmental Activities						
Total Primary Government	\$ 2,804,633	\$ 48,193	\$ 366,258	\$ -	\$ (2,390,182)	
COMPONENT UNITS:						
Municipal Authority Sewer Fund	\$ 936,642	\$ 792,403	\$ -	\$ 6,000	\$ (138,239)	\$ 227,726
Fire Company	265,325	-	493,051	-		
Total Component Units	\$ 1,201,967	\$ 792,403	\$ 493,051	\$ 6,000	(138,239)	227,726
General Revenues:						
Real Estate Taxes					\$ 303,353	-
Real Estate Transfer Taxes					219,131	-
Earned Income Taxes					2,406,503	-
Licenses and Permits					170,601	-
Fines and Forfeitures					4,410	-
Interest Earnings					120,034	2,817
Intergovernmental Revenues					3,988	-
Sale of Fixed Asset					99,100	-
Miscellaneous Revenue					28,309	-
					<u>2,240</u>	<u>-</u>
Total General Revenues					3,355,429	2,817
Change in Net Position					965,247	230,543
Net Position - Beginning of Year					17,262,874	1,133,504
Net Position - End of Year					<u>\$ 18,228,121</u>	<u>\$ 1,364,047</u>

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

PERKIOMEN TOWNSHIP
Balance Sheet
Governmental Funds
December 31, 2018

ASSETS	General	Capital Reserve	Highway Aid	Non-Major Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 7,410,154	\$ 18,101	\$ 3,570	\$ 61,559	\$ 7,493,384
Investments	2,422,703	637,948	378,624	144,564	3,583,839
Interfund Receivables	4,174	-	-	1,209	5,383
Due From Component Unit	22,850	-	-	-	22,850
Taxes Receivable	698,190	-	-	1,821	700,011
Other Receivables	44,084	-	-	-	44,084
Total Assets	\$ 10,602,155	\$ 656,049	\$ 382,194	\$ 209,153	\$ 11,849,551
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 192,110	\$ -	\$ 1,848	\$ -	\$ 193,958
Accrued Wages Payable	11,753	-	-	-	11,753
Payroll Taxes Payable	2,549	-	-	-	2,549
Interfund Payables	12,517	-	-	4,174	16,691
Total Liabilities	218,929	-	1,848	4,174	224,951
DEFERRED INFLOWS OF RESOURCES					
Deferred Earned Income Taxes	209,708	-	-	-	209,708
Total Deferred Inflows of Resources	209,708	-	-	-	209,708
FUND BALANCES					
Restricted For:					
Highway Constuction and Maintenance	-	-	380,346	-	380,346
Open Space	986,385	-	-	-	986,385
Assigned for:					
Future Capital Projects	1,139,016	656,049	-	-	1,795,065
Equipment Replacement	500,000	-	-	-	500,000
Contingencies and Emergencies	3,000,000	-	-	-	3,000,000
Other Purposes	-	-	-	204,979	204,979
Unassigned	4,548,117	-	-	-	4,548,117
Total Fund Balances	10,173,518	656,049	380,346	204,979	11,414,892
Total Liabilities and Fund Balances	\$ 10,602,155	\$ 656,049	\$ 382,194	\$ 209,153	\$ 11,849,551

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

PERKIOMEN TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
December 31, 2018

Total Governmental Fund Balances	\$ 11,414,892
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Cost of assets	9,646,309	
Accumulated depreciation	<u>(3,069,575)</u>	6,576,734

