



Ferguson
Township
Pennsylvania

Comprehensive Annual Financial Report

For the Year Ended
December 31, 2018



2018
FERGUSON TOWNSHIP
CENTRE COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Calendar Year Ended December 31, 2018

Prepared by the Township Department of Finance
Eric Endresen, Director



Township of Ferguson, Pennsylvania

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Township of Ferguson, Pennsylvania

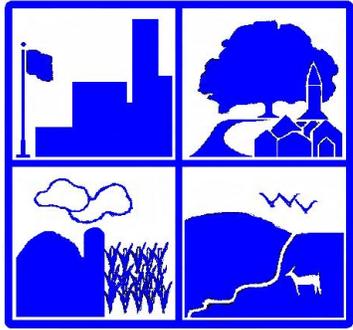
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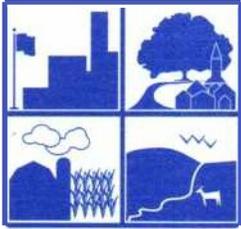
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Introductory Section



TOWNSHIP OF FERGUSON

3147 Research Drive- State College, Pennsylvania 16801
Telephone: 814-238-4651 • Fax: 814-238-3454
www.twp.ferguson.pa.us

June 3, 2019

To the Citizens of Ferguson Township, Centre County, Pennsylvania

The Township Manager and Finance Director are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Township of Ferguson, Centre County, Pennsylvania for the year ended December 31, 2018.

This CAFR is prepared to inform the Board of Supervisors, Township staff, our citizens, bondholders and other interested parties, detailed information concerning the financial condition of the Township government. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with Township management. To provide the basis for making these representations, the management of the Township has established a comprehensive internal control framework that is designed both to protect the Township's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Township's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR was prepared by the Township Finance Department and the financial statements were audited by the firm Baker Tilly Virchow Krause, LLP, State College, PA.

The Management Discussion and Analysis ("MD&A") is a narrative introduction, overview and analysis of the accompanying basic financial statements. The MD&A can be found immediately following the report of the independent auditors.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all funds except the employee benefit, internal services, pension trust, and agency funds. The appropriated budgets are prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

Although not legally obligated to do so, for management control purposes, the Board of Supervisors reviews and approves interdepartmental budget transfers. All annual appropriations lapse at calendar year end. The Supervisors may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Supervisors may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof.

To the best of our knowledge and belief, the data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and the results of operations of the Township as measured by the financial activity of the various funds. We believe that all disclosures necessary to enable the reader to gain a reasonable understanding of the Township's financial affairs have been included.

Ferguson Township Profile

Ferguson Township is one of 36 municipalities in Centre County. In terms of population, the Township is the second largest municipality in the County behind the State College Borough.

The Centre Region is comprised of six municipalities: The Borough of State College, and the Townships of College, Ferguson, Halfmoon, Harris, and Patton. These municipalities have an estimated population of 95,202 (2017) approximating 60 percent of the total County population (160,646) living within their boundaries and is considered the urban area of the County. Within the Centre Region, Ferguson Township is the second largest municipality in terms of population (2017 estimate 18,837) and the largest in terms of land area (47.65 square miles). Ferguson has an estimated population density of 395 persons per square mile (2017).

Ferguson Township is a home rule municipality. On January 1, 1976, the electorate, by referendum, adopted a home rule charter that institutes a council-manager form of government. The Board of Supervisors as the governing body is comprised of five elected officials: two are elected at large and three are elected by ward. The Board of Supervisors is the policy-making body and is responsible for setting tax rates, approving an annual budget, and enacting ordinances to carry out policy. The Board of Supervisors represents the Township as members of the Centre Region Council of Governments ("COG"). Each board member serves in various capacities on committees of the COG dealing with regional issues such as transportation, code enforcement, public services, finance and personnel. The Board of Supervisors appoints the Township Solicitor, Auditor and Township Manager.

Housing units have continued to grow in the current decade. According to the American FactFinder Estimates (2017), there were 8,089 housing units in the Township (2017). This compares to the 2010 estimate of 7,246 units, an increase of 843 units or 11.6 percent in seven years.

The population breakdown, according to the FactFinder Estimates for 2017, includes 67 percent of township residents fall in the 18-59-year-old range, and 14 percent are age 65 and older. Children under the age of 18 make up 19 percent of the Township population. This is a 5 percent increase in working age residents

Of the top 40 employers in the Centre Region, at least six of these employers have a presence or home in the Township. These include the largest employer Penn State University, as well as Raytheon (defense), Accuweather (meteorology), Skills of Central PA (employment), HRI (construction) and Minitab, Inc. (software). New small and medium size businesses continue to establish their offices in the Township and lost business is being replaced with new employers.

The local economy is highly dependent upon Penn State University and the effect it has on the region. Penn State University has been a strong economic force for the Township and the Centre Region in general for many years in job growth, housing growth and diversity among others.

The Township has worked on or completed several projects during 2018 that have shaped the Township finances. These are:

- ✓ Oversaw the architectural design of renovations to the township administration building
- ✓ Continued outreach initiatives such as coffee and conversation, neighborhood forums, and business engagement
- ✓ Prepared Comprehensive Annual Financial Report for 2018 and Annual Budget for 2019
- ✓ Continued design of new LEED Gold public works maintenance facility
- ✓ Completed phase one of the storm water fee feasibility study
- ✓ Completed roadway resurfacing and parkland improvements
- ✓ Developed a greenhouse gas emissions inventory working with ad hoc climate action committee
- ✓ Facilitated land development reviews and zoning amendments to allow for planned sustainable growth in the community

The Township annual debt service reduces the Township's ability to use the funds for other uses (opportunity cost) remains as long as the debt payments are required. The Township's current direct debt level is zero for the current year end. The Township will continue to invest money into the General Obligation Account fund for future projects. The Township has a stake in the debt for the regional pools and parks. This regional debt load continues into the 2020 decade. Since regional parks are a shared cost, the Township has sufficient financial reserves to complete the current design of the regional park projects as proposed.

The long-term financial outlook for the Township is highly dependent on the stability and growth in the employment tax base to provide sufficient resources for police and public works operational needs, capital (road & park) projects and capital equipment. At this time, the outlook for the Township is very strong in the short term and favorable for long-term growth and stability.

Award

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Ferguson Township for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the eighth consecutive year that the Township has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to express my sincere thanks for all the people that have made this report possible. Without the information they provided, support and their efforts, this report would not be realized. I would like to again specifically thank the Board of Supervisors and Mark Kunkle for their support in this project. In no specific order they are:

Board of Supervisors, Ferguson Township

David Pribulka, Township Manager, Ferguson Township

Christine Zoerner, John Taylor and Rick Bair, Baker Tilly Virchow Krause, LLP, CPAs

Ferguson Township Planning and Zoning Department

Chris Albright, Chief of Police, Ferguson Township

Dave Modricker, Director of Public Works, Ferguson Township

Ron Seybert, Township Engineer, Ferguson Township

Ferguson Township Public Works

Centre Tax Agency

Ferguson Township Police Department

Joe Viglione, Centre Region Council of Governments

If I have omitted anyone, please accept my apologies.

Respectfully Submitted,



Eric R. Endresen, CPA,
Director of Finance



VISION STATEMENT

The Township will strive to appropriate staff and resources to maintain the infrastructure in acceptable condition, provide exemplary service, keep Township operations financially stable and keep pace with technology. As a result, the Township can continue to be a leader and model for the Centre Region and other Home Rule municipalities.

The Township is considered a 'Best Place to Live' due to the high quality of life created in part through a sense of place achieved through the development of a vital town center, a strong diversified community, an effective transportation system, a rural/small town atmosphere and the location and availability of open space. The Township will continue to preserve environmentally sensitive areas.



MISSION STATEMENT

It is the Township's mission to provide efficient, cost effective, professional services to our residents in a fair, cooperative, ethical and honest manner. The Township will endeavor to manage its resources allowing planned, sustainable growth while preserving the quality of life and its unique characteristics.



Township Values

Effective, efficient, professionalism in delivering services to our residents.
Residents, elected and appointed officials expect the highest quality service delivery from Township staff. It is our duty to meet and exceed those expectations in our daily work.

Preserving the unique character of the Township.

The Township proudly boasts a diverse community of all ages and professions including farmers, scholars, small and large business employers and employees, professionals, and students. Each give the area a character all its own. It is our responsibility to ensure that policies and service delivery are directed at maintaining that character for generations to come.

A well-maintained and safe environment.

Every resident and guest deserves to live, work, study, and recreate in a high quality environment. Therefore, it is our responsibility to properly maintain and provide for the safety of our community's neighborhoods, streets, parks and common areas.

Managing our resources wisely.

It is recognized that resources, including tax revenue, public utilities such as water and sewer, and services such as police and fire, are finite and must be allocated in the most efficient manner. It is our responsibility to continuously review and refine our practices to improve the management of public resources to provide the highest quality service delivery.

Collaborating with our neighboring municipalities to provide cost effective services.

The Centre Region is home to one of the premier and oldest Council of Governments in the Commonwealth. For decades, the municipalities that comprise the Centre Region have recognized the benefits of regional cooperation to improve the effectiveness and efficiency of service delivery. It is our responsibility to maintain our commitment to the Centre Region Council of Governments and neighboring municipalities for programs where regional cooperation maximizes our return on investment.

