
LONDON GROVE TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

LONDON GROVE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

May 4, 2020

To the Board of Supervisors
London Grove Township
West Grove, Pennsylvania

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of London Grove Township, West Grove, Pennsylvania, 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

London Grove Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the 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.

To the Board of Supervisors
London Grove Township

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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Grove Township, West Grove, Pennsylvania, as of December 31, 2019, and the respective changes in cash basis financial position and cash basis budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**LONDON GROVE TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,927,580
TOTAL ASSETS	\$ 4,927,580
LIABILITIES AND NET POSITION	
LIABILITIES	\$ -
NET POSITION	
Restricted	2,882,196
Unrestricted	2,045,384
TOTAL NET POSITION	4,927,580
TOTAL LIABILITIES AND NET POSITION	\$ 4,927,580

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

**LONDON GROVE TOWNSHIP
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General government	\$ 983,524	\$ 613,688	\$ 24,390	\$ -	\$ (345,446)
Public safety	849,592	229,541	67,608	-	(552,443)
Public works	1,762,423	-	506,206	-	(1,256,217)
Health	1,232	-	-	-	(1,232)
Culture and recreation	232,500	-	4,000	-	(228,500)
Community development	925,594	-	-	-	(925,594)
Debt service	383,130	-	-	-	(383,130)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,137,995	\$ 843,229	\$ 602,204	\$ -	(3,692,562)

GENERAL REVENUES

Taxes:		
Real estate taxes	655,879	
Real estate transfer taxes	203,901	
General earned income taxes	1,371,545	
Open space earned income taxes	635,557	
Investment earnings	201,437	
Licenses and permits	159,375	
Fines and forfeits	20,569	
Miscellaneous	69,345	
TOTAL GENERAL REVENUES	3,317,608	
CHANGE IN NET POSITION	(374,954)	
NET POSITION, BEGINNING OF YEAR	5,302,534	
NET POSITION, END OF YEAR	\$ 4,927,580	

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

**LONDON GROVE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS - CASH BASIS
DECEMBER 31, 2019**

	General Fund	Open Space Fund	Capital Reserve Fund	Equipment Repair Fund	Liquid Fuels Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 488,140	\$ 2,808,817	\$ 869,876	\$ 118,547	\$ 69,635	\$ 572,565	\$ 4,927,580
TOTAL ASSETS	<u>\$ 488,140</u>	<u>\$ 2,808,817</u>	<u>\$ 869,876</u>	<u>\$ 118,547</u>	<u>\$ 69,635</u>	<u>\$ 572,565</u>	<u>\$ 4,927,580</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES							
Restricted for:							
Highways and streets	-	-	-	-	69,635	-	69,635
Open space	-	2,808,817	-	-	-	-	2,808,817
Maintenance facility	-	-	-	-	-	-	-
Street lights	-	-	-	-	-	3,744	3,744
Assigned	-	-	869,876	118,547	-	568,821	1,557,244
Unassigned	488,140	-	-	-	-	-	488,140
TOTAL FUND BALANCES	<u>488,140</u>	<u>2,808,817</u>	<u>869,876</u>	<u>118,547</u>	<u>69,635</u>	<u>572,565</u>	<u>4,927,580</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 488,140</u>	<u>\$ 2,808,817</u>	<u>\$ 869,876</u>	<u>\$ 118,547</u>	<u>\$ 69,635</u>	<u>\$ 572,565</u>	<u>\$ 4,927,580</u>