Earned Income Taxes Receivable is recorded if collected within 60 days after year-end on the fund financial statements whereas the full accrual method is used on the entity-wide statements.	209,708
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Payments made for insurance benefiting future periods are reflected as Prepaid Insurance on the government-wide financial statements, but were recorded as expenditures on the funds statements.	<u>26,787</u>
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Net Position of Governmental Activities	<u><u>\$ 18,228,121</u></u>
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The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Capital Reserve	Highway Aid	Non-Major Funds	Total Governmental Funds
REVENUES:					
Real Estate Taxes	\$ 171,760	\$ -	\$ -	\$ 131,593	\$ 303,353
Real Estate Transfer Taxes	219,131	-	-	-	219,131
Earned Income Taxes	2,405,099	-	-	-	2,405,099
Licenses and Permits	170,601	-	-	-	170,601
Fines and Forfeits	4,410	-	-	-	4,410
Interest Earnings	98,338	13,016	6,361	2,318	120,033
Intergovernmental Revenues	99,280	-	270,966	-	370,246
Charges for Services	48,193	-	-	1,000	49,193
Miscellaneous Revenues	26,310	100,100	-	-	126,410
Total Revenues	3,243,122	113,116	277,327	134,911	3,768,476
EXPENDITURES:					
Current Operating:					
General Government	678,786	35	-	4,174	682,995
Public Safety	162,673	-	-	-	162,673
Public Works - Sanitation	45,908	-	-	-	45,908
Public Works - Highway and Streets	574,179	516,913	161,507	-	1,252,599
Culture and Recreation	203,465	-	-	-	203,465
Miscellaneous Expenditures	85,587	-	-	-	85,587
Total Expenditures	1,750,598	516,948	161,507	4,174	2,433,227
Excess of Revenues Over (Under) Expenditures	1,492,524	(403,832)	115,820	130,737	1,335,249
OTHER FINANCING SOURCES (USES):					
Transfer to Component Unit	(55,000)	-	-	(352,514)	(407,514)
Transfers In	65,592	332,593	-	323,520	721,705
Transfers Out	(656,113)	-	(5,592)	(60,000)	(721,705)
Total Other Financing Sources and Uses	(645,521)	332,593	(5,592)	(88,994)	(407,514)
Net Change in Fund Balances	847,003	(71,239)	110,228	41,743	927,735
Fund Balances - Beginning of Year	9,326,515	727,288	270,118	163,236	10,487,157
Fund Balances - End of Year	\$ 10,173,518	\$ 656,049	\$ 380,346	\$ 204,979	\$ 11,414,892

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

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

Net Change in Fund Balances - Governmental Funds	\$ 927,735
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Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation expense	\$ (279,843)	
Capital Outlays	<u>315,373</u>	35,530

Change in Earned Income Taxes Receivable recorded under the 60-day rule on the fund financial statements compared to full accrual on the entity-wide statements.	1,404
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Prepaid Insurance is an expenditure on the funds statements and an asset on the entity-wide statements.	<u>578</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 965,247</u></u>
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The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Net Position - Fiduciary Funds
December 31, 2018

	<u>Trust Fund</u>	<u>Agency Fund</u>
	<u>Municipal Pension Fund</u>	<u>Land Development Escrow Fund</u>
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 390,491
Due From General Fund	-	11,308
Investments	<u>539,310</u>	<u>-</u>
Total Assets	<u><u>\$ 539,310</u></u>	<u><u>\$ 401,799</u></u>
LIABILITIES:		
Escrowed Subdivision Fees	<u>\$ -</u>	<u>\$ 401,799</u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 401,799</u></u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 539,310</u></u>	

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

PERKIOMEN TOWNSHIP
Statement of Changes in Net Position - Fiduciary Fund
For the Year Ended December 31, 2018

	Trust Fund <hr/> Municipal Pension Fund <hr/>
ADDITIONS:	
Contributions:	
Employer	\$ 30,943 <hr/>
Total Contributions	<hr/> 30,943 <hr/>
Investment Earnings:	
Interest and Dividends	<hr/> 8,812 <hr/>
Total Investment Earnings	<hr/> 8,812 <hr/>
Total Additions	<hr/> 39,755 <hr/>
DEDUCTIONS:	
Administrative Expenses	5,524
Realized and Unrealized Loss on Investments	<hr/> 35,867 <hr/>
Total Deductions	<hr/> 41,391 <hr/>
Change in Net Position	(1,636)
Net Position - Beginning of Year	<hr/> 540,946 <hr/>
Net Position - End of Year	<hr/> \$ 539,310 <hr/>

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

PERKIOMEN TOWNSHIP
Notes to Financial Statements

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Perkiomen Township have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to State and Local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Township are described below.

A. The Financial Reporting Entity:

Perkiomen Township is a municipality governed by an elected five-member board. The Township's financial reporting entity is comprised of Perkiomen Township (the primary government) and its discretely presented component units.