Ethical and honest behavior.

As elected officials and employees of the Township, every official, employee and service provider to the Township is directly accountable to conduct themselves in an ethical and honest manner. It is our responsibility to ensure that all who perform work for the Township operate with the highest standards of ethical and honest behavior.





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Ferguson Township
Pennsylvania

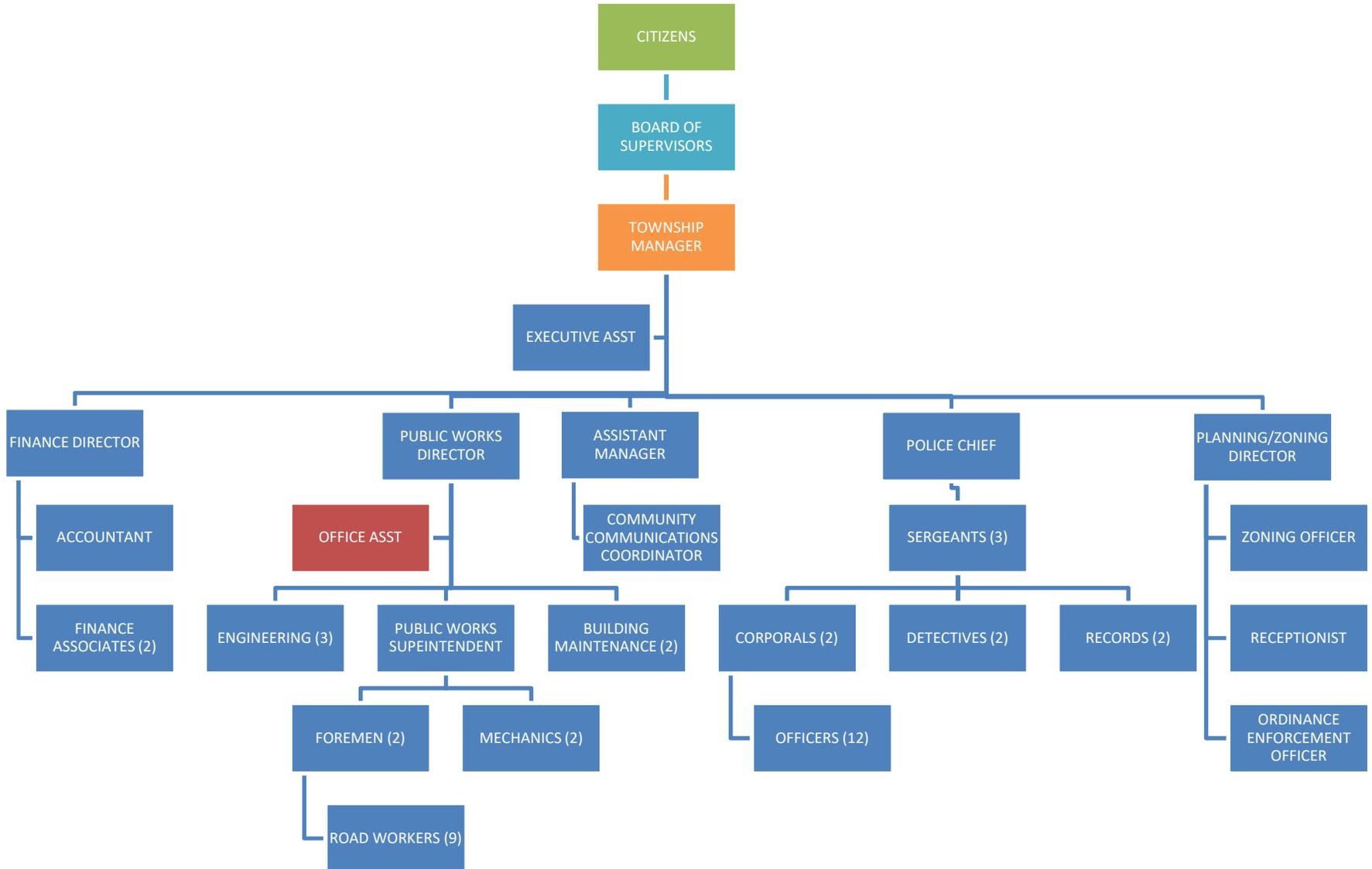
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

Ferguson Township Organizational Chart





Township of Ferguson, Pennsylvania

List of Principal Officials 2018

Peter Buckland, Chair, Board of Supervisors

Steve Miller, Vice Chair, Board of Supervisors

Laura Dininni, Supervisor

Tony Ricciardi, Supervisor

Sarah Carlson, Supervisor

David G. Pribulka, Township Manager

David J. Modricker, Director of Public Works

Eric R. Endresen, Director of Finance

Chris Albright, Chief of Police

Raymond J. Stolinas, Jr., Director of Planning and Zoning



OFFICIAL MAP

Landmarks

- ★ Ferguson Township Municipal Building
- ▲ Ferguson Township Elementary School
- Historic Site (per National Register of Historic Places)

Proposed Facilities

- Proposed Roads
- Proposed Bicycle Facilities*
- Future Fire Station
- Proposed Parkland

Existing Municipal Facilities

- Wells
- Sidewalks
- Park Paths
- Streets
- Parks
- Musser Gap Greenway & Trail
- Existing Bike Lane*
- Existing Shared Use Path*
- Existing State Bike Route*
- Township-Owned Property

Boundary Lines & Natural Features

- Regional Growth Boundary
- Municipal Boundaries
- Parcels
- Floodplains

Parcels Included in PACE Agricultural Easements

- Halfmoon OSPP
- Purchased
- Pending Purchase

* Per the Centre Regional Planning Agency (CRPA) Regional Bike Plan, as amended May 23, 2016. Proposed Bicycle Facilities are shown as amended by Ferguson Township on 9/25/2017.

THIS IS TO CERTIFY THAT THIS IS THE OFFICIAL MAP OF THE TOWNSHIP OF FERGUSON REFERRED TO IN SECTION ___ OF ORDINANCE ___ OF THE TOWNSHIP OF FERGUSON, CENTRE

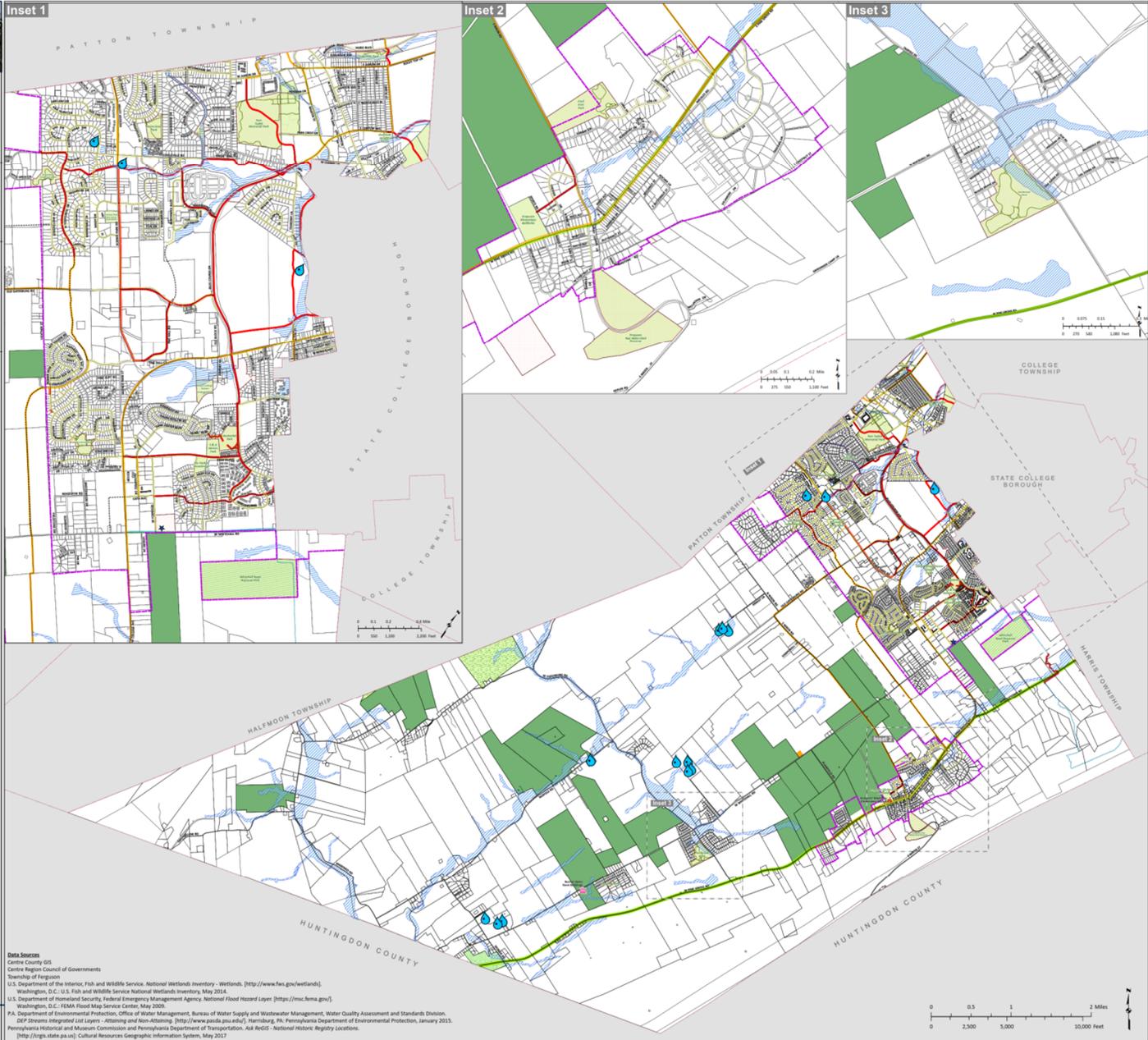
CHAIRMAN _____ DATE _____

BOARD OF SUPERVISORS _____ DATE _____

TOWNSHIP MANAGER _____ DATE _____

Map Date: 10/9/2017

Ferguson Township Municipal Building
3147 Research Drive - State College, PA - 16801
(814) 238-4651 - www.twp.ferguson.pa.us