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

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

	General Fund	Open Space Fund	Capital Reserve Fund	Equipment Repair Fund	Liquid Fuels Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Real estate tax	\$ 653,612	-	-	-	-	\$ 2,267	\$ 655,879
Transfer tax	203,901	-	-	-	-	-	203,901
Earned income tax	1,371,545	635,557	-	-	-	-	2,007,102
Licenses and permits	159,375	-	-	-	-	-	159,375
Fines and forfeits	20,569	-	-	-	-	-	20,569
Interest, rents, and royalties	17,408	63,490	18,361	1,320	606	100,252	201,437
Intergovernmental revenues	143,767	-	99,138	-	359,299	-	602,204
Charges for services	843,229	-	-	-	-	-	843,229
Miscellaneous revenue/other	12,929	19	-	-	3,737	1,139	17,824
TOTAL REVENUES	<u>3,426,335</u>	<u>699,066</u>	<u>117,499</u>	<u>1,320</u>	<u>363,642</u>	<u>103,658</u>	<u>4,711,520</u>
EXPENDITURES							
Current:							
General government	600,756	15,166	128,771	-	109	11,779	756,581
Public safety	718,584	-	-	-	-	-	718,584
Health	1,232	-	-	-	-	-	1,232
Public works - sanitation	3,935	-	-	-	-	-	3,935
Public works - highways and streets	841,653	-	-	213,422	370,851	83,342	1,509,268
Culture and recreation	184,252	-	-	-	-	48,248	232,500
Community development	11,458	899,436	14,700	-	-	-	925,594
Employee benefits	510,020	-	-	-	-	-	510,020
Insurance	76,329	-	-	-	-	-	76,329
Miscellaneous	20,822	-	-	-	-	-	20,822
Debt service:							
Principal	120,000	-	54,011	-	-	40,000	214,011
Interest	123,940	-	7,643	-	-	37,536	169,119
TOTAL EXPENDITURES	<u>3,212,981</u>	<u>914,602</u>	<u>205,125</u>	<u>213,422</u>	<u>370,960</u>	<u>220,905</u>	<u>5,137,995</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>213,354</u>	<u>(215,536)</u>	<u>(87,626)</u>	<u>(212,102)</u>	<u>(7,318)</u>	<u>(117,247)</u>	<u>(426,475)</u>
OTHER FINANCING SOURCES (USES)							
Refunds of prior year expenses	35,478	-	-	-	-	-	35,478
Refunds of prior year revenues	(12,232)	-	-	-	-	-	(12,232)
Proceeds from general fixed asset disposition	-	-	-	28,275	-	-	28,275
Transfers in	21,961	-	145,000	88,000	-	179,664	434,625
Transfers out	(412,913)	-	-	-	-	(21,712)	(434,625)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(367,706)</u>	<u>-</u>	<u>145,000</u>	<u>116,275</u>	<u>-</u>	<u>157,952</u>	<u>51,521</u>
NET CHANGE IN FUND BALANCES	<u>(154,352)</u>	<u>(215,536)</u>	<u>57,374</u>	<u>(95,827)</u>	<u>(7,318)</u>	<u>40,705</u>	<u>(374,954)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>642,492</u>	<u>3,024,353</u>	<u>812,502</u>	<u>214,374</u>	<u>76,953</u>	<u>531,860</u>	<u>5,302,534</u>
FUND BALANCES, END OF YEAR	<u>\$ 488,140</u>	<u>\$ 2,808,817</u>	<u>\$ 869,876</u>	<u>\$ 118,547</u>	<u>\$ 69,635</u>	<u>\$ 572,565</u>	<u>\$ 4,927,580</u>