A component unit is a legal entity that is either a separate government organization that is not a primary government, a not-for-profit corporation, or a for-profit corporation, that meets any one of the following four conditions:

1. The primary government appoints a voting majority of the entity's governing body; and the primary government can impose its will on the entity, and/or a financial benefit/burden relationship exists between the primary government and the entity.
2. The entity is fiscally dependent on the primary government and has a financial benefit/burden relationship with the primary government.
3. The primary government holds a majority equity interest in the entity for purpose of facilitating government services; or
4. The primary government's financial statements would be misleading if the entity was excluded.

A component unit's financial statements are blended with the financial statements of the primary government when one of the following four circumstances is met:

1. There is substantively the same governing body for both the primary government and the component unit; and there is a financial benefit or burden relationship between the primary government and the component unit, or the operational responsibility for the component unit rests with management of the primary government.

2. A component unit provides services entirely (or almost entirely) to the primary government or benefits the primary government exclusively (or almost exclusively).
3. A component unit's debt, including leases, is expected to be repaid entirely or almost entirely with the primary government's resources.
4. A component unit is incorporated as a not-for-profit corporation and the primary government is the sole corporate member.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Those component units' financial statements are presented discretely in the primary government's government-wide financial statements.

1. The Perkiomen Township Municipal Authority is a body corporate and politic formed on March 20, 1969, under the Municipality Authority Act of 1945. The Authority constructed and operates a sewage collection system in the Township to connect with the sewage treatment plant operated by the Lower Perkiomen Valley Regional Sewer Authority. The members of the Municipal Authority are appointed by the Township Board of Supervisors.
2. The Perkiomen Township Fire Company is a separate nonprofit entity, which operates independently of the Township but services the same geographic area. The Township instituted a fire tax which assists the Fire Company to finance its operations. The Fire Company Board is elected by its members.

These financial statements present summarized financial statements for these component units. Complete financial statements of the Municipal Authority can be obtained from their administrative offices.

B. Basis of Presentation:

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole, including the discretely presented component units. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Township does not have any business-type activities. These statements exclude fiduciary activities.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a

reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between expenses and program revenues for each functional area. Expenses are those that are specifically associated with and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each functional area is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers, which are eliminated to avoid "doubling up" revenues and expenses.

Net position is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are represented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Township considers property taxes and earned income taxes as available if they are collected within 60 days after year-end. Revenues for state and federally funded projects are recognized at the time the expenditures are made. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The Township reports the following major governmental funds:

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The Capital Reserve Fund was established to accumulate resources for future equipment and facilities maintenance expenditures.

The Highway Aid Fund is used to account for the proceeds of state grants earmarked for highways and streets.

The Township operates the following non-major funds: Fire Tax Fund and Municipal Services and Facilities Fund.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, or others. The Township has one private-purpose trust fund, the Municipal Pension Fund, which accounts for all pension activity.

The Township also has an agency fund, the Land Development Escrow Fund, which accounts for funds paid by developers in advance to be used for land subdivision costs. Funds received in excess of total costs are returned to the developers. The agency fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

C. Use of Estimates:

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

D. Budgets:

Annual appropriated budgets are adopted for the general and special revenue funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

E. Cash and Investments:

Cash includes amounts in demand deposits. The PA Act 10 of March 25, 2016, sets forth those investments in which the Township may invest, which include certificates of deposit, obligations of the United States Treasury, and other secured and insured investments. Investments are stated at market value.

F. Capital Assets:

Primary Government:

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements and are recorded at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital acquisition and construction are reflected as expenditures in the fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	15 - 50 Years
Infrastructure	20 - 40 Years
Furniture and Fixtures	10 Years
Equipment	3 - 7 Years
Vehicles	7 - 10 Years

Component Units:

Perkiomen Township Fire Company buildings and equipment are recorded at cost or estimated historical cost. Assets are depreciated on a straight-line basis over assets' lives ranging from 5 to 10 years on equipment and trucks, and 39 years for the building.

Perkiomen Township Municipal Authority assets are recorded at cost and are depreciated over their estimated useful lives. Equipment is depreciated over 5 to 10 years using the straight-line method. The sewer system and additions to the sewer system are being depreciated over a 50-year life using the straight-line method.