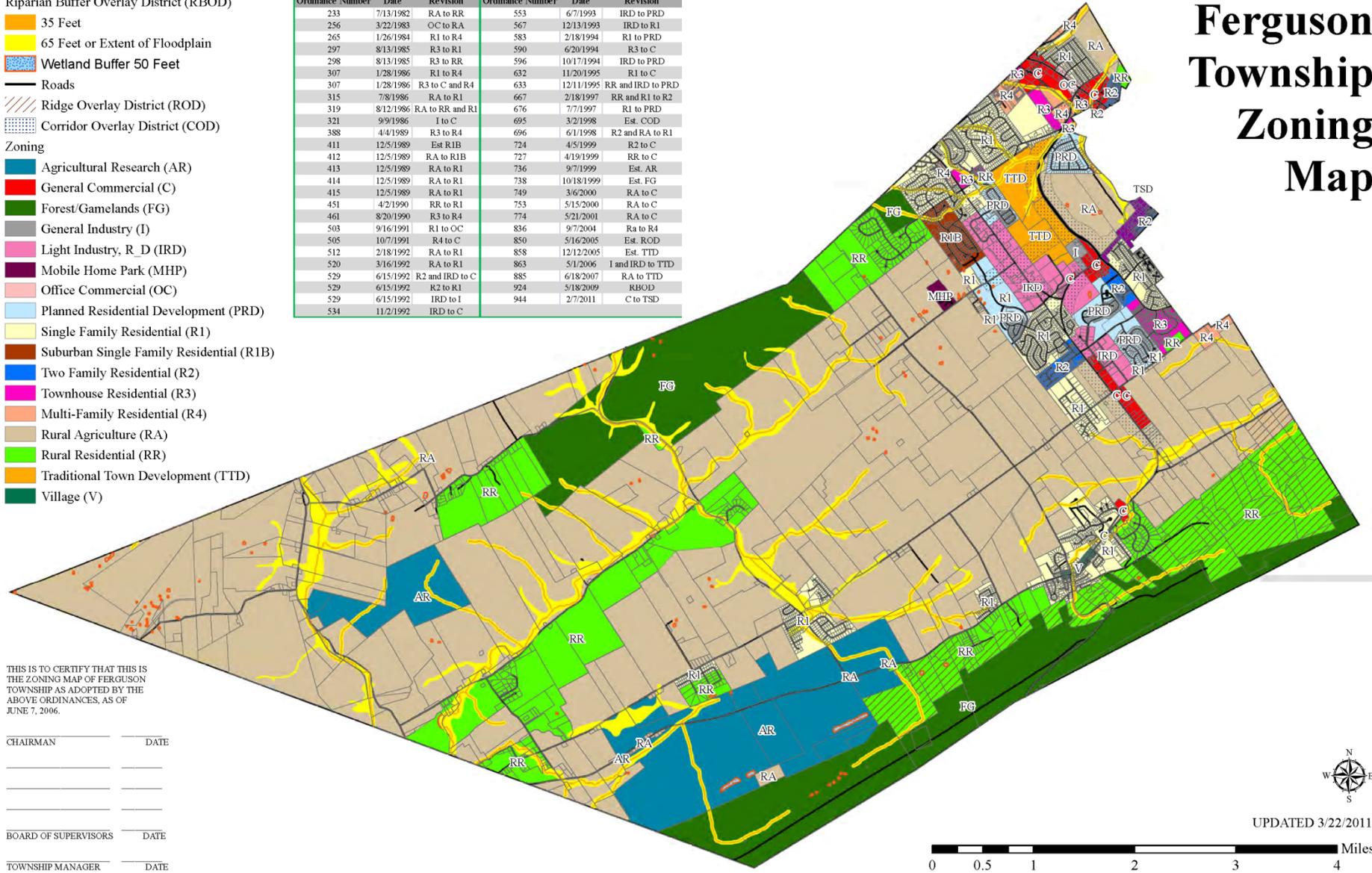
Data Sources:
 Centre County GIS
 Centre Region Council of Governments
 Township of Ferguson
 U.S. Department of the Interior, Fish and Wildlife Service, National Wetlands Inventory - Wetlands, [http://www.fws.gov/wetlands/]
 Washington, D.C. U.S. Fish and Wildlife Service National Wetlands Inventory, May 2014.
 U.S. Department of Homeland Security, Federal Emergency Management Agency, National Flood Hazard Layer, [http://msc.fema.gov/]
 Washington, D.C. FEMA Flood Map Service Center, May 2009.
 P.A. Department of Environmental Protection, Office of Water Management, Bureau of Water Supply and Wastewater Management, Water Quality Assessment and Standards Division.
 DEP Stream Integrated List Layers - Attitash and Non-Attitash, [http://www.paspa.pa.edu/], Harrisburg, PA, Pennsylvania Department of Environmental Protection, January 2015.
 Pennsylvania Historical and Museum Commission and Pennsylvania Department of Transportation, AAS 86(1) - National Historic Registry Locations, [http://trgs.state.pa.us/], Cultural Resources Geographic Information System, May 2017.



Ferguson Township Zoning Map

- Riparian Buffer Overlay District (RBOD)**
- 35 Feet
- 65 Feet or Extent of Floodplain
- Wetland Buffer 50 Feet
- Roads
- Ridge Overlay District (ROD)
- Corridor Overlay District (COD)
- Zoning**
- Agricultural Research (AR)
- General Commercial (C)
- Forest/Gamelands (FG)
- General Industry (I)
- Light Industry, R_D (IRD)
- Mobile Home Park (MHP)
- Office Commercial (OC)
- Planned Residential Development (PRD)
- Single Family Residential (R1)
- Suburban Single Family Residential (R1B)
- Two Family Residential (R2)
- Townhouse Residential (R3)
- Multi-Family Residential (R4)
- Rural Agriculture (RA)
- Rural Residential (RR)
- Traditional Town Development (TTD)
- Village (V)

Ordinance Number	Date	Revision	Ordinance Number	Date	Revision
233	7/13/1982	RA to RR	553	6/7/1993	IRD to PRD
256	3/22/1983	OC to RA	567	12/13/1993	IRD to R1
265	1/26/1984	R1 to R4	583	2/18/1994	R1 to PRD
297	8/13/1985	R3 to R1	590	6/20/1994	R3 to C
298	8/13/1985	R3 to RR	596	10/17/1994	IRD to PRD
307	1/28/1986	R1 to R4	632	11/20/1995	R1 to C
307	1/28/1986	R3 to C and R4	633	12/11/1995	RR and IRD to PRD
315	7/8/1986	RA to R1	667	2/18/1997	RR and R1 to R2
319	8/12/1986	RA to RR and R1	676	7/7/1997	R1 to PRD
321	9/9/1986	I to C	695	3/2/1998	Est. COD
388	4/4/1989	R3 to R4	696	6/1/1998	R2 and RA to R1
411	12/5/1989	Est. R1B	724	4/5/1999	R2 to C
412	12/5/1989	RA to R1B	727	4/19/1999	RR to C
413	12/5/1989	RA to R1	736	9/7/1999	Est. AR
414	12/5/1989	RA to R1	738	10/18/1999	Est. FG
415	12/5/1989	RA to R1	749	3/6/2000	RA to C
451	4/2/1990	RR to R1	753	5/15/2000	RA to C
461	8/20/1990	R3 to R4	774	5/21/2001	RA to C
503	9/16/1991	R1 to OC	836	9/7/2004	Ra to R4
505	10/7/1991	R4 to C	850	5/16/2005	Est. ROD
512	2/18/1992	RA to R1	858	12/12/2005	Est. TTD
520	3/16/1992	RA to R1	863	5/1/2006	I and IRD to TTD
529	6/15/1992	R2 and IRD to C	885	6/18/2007	RA to TTD
529	6/15/1992	R2 to R1	924	5/18/2009	RBOD
529	6/15/1992	IRD to I	944	2/7/2011	C to TSD
534	11/2/1992	IRD to C			



THIS IS TO CERTIFY THAT THIS IS THE ZONING MAP OF FERGUSON TOWNSHIP AS ADOPTED BY THE ABOVE ORDINANCES, AS OF JUNE 7, 2006.