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

LONDON GROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate tax	\$ 632,300	\$ 653,612	\$ 21,312
Transfer tax	185,000	203,901	18,901
Earned income tax	1,406,250	1,371,545	(34,705)
Licenses and permits	164,590	159,375	(5,215)
Fines and forfeits	5,700	20,569	14,869
Interest, rents, and royalties	9,000	17,408	8,408
Intergovernmental revenues	112,487	143,767	31,280
Charges for services	692,400	843,229	150,829
Miscellaneous revenue/other	3,575	12,929	9,354
TOTAL REVENUES	3,211,302	3,426,335	215,033
EXPENDITURES			
Current:			
General government	696,730	600,756	95,974
Public safety	731,191	718,584	12,607
Health	2,200	1,232	968
Public works - sanitation	3,300	3,935	(635)
Public works - highways and streets	836,682	841,653	(4,971)
Public works - maintenance facility	-	-	-
Culture and recreation	141,475	184,252	(42,777)
Community development	-	11,458	(11,458)
Employee benefits	507,439	510,020	(2,581)
Insurance	141,335	76,329	65,006
Miscellaneous expense	4,450	20,822	(16,372)
Debt service:			
Principal	120,000	120,000	-
Interest	125,457	123,940	1,517
TOTAL EXPENDITURES	3,310,259	3,212,981	97,278
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(98,957)	213,354	312,311
OTHER FINANCING SOURCES (USES)			
Refunds of prior year revenues	(14,028)	(12,232)	1,796
Refund of prior year expenditures	-	35,478	35,478
Transfers in	301,785	21,961	(279,824)
Transfers out	(188,800)	(412,913)	(224,113)
TOTAL OTHER FINANCING SOURCES (USES)	98,957	(367,706)	(466,663)
NET CHANGE IN FUND BALANCE	-	(154,352)	(154,352)
FUND BALANCE, BEGINNING OF YEAR	642,492	642,492	-
FUND BALANCE, END OF YEAR	\$ 642,492	\$ 488,140	\$ (154,352)

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

**LONDON GROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - LIQUID FUELS FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest	\$ 150	\$ 606	\$ 456
Annual allocation	323,403	359,299	35,896
Turnback allocation	16,640	3,737	(12,903)
TOTAL REVENUES	<u>340,193</u>	<u>363,642</u>	<u>23,449</u>
EXPENDITURES			
Public works - highways and streets	383,000	370,851	(12,149)
General government	-	109	109
TOTAL EXPENDITURES	<u>383,000</u>	<u>370,960</u>	<u>(12,040)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(42,807)</u>	<u>(7,318)</u>	<u>11,409</u>
OTHER FINANCING SOURCES			
Transfers from other funds	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	(32,807)	(7,318)	1,409
FUND BALANCE, BEGINNING OF YEAR	<u>76,953</u>	<u>76,953</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 44,146</u>	<u>\$ 69,635</u>	<u>\$ 1,409</u>

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

**LONDON GROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - OPEN SPACE FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest	\$ 36,000	\$ 63,490	\$ 27,490
Earned income tax	468,750	635,557	166,807
Prior year earned income tax	-	19	19
TOTAL REVENUES	<u>504,750</u>	<u>699,066</u>	<u>194,316</u>
EXPENDITURES			
General government	-	15,166	15,166
Community development	26,755	899,436	872,681
TOTAL EXPENDITURES	<u>26,755</u>	<u>914,602</u>	<u>887,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>477,995</u>	<u>(215,536)</u>	<u>1,082,163</u>
FUND BALANCE, BEGINNING OF YEAR	<u>3,024,353</u>	<u>3,024,353</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,502,348</u>	<u>\$ 2,808,817</u>	<u>\$ 1,082,163</u>

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

LONDON GROVE TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUND - CASH BASIS
DECEMBER 31, 2019

	<u>Escrow Fund</u>
ASSETS	
Cash and cash equivalents	\$ 331,183
TOTAL ASSETS	<u>\$ 331,183</u>
NET POSITION	
Net position - unrestricted	<u>\$ 331,183</u>

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

LONDON GROVE TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND - CASH BASIS
DECEMBER 31, 2019

	Escrow Fund
ADDITIONS	
Developer deposits	\$ -
TOTAL ADDITIONS	\$ -
DEDUCTIONS	
Developer deposits refunded	\$ 44,225
TOTAL DEDUCTIONS	44,225
NET POSITION, BEGINNING OF YEAR	375,408
NET POSITION, END OF YEAR	\$ 331,183

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

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

London Grove Township ("the Township") is a municipal corporation existing and operating under the Second Class Township Code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position - cash basis and the statement of activities - cash basis) report information on all of the non-fiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide statement of net position - cash basis and the statement of activities - cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined.