G. Property Taxes

The tax on real estate in Perkiomen Township for 2018 was .62 mills (\$.62 per \$1,000 of assessed valuation) as levied by the Supervisors. The breakdown of the millage is .35 mills for general purposes and .27 mills for fire safety. Assessed valuations of property are determined by Montgomery County, and the tax collector is responsible for collection. The schedule for real estate taxes levied for 2018 was as follows:

March 1	Levy Date
March 1 – April 30	2% Discount Period
May 1 – June 30	Face Payment Period
July 1 – December 31, 2018	10% Penalty Period
January 15, 2019	Lien Date

H. Sick Leave/Vacation Pay:

The Township's policy regarding sick leave provides that employees may carry up to 60 days of sick leave forward with no provision for payout of this accumulated time upon termination, therefore, a liability is not recorded. The policy for vacation pay is that unused vacation may not be carried forward from year to year.

I. Long-Term Obligations:

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond 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. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

J. Fund Balance:

In accordance with Statement No. 54 of the Government Accounting Standards Board, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the Township classifies governmental fund balances as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Supervisors.
- Unassigned – Includes positive fund balances within the General Fund that have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed.

The Board of Supervisors establishes fund balance commitments by passage of resolutions or ordinances. Assigned fund balances are established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purposes such as acquisition, construction, and renovation of major capital facilities in its general fund, and for the purchase of equipment and future facilities maintenance in its capital reserve fund.

The Township does not have a minimum fund balance policy for its general fund.

K. Subsequent Events:

Management has evaluated subsequent events through May 9, 2019, which is the date the financial statements were available to be issued.

2. **LEGAL COMPLIANCE - BUDGETS:**

An annual budget is prepared for each governmental fund. The proposed budget is presented to and approved by the Board of Supervisors each year. The budget is published as required by Township code.

3. **DEPOSITS AND INVESTMENTS:**

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk is to have uninsured deposits collateralized, pursuant to Pennsylvania Act 72 of 1971, as amended.

At December 31, 2018, the carrying amount of the Township's deposits was \$7,883,875, and the bank balances were \$7,889,797. The carrying amount of the Municipal Authority Sewer Fund's deposit was \$1,083,827 and the bank balance was \$1,084,567 at December 31, 2018. For the Fire Company, the carrying amount of the deposits was \$318,925 and the bank balances were \$321,906 at December 31, 2018. The bank balances of all accounts are covered by Federal depository insurance up to \$250,000 or pooled collateral held by the applicable custodian financial institution under the provisions of Act 72 of 1971. As of December 31, 2018, the portions of the balances exposed to custodial credit risk were as follows:

Uninsured and collateral held by pledging banks	
Trust Department not in the Township's name:	
Township	\$7,639,797
Municipal Authority	834,567
Fire Company	71,906

Custodial Credit Risk - Investments:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has no formal investment policy with respect to

custodial credit risk. Under the Second Class Township Code, each year the Township appoints financial institutions for which deposit services are provided.

Interest Rate Risk - Investments:

The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments:

Pennsylvania municipalities are required to invest funds consistent with sound business practice. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The credit quality ratings as described by a nationally-recognized statistical rating organization is disclosed for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. Unless contrary information exists, investments in obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The primary government and the discretely presented component unit's investments are summarized below:

	Carrying Amount	Market Value
Primary Government:		
Mutual Funds	\$ 3,583,838	\$ 3,583,838
Fiduciary Funds:		
Mutual Funds	539,310	539,310
Perkiomen Township Municipal Authority:		
Mutual Funds	3,789,536	3,789,536
Perkiomen Township Fire Company:		
Certificates of Deposit	143,313	143,313
Total Investments	\$ 8,055,997	\$ 8,055,997

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments held in the fiduciary funds, Perkiomen Township Municipal Authority and Perkiomen Fire Company consist of open-ended mutual funds and certificate of deposits, and as such, are not exposed to custodial credit risk. Investments are carried at market value on the primary government and on the discretely presented component units. Pension Fund investments are carried at fair market value.

4. INTERFUND RECEIVABLES AND PAYABLES:

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "interfund receivables" and "interfund payables". Interfund receivables/payables consisted of the following at December 31, 2018:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Fire Tax	General	\$ 4,174
General	Land Development Escrow	11,308
General	Fire Tax	<u>1,209</u>
Total		<u><u>\$ 16,691</u></u>

All of the above interfund receivables and payables between funds of governmental activities and have been eliminated in the government-wide statements except for the Land Development Fund.