CHAIRMAN _____ DATE _____

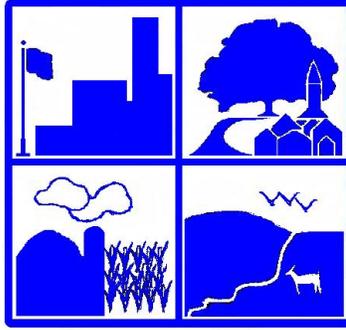
 BOARD OF SUPERVISORS _____ DATE _____

 TOWNSHIP MANAGER _____ DATE _____



UPDATED 3/22/2011





Financial Section

Independent Auditors' Report

To the Board of Supervisors of
Township of Ferguson, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania (the "Township") 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

The Township's 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund 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 ("MD&A") on pages 19 through 30 and the supplementary pension trend information on pages 65 through 67 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Township's basic financial statements. The combining non-major governmental fund financial statements on pages 70 and 71, the budgetary comparison schedules on pages 73 through 78, the combining statements of pension trust funds on pages 80 and 81, and the combining statement of changes in assets and liabilities - all agency funds on page 83, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 5 through 15, and statistical section on pages 85 through 103 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
June 3, 2019

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

As management of the Township of Ferguson, Pennsylvania (the "Township"), we offer readers of the Annual Financial Statements this narrative overview and analysis of the financial activities of the Township for the calendar years (12 months) ending December 31, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the Township's basic financial statements, which immediately follows this section.

The Management Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. This report includes comparative information for the calendar years ended December 31, 2018 and 2017.

GASB 34 requires the presentation of "government-wide" financial statements, prepared on an accrual accounting basis, which is a widely accepted method commonly used in private industry ("GAAP"), to assist readers in understanding the governmental financial activities. Part of this report is presented on an accrual accounting basis, while the remainder is presented on a modified accrual basis, more commonly used in governmental accounting.

Financial Highlights GASB 34 Presentation

- At December 31, 2018, the Township had a total of \$13.534 million of unrestricted net position available to meet the Township's long-term and ongoing obligations of the governmental activities to citizens and creditors, compared to \$13.988 million at December 31, 2017 representing a decrease of \$454 thousand.
- At December 31, 2018, the Township had a reportable total of \$26.814 million net investment in capital assets, compared to \$26.322 million at December 31, 2017 representing an increase of \$492 thousand. This is the result of current capital outlays in excess of depreciation of the capital assets.
- At December 31, 2018 and 2017, the Township's long-term debt was \$-0-. No new debt has been secured.
- The Township's overall financial position remains very strong with a slight increase during the past year considering changes in fund balances, capital investment, long-term debt, net revenues, and cash flow.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the Township's basic financial statements. In accordance with the GASB Statement No. 34, *Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments* (GASB 34), the Township's basic financial statements include three components:

Government-Wide Financial Statements,
Fund Financial Statements, and
Notes to the Basic Financial Statements.

Government-Wide Financial Statements

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Government-Wide Financial Statements** distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include public safety (police and fire), streets, library, recreation, parks, planning and zoning, and general administrative support. The Township does not have any *business-type activities*.

The **Statement of Net Position** presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 31 and 32 of this report.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Fund Financial Statements

A **Fund** is an independent self-balancing set of accounts that is used to record revenue and expenditures, related assets, liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

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

The Township maintains 11 individual Governmental Funds:

General Fund	Transportation Improvement Fund
Debt Service Fund	Park Improvement Fund
Liquid Fuels Fund	Agricultural Preservation Fund
Hydrant Fund	Pine Grove Mills Streetlight Fund
Capital Reserve Fund	Regional Capital Recreational Projects Fund
Street Light Fund	

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Transportation Improvement Fund and Capital Reserve Fund which are considered major funds.

Data from the other ten governmental funds are combined into a single, aggregated presentation captioned "other non-major governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for all its Governmental Funds. Budgetary comparison statements have been provided to demonstrate compliance with the budgets.

The basic Governmental Fund financial statements can be found on pages 33 through 37 of this report.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

The *Street Light Fund*, the *Hydrant Fund* and the *Liquid Fuels Fund* are **Special Revenue Funds** which are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes.

The *Transportation Improvement Fund*, *Park Improvement Fund*, *Capital Reserve Fund*, *Agricultural Preservation Fund*, *Regional Capital Recreation Projects Fund* and *Pine Grove Mills Streetlight Fund* are **Capital Projects Funds**. This includes funds defined as financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

The *Debt Service Fund* is the main vehicle for recording and tracking bond proceeds, required debt payments and loan balances, not otherwise recorded in a capital projects fund.

Proprietary Fund

The Township has no Proprietary Funds.

Fiduciary Funds

The Township has three Fiduciary Funds: *Police Pension Fund*, *Non-Uniform 401 Pension Fund*, and the *Tudek Memorial Park Trust Fund*. These funds account for the assets held by the Township in a trustee capacity or as the agent for individuals, private organizations and other governmental units or funds.

The basic Fiduciary Fund financial statements can be found on pages 38 and 39 of this report.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 40 through 63 of this report.

Fund Balances

Non-spendable Fund balances are those that are not in spendable form. Restricted Fund balances are those that are restricted by external parties or enabling legislation. Committed Fund balances are those that are restricted by the highest level of decision making authority. Assigned Fund balances are those that are constrained by the Townships' intent to be used for a specific purpose, but are not restricted or committed. Unassigned Fund balances are those that have no formal restrictions for spending. Management feels that the restrictions, commitments and assignments of its fund balances do not significantly affect the resources available for future use of the Township for ongoing operations.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Government-Wide Financial Analysis Statement of Net Position December 31, 2018 and 2017 (Unaudited)

	Governmental Activities		
	2018	2017	Differences
Current and other assets	\$ 17,479,393	\$ 17,063,639	\$ 415,754
Capital assets (net of depreciation)	26,814,249	26,321,702	492,547
Total assets	44,293,642	43,385,341	908,301
Deferred outflows, pension	767,058	241,505	525,553
Total assets and deferred outflows	\$ 45,060,700	\$ 43,626,846	\$ 1,433,854
Current liabilities	\$ 766,657	\$ 603,228	\$ 163,429
Long-term liabilities	1,742,239	981,583	760,656
Total liabilities	2,508,896	1,584,811	924,085
Deferred inflows, pension	60,418	69,472	(9,054)
Total liabilities and deferred inflows	2,569,314	1,654,283	915,031
Net investment in capital assets	26,814,249	26,321,702	492,547
Restricted	2,143,467	1,653,661	489,806
Unrestricted	13,533,670	13,997,200	(463,530)
Total net position	42,491,386	41,972,563	518,823
Total liabilities, deferred inflows and net position	\$ 45,060,700	\$ 43,626,846	\$ 1,433,854

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Statement of Activities Years Ended December 31, 2018 and 2017 (Unaudited)

	Governmental Activities			
	2018	2017	Differences	
			\$	%
Revenues				
Program revenues:				
Charges for services	\$ 554,923	\$ 550,587	\$ 4,336	0.8 %
Operating grants and contributions	797,808	889,470	(91,662)	(10.3) %
Capital grants and contributions	1,167,567	1,215,383	(47,816)	(3.9) %
Total program revenues	2,520,298	2,655,440	(135,142)	(5.1) %
General revenues:				
Real estate taxes	1,405,986	1,397,581	8,405	0.6 %
Transfer taxes	1,298,499	1,842,754	(544,255)	(29.5) %
Earned income taxes	6,813,065	7,001,620	(188,555)	(2.7) %
Local services taxes	356,249	367,017	(10,768)	(2.9) %
Unrestricted investment income	273,184	185,226	87,958	47.5 %
Miscellaneous	323,802	270,556	53,246	19.7 %
Total general revenues	10,470,785	11,064,754	(593,969)	(5.4) %
Total revenues	12,991,083	13,720,194	(729,111)	(5.3) %
Expenses				
General government	2,827,151	1,766,838	1,060,313	60.0 %
Public safety	4,256,331	4,612,933	(356,602)	(7.7) %
Health and welfare	9,412	6,349	3,063	48.2 %
Public works, sanitation	33,005	33,005	-	0.0 %
Public works, highways	3,592,724	5,859,003	(2,266,279)	(38.7) %
Other public works	167,601	168,070	(469)	(0.3) %
Community development	26,109	187,915	(161,806)	(86.1) %
Culture and recreation	1,533,985	1,703,487	(169,502)	(10.0) %
Interest on long-term debt	25,942	2,801	23,141	826.2 %
Total expenses	12,472,260	14,340,401	(1,868,141)	(13.0) %
Changes in Net Position	518,823	(620,207)	1,139,030	(183.7) %
Net Position, Beginning	41,972,563	42,592,770	(620,207)	(1.5) %
Net Position, Ending	\$ 42,491,386	\$ 41,972,563	\$ 518,823	1.2 %

At the end of 2018, the Township is able to report a positive balance of \$42.491 million in total net position which is not significantly affected by restrictions, commitments or any other limitations. The Township's overall financial position increased as reflected in the \$519 thousand increase.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Governmental Activities

Governmental activities increased the Township's net position by \$519 thousand. Key elements of this increase are as follows:

- Adjusted earned income tax revenues exceeded the budget of \$6.837 million by \$274 thousand, or 4.0 percent
- Transfer tax revenues exceeded the budget of \$1.40 million by \$443 thousand, or 31.6 percent
- Transportation Improvement Fund project costs were \$2.377 million under the budget of \$4.537 million, or 52.4 percent
- Capital Reserve Fund expenditures were \$1.788 million under the budget of \$2.807 million, or 63.7 percent

Financial Analysis of the Government's Funds

As noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Financial Analysis of the Major Funds

General Fund

The General Fund is the primary operating fund of the Township. At December 31, 2018, the Unassigned General Fund balance was \$7.970 million compared to \$7.930 million in 2017, an increase of \$40 thousand. As a measure of the General Fund's liquidity, the Unassigned Fund balance at December 31, 2018 represents 68 percent ($\$7,969,685/\$11,682,485$) of the total General Fund expenditures (including interfund transfers out) or approximately 249 days ($\$7,969,685/\$11,682,485/365$) of operating costs, an increase of approximately 10 days. One main item underlying this change is the increase in interfund transfers to the Capital Reserve Fund.