In the fund financial statements, the "current financial resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All government funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet - cash basis. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position - cash basis, statement of activities - cash basis, and the fund financial statements - cash basis, governmental activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements. Additionally, long-term assets and liabilities, including capital assets and debt, are excluded from the statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable, capital assets, and revenue for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable, debt, and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Financial Statement Presentation

The government reports the following major governmental funds:

- The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Open Space Fund* is a special revenue fund used to account for the purchase and maintenance of open spaces within the Township.
- The *Capital Reserve Fund* is a capital fund used to account for the various capital projects within the Township.
- The *Equipment Repair Fund* is a capital projects fund used to account for repair and replacement of equipment used by the Township.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The *State Liquid Fuels Highway Aid Fund (Liquid Fuels Fund)* is a special revenue fund used to account for highway-related projects in the Township. The primary revenue stream is grant revenue.

Additionally, the government reports the following nonmajor governmental funds in the aggregate:

- The *Maintenance Facility Fund* is a capital fund used to account for various projects related to the Township's maintenance facilities, including the construction of a new maintenance building.
- The *Chatham Light Fund* is a special revenue fund used to account for providing street lighting to certain areas within the Township. The primary revenue stream is assessments on properties served by this street lighting.
- The *Recreation Fund* is a special revenue fund used to account for recreational activities organized by the Township. The primary revenue stream is recreation impact fees.
- The *Ashland Woods Fund* is a special revenue fund used to account for special projects in the Ashland Woods community. The primary revenue stream is assessments and charges levied from time to time.
- The *Road Improvement Fund* is a special revenue fund used to account for special street projects in the Township. The primary revenue stream is assessments levied from time to time.
- The *Golf Course Equipment, Operation, and Improvement Fund* is a capital projects fund used to account for rental payments received from the third-party golf course operator and to account for capital improvements to the golf course.
- The *Park Capital Repair and Maintenance Fund* is a capital projects fund used to account for maintenance and repair activities within the Township's parks.
- The *Penwyck Fund* is a capital projects fund used to account for maintenance and repair activities with the Township's Penwyck development.
- The *IT Fund* is a capital projects fund used to account for information systems technology activities within the Township.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Township reports the following fiduciary fund:

- The *Escrow Fund* accounts for deposits received and held on behalf of developers during the planning and construction phases of construction or renovation projects to pay for legal, zoning, and other fees related to the various projects.

Use of Estimates

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Position or Equity

Deposits

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Long-term Obligations

Long-term debt and other long-term obligations are expensed as paid under the cash basis of accounting. Any issuance premiums or discounts, as well as issuance costs, are recorded as other financing sources and used at the time of issuance.

Net Position

In the government-wide financial statements, net position can be classified in the following categories:

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

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned Fund Balance – includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Supervisors or (b) a body (a budget, finance committee, or Township Manager and Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts and excluding residual General Fund amounts) that are not classified as non-spendable, restricted, or committed.
- Unassigned Fund Balance – this residual classification is used for all negative fund balances in Special Revenue and Capital Projects or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Budgetary Information

The annual budget is adopted on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. All appropriations lapse at year end unless the Board of Supervisors approves a carry-over of an unused budget line item.

Beginning at least 30 days prior to the adoption of the budget, a proposed budget is prepared in a manner designated by the Board of Supervisors. Notice that the proposed budget is available for inspection is published by the Township Secretary in a newspaper of general circulation. The budget is then made available for a 10-day period. The Board must adopt the budget through a motion by December 31. It is also the duty of the Board to adopt an ordinance levying taxes as allowed by Township Code. All budget revisions require the approval of the Board of Supervisors.

Implementation of GASB Statement

During the year ended December 31, 2019, the Township implemented GASB Statement No. 84, "Fiduciary Activities." The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It requires that governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

NOTE 2 DETAILED NOTES ON FINANCIAL ACTIVITIES

Deposits and Investments

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2019, the Township's carrying amount of deposits was \$5,258,763 and the bank balance was \$5,218,577, the difference being outstanding checks and deposits in transit. Of the bank balance, \$717,066 was covered by federal depository insurance, and \$4,453,043 was collateralized by pooled funds held by the depository.