5. TAXES RECEIVABLE:

Taxes receivable on the Statement of Net Position and the Balance Sheet – Governmental Funds at December 31, 2018, consist of the following:

Earned Income Taxes	\$ 685,746
Real Estate Transfer Tax	10,292
Real Estate Taxes	<u>3,973</u>
Total	<u><u>\$ 700,011</u></u>

6. OTHER RECEIVABLES:

Governmental Activities and Funds

Other receivables on the Statement of Net Position and the Balance Sheet – Governmental Funds at December 31, 2018, consist of the following:

Cable TV Franchise Fees	\$ 42,805
EIT	546
Permits	<u>733</u>
Total	<u><u>\$ 44,084</u></u>

7. CAPITAL ASSETS:

Township:

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

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,537,002	\$ -	\$ -	\$ 3,537,002
Total Capital Assets Not Being Depreciated	3,537,002	-	-	3,537,002
Capital Assets Being Depreciated:				
Buildings and Building Improvements	1,709,970	83,361	-	1,793,331
Infrastructure	2,923,460	46,353	-	2,969,813
Furniture and Fixtures	104,007	-	-	104,007
Equipment	829,319	142,115	(119,339)	852,095
Vehicles	426,309	43,544	(79,792)	390,061
Totals Capital Assets Being Depreciated	5,993,065	315,373	(199,131)	6,109,307
Less Accumulated Depreciation				
Buildings and Building Improvements	(985,639)	(43,986)	-	(1,029,625)
Infrastructure	(963,565)	(113,843)	-	(1,077,408)
Furniture and Fixtures	(93,904)	(6,832)	-	(100,736)
Equipment	(636,718)	(81,266)	119,339	(598,645)
Vehicles	(309,037)	(33,916)	79,792	(263,161)
Total Accumulated Depreciation	(2,988,863)	(279,843)	199,131	(3,069,575)
Governmental Activities Assets, Net	\$ 6,541,204	\$ 35,530	\$ -	\$ 6,576,734

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General Government	\$ 38,914
Public Safety	8,452
Public Works - Highway	230,443
Culture and Recreation	1,974
Unallocated	60
	<u>60</u>
Total Depreciation Expense - Governmental Activities	\$ 279,843

Component Units:

Capital Assets presented in the component unit financial statements are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Perkiomen Township Municipal Authority:				
Capital Assets Being Depreciated:				
Sewer System	\$ 5,655,210	\$ -	\$ -	\$ 5,655,210
Equipment	333,145	-	-	333,145
Totals Capital Assets Being Depreciated	5,988,355	-	-	5,988,355
Less Accumulated Depreciation:				
Sewer System	(3,076,591)	(113,104)	-	(3,189,695)
Equipment	(309,633)	(6,788)	-	(316,421)
Total Accumulated Depreciation	(3,386,224)	(119,892)	-	(3,506,116)
Perkiomen Township Municipal Authority Capital Assets, Net	\$ 2,602,131	\$ (119,892)	\$ -	\$ 2,482,239
Perkiomen Township Fire Company:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 926,751	\$ -	\$ -	\$ 926,751
Equipment	728,501	9,926	-	738,427
Vehicles	1,113,358	7,754	-	1,121,112
Totals Capital Assets Being Depreciated	2,768,610	17,680	-	2,786,290
Less Accumulated Depreciation:				
Buildings and Building Improvements	(479,954)	(28,552)	-	(508,506)
Equipment	(543,610)	(65,347)	-	(608,957)
Vehicles	(980,326)	(57,495)	-	(1,037,821)
Total Accumulated Depreciation	(2,003,890)	(151,394)	-	(2,155,284)
Perkiomen Township Fire Company Capital Assets, Net	\$ 764,720	\$ (133,714)	\$ -	\$ 631,006

8. **DEFERRED INFLOWS OF RESOURCES:**

Deferred inflows of resources on the Balance Sheet – Government Funds as of December 31, 2018 totaling \$209,708 consist of earned income taxes that do not meet the availability criteria for the fund financial statements. These earned income taxes are recorded as revenue on the government-wide statement.