There were transfers out of the General Fund to other Governmental Funds in the amount of \$2.523 million to support capital equipment needs during the year ended December 31, 2018 compared to \$2.992 million in 2017, representing a decrease of \$469 thousand.

General Fund Budgetary Highlights

The 2018 General Fund expenditure budget of \$12.323 million (including interfund transfers of \$2.395 million) compared to \$12.430 million for 2017, representing a decrease of \$107 thousand, or .9 percent.

The 2018 General Fund actual expenditures (\$11.682 million, including Interfund transfers) were less than budgeted expenditures (\$12.323 million) by \$641 thousand or approximately 5.2 percent. This reflects increased interfund transfers made relative to budget by \$1.916 million.

The 2018 General Fund revenue budget was \$11.480 million compared to \$11.437 million for 2017, representing an increase of \$43 thousand. This budget reflects an improved housing market as well as growth related to Penn State University and a healthy local economy.

The 2018 General Fund actual revenues of \$11.728 million exceeded budgeted revenues of \$11.480 million by \$248 thousand. In 2017, the Township received a second windfall in transfer taxes due to several large commercial sales. In addition, the regional employment has been exceptional.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Statement of Revenues and Expenditures Years Ended December 31, 2018 and 2017 General Fund

	2018	2017	Differences	
			\$	%
Revenues				
Taxes	\$ 9,970,036	\$ 10,718,353	\$ (748,317)	(7.0) %
Licenses and permits	322,747	332,571	(9,824)	(3.0) %
Fines and forfeits	87,084	73,688	13,396	18.2 %
Interest and rents	138,365	102,926	35,439	34.4 %
Intergovernmental	797,808	785,062	12,746	1.6 %
Charges for services	146,937	146,234	703	0.5 %
Miscellaneous	265,365	130,582	134,783	103.2 %
Total revenues	11,728,342	12,289,416	(561,074)	(4.6) %
Expenditures				
General government	1,503,601	1,478,315	25,286	1.7 %
Public safety	3,143,785	3,103,198	40,587	1.3 %
Health and welfare	9,412	6,349	3,063	48.2 %
Public works, sanitation	33,006	33,005	1	0.0 %
Public works, highways	978,847	958,281	20,566	2.1 %
Other public works	128,438	132,247	(3,809)	(2.9) %
Culture and recreation	1,271,208	1,283,384	(12,176)	(0.9) %
Community development	26,108	187,915	(161,807)	(86.1) %
Insurance and other operating	2,038,763	1,917,756	121,007	6.3 %
Debt service, interest	25,942	181	25,761	14232.6 %
Total expenditures	9,159,110	9,100,631	58,479	0.6 %
Excess of Revenues Over Expenditures	2,569,232	3,188,785	(619,553)	(19.4) %
Other Financing Uses				
Transfers out, net	(2,523,375)	(2,991,662)	468,287	(15.7) %
Net Increase in Fund Balance	45,857	197,123	<u>(151,266)</u>	<u>(76.7) %</u>
Fund Balance, Beginning	7,939,426	7,742,303		
Fund Balance, Ending	<u>\$ 7,985,283</u>	<u>\$ 7,939,426</u>		

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Transportation Improvement Fund

The Transportation Improvement Fund was created to account for large road projects of the Township. The fund has been expanded to encompass all transportation projects. At December 31, 2018, the Transportation Improvement Fund balance was \$4.582 million compared to \$4.840 million in 2017, representing a decrease of \$258 thousand. This is the result of a windfall in the transfer tax revenues for 2017, of which 60 percent are used to fund the TIF fund.

Capital Reserve Fund

The Capital Reserve Fund segregates the capital equipment costs as well as the costs for storm water and park improvement projects. At December 31, 2018, the Capital Reserve Fund balance was \$1.234 million compared to \$1.251 million in 2017, representing a decrease of \$17 thousand.

Other Capital Projects Funds

The other Capital Projects Funds (separate from the Major Funds) segregate the various capital expenditures (including projects) from the General Fund operating expenditures of the Township. These funds include the Piney Ridge Fund, Agricultural Preservation Fund, Regional Capital Recreation Projects Fund, Pine Grove Mills Streetlight Fund, and the Park Improvement Fund. At December 31, 2018, the combined non-major Capital Projects Funds fund balance was \$1.472 million compared to \$1.182 million in 2017, representing an increase of \$290 thousand.

Special Revenue Funds

As noted earlier, the Special Revenue Funds are proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific purposes. These funds include the Liquid Fuels Fund, Street Light Fund, and Hydrant Fund. The combined revenues exceeded expenditures by \$185 thousand for 2018. The combined revenues exceeded expenditures by \$102 thousand for 2017, an increase of \$83 thousand.

Long-Term Liabilities

Following is a summary of changes in long-term liabilities for the years ended December 31, 2018 and 2017:

Governmental Activities	January 1 Balance	Additions	Retirements	December 31 Balance
Long-Term Liabilities:				
Net Pension Liability	\$ 764,744	\$ 734,897	\$ -	1,499,641
Accrued Vacation	236,839	41,267	(15,508)	262,598
Total Long-Term Liabilities	\$ 1,001,583	\$ 776,164	\$ (15,508)	\$ 1,762,239

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Governmental Activities	January 1 Balance	Additions	Retirements	December 31 Balance
2017				
Bonds Payable,				
General Obligation Note	\$ 556,000	\$ -	\$ (556,000)	\$ -
Other Liabilities:				
Net Pension Liability	807,253	-	(42,509)	764,744
Accrued Vacation	261,938	29,152	(54,251)	236,839
Total Other Liabilities	1,069,191	29,152	(96,760)	1,001,583
Total Long-Term Liabilities	\$ 1,625,191	\$ 29,152	\$ (652,760)	\$ 1,001,583

Additional information on the Township's long-term debt can be found at Note 4 in the notes to the financial statements.

Pension Trust Funds

The *Police Pension Fund* and the *Non-Uniform 401 Pension Fund* are used to account for the employee retirement plan contributions of the Township and its employees, related benefit payments and other plan costs.

The net position at December 31, 2018 and 2017 of the Police Pension Fund was \$5.157 million and \$5.467 million, respectively, representing a decrease of \$310 thousand. This is the result of state funding combined with investment earnings. The Township contributed \$227 thousand to the Police Pension Fund in 2018, in accordance with the annual minimum municipal obligation ("MMO") compared to \$221 thousand in 2017, representing an increase of \$6 thousand.

The net position at December 31, 2018 and 2017 of the Non-Uniform 401 Pension Fund were \$3.144 million and \$3.266 million, respectively, a decrease of \$122 thousand. The Township contributed \$191 thousand to the non-uniform 401 pension fund in 2018, in accordance with the annual MMO, compared to \$203 thousand in 2017, representing a decrease of \$12 thousand.

The Police Pension Fund showed a net pension liability of \$1.500 million at December 31, 2018, compared to a net pension liability of \$765 thousand at December 31, 2017, an increase of \$735 thousand.

Cash Flows and Liquidity

Governmental cash and cash equivalents totaled \$11.419 million and \$12.580 million at December 31, 2018 and 2017, respectively, representing 64 percent (\$11,419,034/\$17,873,037) and 73 percent (\$12,580,030/\$17,250,482) of total governmental assets, respectively. This provides for up to 233 days (\$11,419,034/\$17,873,037/365) (not including interfund transfers) of operating expenditures for 2018 and 344 days (\$12,580,030/(\$13,365,055/365)) (not including interfund transfers) for 2017 of governmental operating expenditures, a decrease of 111 days.

Capital Assets

Beginning in 2013, the Township classifies capital assets as individual items costing \$2,500 or more and an estimated asset life of more than one year. The Township's investment in capital assets (net of accumulated depreciation and related debt) for its governmental activities as of December 31, 2018 amounted to \$26.814 million and \$26.322 million for 2017 (net of accumulated depreciation and related debt) a net increase of \$492 thousand. This is the result of investments in infrastructure offset by depreciation. This investment in capital assets includes land, parks, buildings, equipment, infrastructure and associated improvements.

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Following is a breakdown by asset class (net of accumulated depreciation):

<u>Class</u>	<u>2018</u>	<u>2017</u>
Land	\$ 2,410,693	\$ 2,404,693
Construction in progress	316,527	80,026
Land improvements	9,093	11,560
Buildings and improvements	2,487,823	2,835,921
Office furniture and equipment	1,056,456	820,845
Infrastructure	17,671,175	17,745,639
Parks and improvements	1,461,976	1,466,124
Vehicles	1,400,506	956,894
Total	<u>\$ 26,814,249</u>	<u>\$ 26,321,702</u>

Additional information on the Township's capital assets can be found at Note 3 in the notes to financial statements.