The remaining \$48,468 of the Township's deposits were in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization (Standard & Poor's rating of AAAM as of December 31, 2019), and is subject to an independent annual audit.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

Long-term Debt

General Obligation Notes: The Township obtains general obligation notes to provide funds for the acquisition and construction of major capital assets. The original amount of general obligation notes issued in prior years was \$6,400,000. During fiscal year ended December 31, 2019, the Township did not issue any new general obligation notes.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 20 - 30-year notes with varying amounts of principal maturing each year.

There is no liability for long-term debt in the financial statements since they are being reported on the cash basis of accounting, as described in Note 1. As of December 31, 2019, general obligation notes and a lease arising from cash basis transactions payable from governmental fund resources consisted of the following:

Purpose	Amount
Governmental Activities	<u>\$ 5,684,385</u>

The \$500,000 1999 general obligation note is due in installments through 2026 with a fixed interest rate of 5.000 percent. The outstanding balance at December 31, 2019 was \$200,000.

The \$1,300,000 2009 general obligation note is due in installments through 2039, with a fixed interest rate of 2.929 percent. The outstanding balance at December 31, 2019 was \$1,012,000.

The \$300,000 2011 general obligation note is due in installments through 2040 with a variable interest rate with a maximum of 15 percent. At December 31, 2019, the interest rate was 2.190 percent, and the outstanding balance was \$292,000.

The \$300,000 2012 general obligation note is due in installments through 2040 with a fixed interest rate of 2.690 percent. The outstanding balance at December 31, 2019 was \$286,000.

The \$4,000,000 2015 general obligation note is due in installments through 2045 with a fixed interest rate of 2.800 percent. The outstanding balance at December 31, 2019 was \$3,720,000.

During the year ended December 31, 2018, the Township incurred a capital lease agreement for the lease of 63 golf carts. The \$283,905 lease is due in installments through 2022 with a fixed interest rate of 3.800 percent. The outstanding balance at December 31, 2019 was \$174,385.

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

An analysis of debt service requirements to maturity on these obligations is as follows:

Governmental Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2020	\$ 221,019	\$ 160,662	\$ 381,681
2021	227,103	153,401	380,504
2022	235,263	145,904	381,167
2023	180,000	138,988	318,988
2024	186,000	133,298	319,298
2025 - 2029	1,005,000	577,368	1,582,368
2030 - 2034	1,124,000	433,010	1,557,010
2035 - 2039	1,288,000	273,921	1,561,921
2040 - 2044	1,019,000	108,562	1,127,562
2045	199,000	5,572	204,572
	<u>\$ 5,684,385</u>	<u>\$ 2,130,686</u>	<u>\$ 7,815,071</u>

A schedule of changes in debt is as follows:

	<u>Beginning Balance 1/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 12/31/19</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital Lease	\$ 228,396	\$ -	\$ 54,011	\$ 174,385	\$ 56,019
GO Notes	5,670,000	-	160,000	5,510,000	165,000
Total Governmental Activities	<u>\$ 5,898,396</u>	<u>\$ -</u>	<u>\$ 214,011</u>	<u>\$ 5,684,385</u>	<u>\$ 221,019</u>

For the year ended December 31, 2019, interest paid for the governmental activities was \$169,119.

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2019:

Public works – sanitation	\$ 635
Public works – highways and streets	\$ 4,971
Culture and recreation	\$ 42,777

LONDON GROVE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATIONS (cont'd)

Community development	\$	11,458
Employee benefits	\$	2,581
Miscellaneous expense	\$	16,372

The liquid fuels fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2019:

Public works - highways and streets	\$	12,149
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The excess expenditures in the general fund were covered by savings in other budgeted expenditure line items. The excess expenditures in the liquid fuels fund were covered by revenues in excess of budgeted amounts.

NOTE 4 SUBSEQUENT EVENTS

On January 1, 2020, the Township took back full ownership of Inniscrone Golf Course, eliminating the \$80,000 in debt and administrative service fee revenues coming from Heathland Hospitality Group annually.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Township's income in 2020. Other financial impact could occur, though such potential impact is unknown at this time.

The Township has evaluated all subsequent events through May 4, 2020, the date the financial statements were available to be issued.