9. GENERAL LONG-TERM DEBT:

Component Units:

Perkiomen Township Fire Company - Notes Payable:

During the year ended December 31, 2009, the Fire Company purchased a new fire truck for a total price of \$471,073. The Fire Company financed \$241,856 of these costs by obtaining two promissory notes; one from the Commonwealth of Pennsylvania and the other from Volunteer's Financial Services.

The Fire Company obtained a \$160,000 promissory note from the Commonwealth of Pennsylvania through the Pennsylvania Emergency Management Agency (PEMA), dated November 12, 2009. This note is payable in 180 equal monthly installments of \$1,030, including principal and interest at 2%, maturing December 1, 2024.

Perkiomen Township Fire Company – Mortgage Payable:

The Fire Company obtained a \$174,397 promissory note from the Commonwealth of Pennsylvania through the Pennsylvania Emergency Management Agency (PEMA), dated May 28, 1997. This note is payable in 240 equal monthly installments of \$882, including principal and interest at 2%. This note matured on June 1, 2017.

Debt Maturities:

Maturities of debt over the next six years on the above notes payable are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
<u>Perkiomen Township Fire Company:</u>							
Note Payable:							
PEMA Note # 10673	\$ 11,042	\$ 11,265	\$ 11,492	\$ 11,724	\$ 11,961	\$ 14,047	\$ 71,531
Interest	<u>1,313</u>	<u>1,090</u>	<u>863</u>	<u>631</u>	<u>394</u>	<u>153</u>	<u>4,444</u>
Total	<u>\$ 12,355</u>	<u>\$ 12,355</u>	<u>\$ 12,355</u>	<u>\$ 12,355</u>	<u>\$ 12,355</u>	<u>\$ 14,200</u>	<u>\$ 75,975</u>

Changes in General Long-Term Debt:

The following summarizes the changes in general long-term debt for the Township and discretely presented component units for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
<u>Perkiomen Township Fire Company:</u>				
Notes Payable:				
Promissory Note to PEMA - # 10673	\$ 82,354	\$ -	\$ 10,823	\$ 71,531
Total Notes Payable	<u>82,354</u>	<u>-</u>	<u>10,823</u>	<u>71,531</u>
 Total Perkiomen Township Fire Company	 <u>\$ 82,354</u>	 <u>\$ -</u>	 <u>\$ 10,823</u>	 <u>\$ 71,531</u>

10. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Township expects such amounts, if any, to be immaterial.

11. PERKIOMEN TOWNSHIP NON-UNIFORMED PENSION PLAN:

Description of Plan:

A. General

The Perkiomen Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance No. 126. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to the Pennsylvania State Association of Boroughs (PSAB).

B. Plan Membership

As of December 31, 2018, the pension plan's membership consisted of:

Active employees	7
Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>3</u>
Total	<u><u>10</u></u>

C. Benefit Provisions

As of December 31, 2018, the pension plan's benefit provisions were as follows:

- Eligibility Requirements: Full-time employees that work over 35 hours a week are eligible for the plan upon completion of six months of service;
- Retirement Benefit: Normal Retirement – Benefits are payable upon attainment of age 65; Early Retirement – Benefits are payable upon attainment of age 62; Vesting – Based upon completed years of service; and
- Other Benefits – The plan also provides for death and disability benefits.

D. Funding Policy

Active members are not required to contribute to the plan. The municipality is required to contribute six percent of each eligible participant's base compensation.

The pension 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. Contributions to the plan for 2018 totaled \$30,943, all of which represented aid from the State. The total investments of \$539,310 under the plan are invested with the PSAB Municipal Retirement Trust, which represents 100% of the plan assets.

Summary of Significant Accounting Policies:

A. Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

B. Valuation of Investments

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

C. Deposits and Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments held in the fiduciary funds consist of open-ended mutual funds, and as such, are not exposed to custodial credit risk.

12. DEFERRED COMPENSATION (IRC § 457(b)) PLAN:

The Township established a deferred compensation plan to provide employees a convenient way to save for retirement. Under the plan, deferred compensation is held until paid to the participant or to his/her beneficiary according to the provisions of the plan. An employee may become a participant in the plan by completing and executing the forms required by the plan administrator. Contribution limits are determined in accordance with IRC Code § 457(c)2, which currently limits the amount that may be deferred to the lesser of \$18,000, or 100% of the participant's compensation. Additional catch-up contributions may be made by employees who are 50 years of age or older. Catch-up contributions of \$6,000 were allowed for the year ended December 31, 2018. The investment of funds under the plan is self-directed by the participants and administered by the plan administrator. The Township has no fiduciary responsibility under the plan.