Economic Condition and Next Year's Budgets and Rates

The overall economy of the Centre Region has been exceptional in the recent past. Penn State, the largest employer for the Township residents, continues to expand and invest in the region. The employment levels and wage totals are increasing. Jobs are opening up allowing employees to upgrade job choices. Demand for housing is driving housing prices up and developers are expanding into the available open spaces. The region has a growth boundary that limits development for several reasons, such as protecting farms and open space. The business environment is diversified with smaller companies replacing the large employers that once inhabited the Township. Centre region municipalities work to invest in parks and sporting venues, in an effort to attract and retain young residents and families.

Residential and commercial construction increased the Township's real estate taxable assessed values to \$587.5 million at March 1, 2018 from \$582.7 million at March 1, 2017 reflecting an increase of \$4.8 million or .8 percent.

The Township continues to experience continued population growth since 2010 according to the American Community Survey Foundation. With the addition of several housing projects and residential development, this growth is expected to continue.

The 2018 General Fund expenditure budget includes a \$111 thousand (0.9 percent) (\$111 thousand/\$12.43 million) decrease in expenditures over the 2017 budget figures. This includes interfund transfers from the General Fund. The interfund transfers are monies transferred from one fund to another. For individual funds and especially the General Fund, it is important to include the interfund transfers. Interfund transfers from the General Fund are reductions in the General Fund balance and since the General Fund provides much of the funding for the remaining governmental funds, this is a reasonable way to determine the demands on the General Fund for expenditures in the other funds. However, they should be removed when reporting on the aggregate. Including these in the aggregate fund totals would give the appearance of larger revenue and expenditures than actual.

When comparing aggregate fund totals, the Interfund transfers should be removed from the total to get a more accurate view of the recurring operations of the Township in the aggregate. The reason for this is that they are included in both the revenue and expenditures in the aggregate, duplicating those amounts. However, they are included when displaying individual fund activities.

At the fund level, the Interfund transfers provide information about the sources and uses of the transfers. The budget for 2019 provides sufficient revenues to cover General Fund expenditures using existing available fund balance. The 2019 General Fund budget includes a net shortfall of \$974 thousand (including net interfund transfers of \$2.653 million).

Township of Ferguson, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Since 2006, the Township has been a member of the Pennsylvania Municipal Health Insurance Cooperative a non-profit insurance co-operative to stabilize the cost of healthcare for the Township employees. The rate increase experience has varied between 5 percent - 13 percent per year while more recently, net costs (per employee) have been on the lower end of the range with some sizable refunds.

Finally, population growth and Penn State growth has had a significant impact on the townships transfer tax and earned income tax collections. With these improved economic conditions, the Township future looks favorable.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ferguson Township Finance Director or Township Manager at 3147 Research Drive, State College, PA 16801.

Township of Ferguson, Pennsylvania

Statement of Net Position

December 31, 2018

	Governmental Activities
Assets and Deferred Outflows of Resources	
Assets	
Current assets:	
Cash	\$ 11,419,034
Investments	3,662,510
Taxes receivable	2,119,027
Prepaid items	15,598
Due from fiduciary funds, net	490
Other receivables	262,734
Total current assets	<u>17,479,393</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	
Land	2,410,693
Construction in progress	316,527
Buildings and improvements	2,496,914
Equipment	1,056,458
Vehicles	1,400,506
Infrastructure	19,133,151
Total capital assets, net of accumulated depreciation	<u>26,814,249</u>
Total assets	44,293,642
Deferred Outflows of Resources, Pension	<u>767,058</u>
Total	<u>\$ 45,060,700</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Current liabilities:	
Accounts payable	\$ 231,028
Payroll and benefits payable	19,368
Curb/development deposits	496,261
Current portion of compensated absences	20,000
Total current liabilities	<u>766,657</u>
Non-current liabilities:	
Net pension liability	1,499,641
Compensated absences	242,598
Total non-current liabilities	<u>1,742,239</u>
Total liabilities	<u>2,508,896</u>
Deferred Inflows of Resources, Pension	<u>60,418</u>
Net Position	
Net investment in capital assets	26,814,249
Restricted for:	
Public works	735,537
Capital projects	1,283,877
Culture and recreation	124,053
Unrestricted	13,533,670
Total net position	<u>42,491,386</u>
Total	<u>\$ 45,060,700</u>

See notes to financial statements

Township of Ferguson, Pennsylvania

Statement of Activities

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 2,827,151	\$ 408,547		\$ 400,000	\$ (2,018,604)
Public safety	4,256,331	87,084	\$ 797,808		(3,371,439)
Health and welfare	9,412	7,803			(1,609)
Public works, sanitation	33,005				(33,005)
Public works, highways	3,592,724			767,567	(2,825,157)
Public works, other services	167,601	51,489			(116,112)
Community development	26,109				(26,109)
Culture and recreation	1,533,985				(1,533,985)
Interest on long-term debt	25,942				(25,942)
Total governmental activities	\$ 12,472,260	\$ 554,923	\$ 797,808	\$ 1,167,567	(9,951,962)

General Revenues

Taxes:

Real estate	1,405,986
Transfer	1,298,499
Earned income	6,813,065
Local services	356,249
Unrestricted investment earnings	273,184
Miscellaneous	323,802

Total general revenues 10,470,785

Increase in net position 518,823

Net position, beginning 41,972,563

Net position, ending \$ 42,491,386

See notes to financial statements

Township of Ferguson, Pennsylvania

Balance Sheet
 Governmental Funds
 December 31, 2018

	<u>General Fund</u>	<u>Transportation Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Non-Major Funds</u>	<u>Totals</u>
Assets					
Cash	\$ 5,721,472	\$ 2,748,216	\$ 1,370,117	\$ 1,579,229	\$ 11,419,034
Investments	1,323,013	1,524,437		815,060	3,662,510
Taxes receivable	2,119,027				2,119,027
Other accounts receivable	262,489		245		262,734
Prepaid items	15,598				15,598
Due from other funds	81,701	312,433			394,134
	<u>81,701</u>	<u>312,433</u>			<u>394,134</u>
Total assets	<u>\$ 9,523,300</u>	<u>\$ 4,585,086</u>	<u>\$ 1,370,362</u>	<u>\$ 2,394,289</u>	<u>\$ 17,873,037</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 98,906		\$ 131,872	\$ 250	\$ 231,028
Payroll and benefits payable	19,368				19,368
Due to other funds	274,631	\$ 3,111	4,211	111,691	393,644
Curb/development deposits	496,261				496,261
	<u>496,261</u>				<u>496,261</u>
Total liabilities	<u>889,166</u>	<u>3,111</u>	<u>136,083</u>	<u>111,941</u>	<u>1,140,301</u>
Deferred inflows of resources, Unavailable revenues, taxes	<u>648,851</u>				<u>648,851</u>
Fund balances:					
Non-spendable	15,598				15,598
Restricted		4,581,975		2,207,181	6,789,156
Committed			1,234,279		1,234,279
Assigned				104,959	104,959
Unassigned (deficit)	7,969,685			(29,792)	7,939,893
	<u>7,969,685</u>			<u>(29,792)</u>	<u>7,939,893</u>
Total fund balances	<u>7,985,283</u>	<u>4,581,975</u>	<u>1,234,279</u>	<u>2,282,348</u>	<u>16,083,885</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 9,523,300</u>	<u>\$ 4,585,086</u>	<u>\$ 1,370,362</u>	<u>\$ 2,394,289</u>	<u>\$ 17,873,037</u>

Township of Ferguson, Pennsylvania

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

Total Fund Balances - Governmental Funds			\$ 16,083,885
Amounts reported for governmental activities in the statement of net position are different because:			
Taxes receivable will be collected in the future, but are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
			648,851
Capital assets used in governmental activities are not reported at net position in governmental funds. The cost of the capital assets is \$52,487,101 and the accumulated depreciation is \$25,672,852.			
			26,814,249
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.			
			767,058
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position.			
			(60,418)
Long-term liabilities, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Net pension liability		(1,499,641)	
Compensated absences		(262,598)	(1,762,239)
Total Net Position - Governmental Activities			\$ 42,491,386