13. EXPENDITURES IN EXCESS OF BUDGET:

Expenditures were in excess of the budget for the Capital Reserve Fund in the amount of \$87,076. The expenditures exceeded the budget due to the Board approving the purchase of a Backhoe to be paid by the Capital Reserve Account and decreasing unreserved fund balance.

14. RESTRICTED NET POSITION/RESERVED FUND BALANCES:

A. Restricted Net Position:

In the Statement of Net Position, the restricted net position of the primary government consists of assets restricted for Special Revenue funds and assets restricted for other purposes. The Special Revenue restricted net position is legally restricted for the specific purpose for which the fund was created. The amount that is restricted for other purposes is for the purchase of open space.

B. Fund Balances:

In the Balance Sheet – Governmental Funds, the restricted fund balances consist of the special revenue funds (Highway Aid) and assets restricted for open space.

Assigned fund balances are for future capital projects, equipment replacement, contingencies and emergencies, and other purposes identified by the Board of Supervisors.

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES:			
Real Estate Taxes	\$ 171,000	\$ 171,760	\$ 760
Real Estate Transfer Taxes	225,000	219,131	(5,869)
Earned Income Taxes	2,157,000	2,405,099	248,099
Licenses and Permits	184,700	170,601	(14,099)
Fines and Forfeits	5,000	4,410	(590)
Interest Earnings	25,000	98,338	73,338
Intergovernmental Revenues	105,434	99,280	(6,154)
Charges for Services	34,700	48,193	13,493
Miscellaneous Revenues	22,234	26,310	4,076
Total Revenues	<u>2,930,068</u>	<u>3,243,122</u>	<u>313,054</u>
EXPENDITURES:			
General Government	952,489	678,786	273,703
Public Safety	173,504	162,673	10,831
Public Works - Sanitation	93,260	45,908	47,352
Public Works - Highway and Streets	682,558	574,179	108,379
Culture and Recreation	194,781	203,465	(8,684)
Miscellaneous Expenditures	130,604	85,587	45,017
Total Expenditures	<u>2,227,196</u>	<u>1,750,598</u>	<u>476,598</u>
Excess of Revenues Over Expenditures	<u>702,872</u>	<u>1,492,524</u>	<u>789,652</u>
OTHER FINANCING SOURCES (USES):			
Refund of Prior Year Expenditures	88,000	-	(88,000)
Transfer to Component Unit	(61,000)	(55,000)	6,000
Transfers In	-	65,592	65,592
Transfers Out	(729,872)	(656,113)	73,759
Total Other Financing Sources (Uses)	<u>(702,872)</u>	<u>(645,521)</u>	<u>57,351</u>
Net Change in Fund Balance	<u>-</u>	<u>847,003</u>	<u>847,003</u>
FUND BALANCE - JANUARY 1, 2018	<u>-</u>	<u>9,326,515</u>	<u>9,326,515</u>
FUND BALANCE - DECEMBER 31, 2018	<u>\$ -</u>	<u>\$ 10,173,518</u>	<u>\$ 10,173,518</u>

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - Capital Reserve Fund
For the Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES:			
Interest Earnings	\$ -	\$ 13,016	\$ 13,016
Miscellaneous Revenues	-	100,100	100,100
Total Revenues	-	113,116	113,116
EXPENDITURES:			
General Government	-	35	(35)
Public Works - Highways & Streets	429,872	516,913	(87,041)
Total Expenditures	429,872	516,948	(87,076)
OTHER FINANCING SOURCES :			
Transfers In	-	332,593	332,593
Total Other Financing Sources	-	332,593	332,593
Net Change in Fund Balance	(429,872)	(71,239)	358,633
FUND BALANCE - JANUARY 1, 2018	429,872	727,288	297,416
FUND BALANCE - DECEMBER 31, 2018	\$ -	\$ 656,049	\$ - 656,049

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - Highway Aid Fund
For the Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES:			
Interest Earnings	\$ 1,200	\$ 6,361	\$ 5,161
Intergovernmental Revenues	<u>263,989</u>	<u>270,966</u>	<u>6,977</u>
Total Revenues	<u>265,189</u>	<u>277,327</u>	<u>12,138</u>
EXPENDITURES:			
Public Works - Highway and Streets	<u>249,751</u>	<u>161,507</u>	<u>88,244</u>
Total Expenditures	<u>249,751</u>	<u>161,507</u>	<u>88,244</u>
OTHER FINANCING SOURCES :			
Transfers Out	<u>-</u>	<u>(5,592)</u>	<u>(5,592)</u>
Total Other Financing Sources	<u>-</u>	<u>(5,592)</u>	<u>(5,592)</u>
Net Change in Fund Balance	15,438	110,228	94,790
FUND BALANCE - JANUARY 1, 2018	<u>-</u>	<u>270,118</u>	<u>270,118</u>
FUND BALANCE - DECEMBER 31, 2018	<u><u>\$ 15,438</u></u>	<u><u>\$ 380,346</u></u>	<u><u>\$ 364,908</u></u>

PERKIOMEN TOWNSHIP
Combining Balance Sheet
All Non-Major Funds
December 31, 2018

ASSETS	Fire Tax Fund	Municipal Services and Facilities	Total
Cash and Cash Equivalents	\$ 51,250	\$ 10,309	\$ 61,559
Investments	144,564	-	144,564
Interfund Receivables	1,209	-	1,209
Taxes Receivable	1,821	-	1,821
Total Assets	\$ 198,844	\$ 10,309	\$ 209,153
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Interfund Payables	\$ 4,174	\$ -	\$ 4,174
Total Liabilities	4,174	-	4,174
 Fund Balances:			
Assigned	194,670	10,309	204,979
Total Fund Balances	194,670	10,309	204,979
 Total Liabilities and Fund Balances	\$ 198,844	\$ 10,309	\$ 209,153

PERKIOMEN TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Non-Major Funds
For the Year Ended December 31, 2018

	Fire Tax Fund	Municipal Services and Facilities	Total
REVENUES:			
Real Estate Taxes	\$ 131,593	\$ -	\$ 131,593
Interest Earnings	2,315	3	2,318
Assessments/Ordinances	-	1,000	1,000
	<u>133,908</u>	<u>1,003</u>	<u>134,911</u>
EXPENDITURES:			
General Government	4,174	-	4,174
	<u>4,174</u>	<u>-</u>	<u>4,174</u>
Excess of Revenues Over Expenditures	<u>129,734</u>	<u>1,003</u>	<u>130,737</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	(60,000)	-	(60,000)
Transfers In	323,520	-	323,520
Transfers to Component Unit	(352,514)	-	(352,514)
	<u>(88,994)</u>	<u>-</u>	<u>(88,994)</u>
Net Change in Fund Balances	40,740	1,003	41,743
FUND BALANCES - JANUARY 1, 2018	<u>153,930</u>	<u>9,306</u>	<u>163,236</u>
FUND BALANCES - DECEMBER 31, 2018	<u><u>\$ 194,670</u></u>	<u><u>\$ 10,309</u></u>	<u><u>\$ 204,979</u></u>

DRESLIN AND COMPANY, INC.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER:

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

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

Board of Supervisors
Perkiomen Township
Collegeville, Montgomery County, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perkiomen Township, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Perkiomen Township's basic financial statements and have issued our report thereon dated May 9, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency [2018-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perkiomen Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Perkiomen Township's Response to Findings

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

Purpose of this Report

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

Dreelin and Company, Inc.

East Norriton, Pennsylvania

May 9, 2019

PERKIOMEN TOWNSHIP
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Finding

2018 - 001 Segregation of Duties

Condition: Due to the small size of the Township, there is a lack of segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that proper approvals are obtained.

Cause: Internal controls over segregation of duties are inadequately designed.

Effect: Because of the lack of segregation of duties, proper recording of transactions and approval from the proper level of management may not occur.

Recommendation: We recommend that management explore options for achieving a greater segregation of duties.

Views of Responsible Officials and Planned Corrective Actions: Due to the small size of the Township office staff, proper segregation of duties is not possible. Procedures are designed to maximize internal control over the accounting function given the size of the Township's staff.