Township of Ferguson, Pennsylvania

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended December 31, 2018

	General Fund	Transportation Improvement Fund	Capital Reserve Fund	Other Non-Major Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,970,036				\$ 9,970,036
Licenses and permits	322,747				322,747
Fines and forfeits	87,084				87,084
Interest and rents	138,365	\$ 68,884	\$ 10	\$ 36,490	243,749
Intergovernmental	797,808	103,392	29,447	664,174	1,594,821
Charges for service	146,937			451,877	598,814
Miscellaneous revenue	265,365				265,365
Total revenues	11,728,342	172,276	29,457	1,152,541	13,082,616
Expenditures					
Current:					
General government	1,503,601	75,859	213,342		1,792,802
Public safety	3,143,785		160,899		3,304,684
Health and welfare	9,412				9,412
Public works, sanitation	33,005				33,005
Public works, highways	978,847	1,775,093	399,763	511,704	3,665,407
Public works, other services	128,438			39,164	167,602
Culture and recreation	1,271,208		267,767	132,112	1,671,087
Community development	26,109				26,109
Insurance and other operating	2,038,763				2,038,763
Debt service, interest	25,942				25,942
Miscellaneous			3,945		3,945
Total expenditures	9,159,110	1,850,952	1,045,716	682,980	12,738,758
Excess (deficiency) of revenues over expenditures	2,569,232	(1,678,676)	(1,016,259)	469,561	343,858
Other Financing (Uses) Sources					
Transfers, in		1,420,995	995,000	107,380	2,523,375
Sale of capital assets			4,705		4,705
Transfers, out	(2,523,375)				(2,523,375)
Total other financing (uses) sources	(2,523,375)	1,420,995	999,705	107,380	4,705
Net increase (decrease) in fund balances	45,857	(257,681)	(16,554)	576,941	348,563
Fund Balances, Beginning	7,939,426	4,839,656	1,250,833	1,705,407	15,735,322
Fund Balances, Ending	\$ 7,985,283	\$ 4,581,975	\$ 1,234,279	\$ 2,282,348	\$ 16,083,885

Township of Ferguson, Pennsylvania

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

Net Increase in Fund Balances - Total Governmental Funds \$ 348,563

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

Some taxes will not be collected for several months after year-end as they are not considered "available" revenues in the governmental funds. (96,238)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	2,635,966	
Depreciation expense	<u>(2,143,419)</u>	492,547

Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported with in the statement of net position, and changes in the liability is reflected within the statement of net position. This represents the change in pension liability and the deferred outflows and inflows related to the pension. (200,290)

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (25,759)

Changes in Net Position of Governmental Activities \$ 518,823

Township of Ferguson, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

General Fund

Year Ended December 31, 2018

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,982,675	\$ 9,982,675	\$ 9,970,036	\$ (12,639)
Licenses and permits	299,652	299,652	322,747	23,095
Fines and forfeits	101,825	101,825	87,084	(14,741)
Interest and rents	138,509	138,509	138,365	(144)
Intergovernmental	802,025	802,025	797,808	(4,217)
Charges for service	154,920	154,920	146,937	(7,983)
Miscellaneous	-	-	265,365	265,365
Total revenues	<u>11,479,606</u>	<u>11,479,606</u>	<u>11,728,342</u>	<u>248,736</u>
Expenditures				
General government	1,536,029	1,536,029	1,503,601	32,428
Public safety	2,809,526	2,809,526	3,143,785	(334,259)
Health and welfare	8,500	8,500	9,412	(912)
Public works, sanitation	33,005	33,005	33,005	-
Public works, highways	1,076,807	1,076,807	978,847	97,960
Other public works	1,308,592	1,308,592	128,438	1,180,154
Culture and recreation	868,616	868,616	1,271,208	(402,592)
Community development	43,000	43,000	26,109	16,891
Insurance and other operating	2,277,125	2,277,125	2,038,763	238,362
Debt service, interest	200	200	25,942	(25,742)
Total expenditures	<u>9,961,400</u>	<u>9,961,400</u>	<u>9,159,110</u>	<u>802,290</u>
Excess of revenues over expenditures	1,518,206	1,518,206	2,569,232	1,051,026
Other Financing Uses				
Transfers, out	<u>(2,307,750)</u>	<u>(2,307,750)</u>	<u>(2,523,375)</u>	<u>(215,625)</u>
Net changes in fund balances	<u>\$ (789,544)</u>	<u>\$ (789,544)</u>	45,857	<u>\$ 835,401</u>
Fund Balances, Beginning			<u>7,939,426</u>	
Fund Balances, Ending			<u>\$ 7,985,283</u>	

See notes to financial statements

Township of Ferguson, Pennsylvania

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2018

	<u>Pension Trust Funds</u>	<u>Tudek Memorial Trust Fund</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 37,989	\$ 157,293	\$ 260,262
Prepaid items	24,542		
Investments, at fair value:			
Cash and cash equivalents	359,153		
Fixed income	1,215,129		
Equities	2,865,612		
Mutual funds	3,799,184		
Accounts receivable		3,400	
Land		2,118,100	
Land improvements, net		24,137	
	<u>8,301,609</u>	<u>2,302,930</u>	<u>\$ 260,262</u>
Liabilities			
Accounts payable		1,830	
Due to other governments			\$ 260,262
Due to other funds	490		
	<u>490</u>	<u>1,830</u>	<u>\$ 260,262</u>
Net position restricted for pensions and other trust fund	<u>\$ 8,301,119</u>	<u>\$ 2,301,100</u>	

See notes to financial statements

Township of Ferguson, Pennsylvania

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2018

	<u>Pension Trust Funds</u>	<u>Tudek Memorial Trust Fund</u>
Additions		
Contributions:		
Employer contributions	\$ 418,267	
Employee contributions	97,603	
Total contributions	<u>515,870</u>	
Investment income (loss):		
Net depreciation in fair value of investments	(655,800)	\$ (7,807)
Interest and dividends	149,532	2,992
Less investment expense	<u>(42,057)</u>	
Net investment loss	(548,325)	(4,815)
Grants and gifts, nongovernmental		<u>19,379</u>
Total additions	<u>(32,455)</u>	<u>14,564</u>
Deductions		
Park operations		10,812
Administration		1,772
Insurance		5,158
Benefits paid to participants	<u>399,271</u>	
Total deductions	<u>399,271</u>	<u>17,742</u>
Net changes in net position	(431,726)	(3,178)
Net Position Restricted for Pensions and Other Trust Fund, Beginning	<u>8,732,845</u>	<u>2,304,278</u>
Net Position Restricted for Pensions and Other Trust Fund, Ending	<u>\$ 8,301,119</u>	<u>\$ 2,301,100</u>

See notes to financial statements

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the Township of Ferguson, Pennsylvania (the "Township"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's financial statements:

Financial Reporting Entity

The Township is located in central Pennsylvania and operates under a Home Rule Charter with an elected five member Board of Supervisors. The Township provides services to its residents in many areas, including general government services, police and fire protection, highway repair and maintenance, and community health and recreation programs.

A component unit is a legally separate organization with which the primary government has a significant operational or financial relationship. Based upon the application of this criteria, the financial statements of no other organizations are included in the accompanying financial statements. A description of related organizations and jointly governed organizations, while not included as component units, is as follows:

Related Organization

The Ferguson Township Industrial Development Authority ("IDA") is a potential component unit that has a separate appointed board and provides services to residents, generally within the geographic boundaries of the government. The IDA is not considered a component unit of the Township as it is not deemed to have a significant operational or fiscal relationship with the Township.

Jointly Governed Organizations

Centre Area Transportation Authority ("CATA"), Centre Region Council of Governments ("CRCOG"), Centre Regional Recreation Authority ("CRRRA") and Schlow Library have boards appointed jointly by the area governments' governing bodies. The Township elects two members to the Schlow Centre Region Library governing board and one member to the remaining units' governing boards. Accordingly, these organizations are not component units. These are independent units that select management staff, set user charges, establish budgets and control all aspects of the daily activities. In the event that one of these units would dissolve, however, the assets and/or liabilities would be shared among the participating municipalities. The Township approved the following operating and capital grants to these organizations for 2018: CATA \$128,438, CRCOG \$553,605, CRRRA \$484,866 and Schlow Centre Region Library \$448,849.

The Township guarantees a portion of the bank debt for CRCOG for the regional pools and parks. The Township would be obligated for their share in the event CRCOG was not able to meet principal and interest payments when they become due. As of December 31, 2018, the maximum amount payable under such guarantees is \$2,459,635 plus interest. CRCOG is current with the debt payments and the Township believes there is only a remote possibility that it would be required to perform under the guarantees, therefore no liability is recorded. The Township has guaranteed the debt through its maturity in 2031. There is no formal arrangement for recovery of payments should the guarantee be exercised.

Separate financial reports are available at the following addresses: Schlow Library, 211 South Allen Street, State College, PA 16801; Centre Region Council of Governments, 2643 Gateway Drive, State College, PA 16801; Centre Region Recreation Authority, 2643 Gateway Drive #1, State College, PA 16801; Centre Area Transportation Authority, 2081 West Whitehall Road, State College, PA 16801.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Government - Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements with the exception of those representing balances between the governmental activities and fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (the Township currently has no business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which 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. The expenses reported for functional activities include allocated indirect expenses. 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.

The fund financial statements are provided for governmental 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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Governmental Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Township. It accounts for all financial resources and legally authorized activities of the Township except those required to be accounted for in other specialized funds. The majority of the current operating expenditures of the Township are financed through revenue of the General Fund.

Transportation Improvement Fund

The Transportation Improvement Fund is a capital projects fund and was created to account for specific road projects related to the tax increase in 2001.

Capital Reserve Fund

The Capital Reserve Fund accounts for road projects and capital improvements of the Township.

Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds

Capital projects funds account for the capital purchases of the Township.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds

Fiduciary funds include trust and agency funds that are used to account for assets held by the Township in a trustee capacity. Fiduciary funds of the Township include two pension trust funds, a private purpose trust fund and the tax office. Pension trust funds and the private purpose trust fund are reported using economic resources measurement focus and the accrual basis of accounting which is the same as proprietary funds. The tax office is an Agency Fund. Agency Funds are custodial in nature and do not involve measurement of results of operations or equity, since the assets are due to individuals or entities at some future time.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds except the pension trust, Pine Grove Mills Streetscape and agency funds. The appropriated budget is prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation by fund level without the approval of the Board of Supervisors.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Net Position

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

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted

A portion of net position subject to externally imposed conditions by parties outside of the Township (such as creditors, grantors, laws, regulations, or other governments).

Non-Spendable

A portion of net position that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Unrestricted

All other categories of net position. These assets may be designated for specific purposes.

Governmental Fund Balances

The Township classifies its 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 Township through board resolution. A resolution must be passed to establish, modify or rescind a fund balance commitment.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township, but not through a formal action of the Supervisors. The board created a policy which grants authority to the Township Manager to assign fund balance.
- *Unassigned* - includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The government has not formally adopted a minimum fund balance policy.

Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed, assigned, and then unassigned fund balances.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Cash Equivalents

The Township considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the market values and costs of investments, other than short-term money market investments, are reflected in investment income.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items. These items are recognized as expenditures proportionately over the periods that the service is provided (consumption method).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the calendar year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to or from other funds." All trade and certain tax receivables are shown net of an allowance for uncollectible. Township management has determined that an allowance for property taxes receivable is not necessary at December 31, 2018, based on collection history.

Deferred Outflows/Inflows of Resources

In addition to assets, the Township will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Township will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, and infrastructure assets (e.g., roads, sidewalks, traffic signals, bike paths, and similar items), are reported in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis from 2004. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are defined by the Township as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Infrastructure assets are recorded at historical cost using prevailing wages.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets are not capitalized.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Buildings, land improvements, building improvements, park improvements, furniture and equipment, vehicles, and infrastructure are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	30 years
Land improvements	10 to 30 years
Building improvements	10 to 30 years
Park improvements	10 to 30 years
Furniture and equipment	3 to 20 years
Infrastructure	10 to 20 years
Vehicles	5 years

Compensated Absences

Employees earn vacation on an anniversary year calendar based upon length of service. It is the Township's policy to permit employees to accumulate unused vacation benefits for one year up to a maximum determined by bargaining unit agreements. If not used in the next anniversary year, the time is lost. Upon termination, employees are paid for all earned vacation days that have not been used up to the maximum number of days. Accumulated paid leave and compensatory time for employees paid out of governmental funds are recorded as an expenditure when due for payment. In the government-wide financial statements, an expense and a liability are recorded as the paid leave and compensatory time benefits accrue to employees.

Pension Plans

The Township provides a separate defined benefit pension plan for uniformed police department personnel and a defined contribution plan for general employees. It is the Township's policy to fund the normal cost of the defined benefit pension plan as required through an actuarial valuation.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Real Estate Taxes

Because the Township operates under a Home Rule Charter, it is not subject to state law limiting the amount of tax levy millage allowable for use in providing general government services or for payment of principal and interest on long-term debt.

The Township's property tax is levied by ordinance of the Board of Supervisors on real property located within the Township. Assessed values are generally 50 percent of market value as of the date of the last reassessments by the Centre County Board of Property Assessments, Appeals, and Review. The total assessed valuation was approximately \$587,527,000 as of March 1, 2018. For 2018, Township real estate taxes were levied at the rate of 2.422 mills (.002422) on every dollar of taxable adjusted valuation.

Real estate taxes are levied on March 1. The Township tax office bills and collects these taxes. Taxpayers making payments prior to April 30 are given a 2 percent discount. Amounts paid after June 30 are assessed a 10 percent penalty. The levy becomes delinquent on December 31. Centre County collects delinquent real estate taxes on behalf of the Township.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Use of Estimates

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

Recent Accounting Standards

The Township adopted GASB Statement No. 85, *Omnibus 2017* for the year ended December 31, 2018. GASB 85 enhances consistency in application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of this standard did not have a significant impact on the Township's financial statements.

The Township adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues* for the year ended December 31, 2018. Statement No. 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. The adoption of this standard did not have any impact on the Township's financial statements.

2. Cash, Cash Equivalents, Investments and Fair Value Disclosures

Governmental Activities

The Township is required to disclose deposit and investment risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the Township's deposit and investment risks.

Cash and Cash Equivalents

At December 31, 2018, the Township's total bank deposits were \$11,977,072. The Township's cash deposits are held at two local banks and the Pennsylvania Local Government Investment Trust ("PLGIT"). The operating accounts are held at a local bank and are secured by FDIC insurance up to \$250,000 under current law.

Investment Portfolio

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation ("FDIC") to be collateralized by the financial institution.

The deposit and investment policy of the Township adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or pooled for investment purposes in certificates of deposit.

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2018

The Township's investment policy identifies permitted investments as follows:

- Insured or collateralized savings accounts or time deposits
- Insured or collateralized certificates of deposits
- United States Treasury bills
- Obligations of the United States government or its agencies or instrumentalities
- Obligations of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Obligations of the political subdivisions of the Commonwealth of Pennsylvania or its agencies or instrumentalities
- Pooled investments in accordance with the provisions of the Act of the Pennsylvania General Assembly of July 12, 1972 (P.L. 762, No. 180).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2018, the Township's total bank deposits were \$11,977,072. Of this amount, \$530,577 was insured by the FDIC. \$791,358 of the total deposits is held in trust by the PLGIT in accounts separate and apart from the assets of the financial institution. The PLGIT trust invests in two basic types of Federal Securities: Obligations backed by the full faith and credit of the United States and short term obligations of the U.S. Government and its agencies instrumentalities. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost. The remaining bank deposits of \$10,655,137 were exposed to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging institution, but not in the Township's name.

Local financial institution Certificates of Deposit of \$3,352,833 are held for safekeeping by the Township (except those held by Morgan Stanley Smith Barney).

The Township has investments with the firm Morgan Stanley Smith Barney in the amount of \$309,627. The types of investments include certificates of deposit insured by the FDIC in the amount of \$309,202 with the remainder in cash or cash equivalents. These investments are held by the investment firm in an account separate and apart from the assets of the financial institution. The brokerage account is held the Ferguson Township's name.

The Township measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

At December 31, 2018, the Township had the following recurring fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets Reported at Fair Value				
Investments:				
Cash	\$ 475	\$ -	\$ -	\$ 475
Certificates of deposit	-	3,662,035	-	3,662,035
	<u>\$ 475</u>	<u>\$ 3,662,035</u>	<u>\$ -</u>	<u>\$ 3,662,510</u>

Valuation Methodologies

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

Cash and certificates of deposits: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: The *certificates of deposit* were measured using Level 2 inputs in which cost approximates fair value.

The Township has no Level 3 investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Township does not have a formal deposit policy for credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township places no limit on the amount the Township may invest in any one issuer. As of December 31, 2018, except for the certificates of deposit with maturities of less than one year and a value of \$3,352,833, there are no investments that exceed 5 percent of the total portfolio's market value.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to charges in marked interest rates.

The Township's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments shall have maturities no longer than 3 years. The Township utilizes the "segmented time distribution" as a measurement of interest rate risk for debt securities.

Township of Ferguson, Pennsylvania

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Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2018:

Maturity	Amount
None	\$ 475
Less than one year	3,352,833
One to two years	309,202
Two to three years	-

Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Township does not have a formal policy for foreign currency risk.

Pension Trust Funds

The deposits and investments of the fiduciary funds are administered by the Police Pension Trustees ("trustees") and are held separately from those of other Township funds.

Investments in the trust funds are stated at fair value for both reporting and actuarial purposes. Investment purchases are recorded as of the trade date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost, which is not expected to be materially different from fair value.

The following table presents the investments measured at fair value as of December 31, 2018 by caption on the statement on fiduciary net position by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total Fair Value
Assets Reported at Fair Value:				
Investments:				
Cash	\$ 359,154	\$ -	\$ -	\$ 359,154
Exchange traded funds,				
Equity	1,110,721	-	-	1,110,721
Mutual funds:				
Alternative	849,724	-	-	849,724
Fixed income	1,211,550	-	-	1,211,550
Balanced	3,406,544	-	-	3,406,544
Marketable equity securities:				
Industrials	123,811	-	-	123,811
Consumer discretionary	149,076	-	-	149,076
Consumer staples	97,093	-	-	97,093
Energy	92,364	-	-	92,364
Financial	242,698	-	-	242,698
Materials	81,431	-	-	81,431
Information technology	153,236	-	-	153,236
Real estate	49,418	-	-	49,418
Utilities	49,832	-	-	49,832
Health care	156,072	-	-	156,072
Telecommunication services	98,929	-	-	98,929
Unclassified stock	7,425	-	-	7,425
	<u>\$ 8,239,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,239,078</u>
Total investments/assets by valuation hierarchy	<u>\$ 8,239,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,239,078</u>

Township of Ferguson, Pennsylvania

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Valuation Methodologies

The following is a description of the valuation methodologies used for investments measured at fair value.

Cash: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: The valuation methodology of utilizing closing prices in an active exchange market was applied to exchange traded funds, marketable equity securities and mutual funds.

The following summarize the investment philosophy of the trustees:

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trustees do not have a formal deposit policy for custodial credit risk. The Police Pension Fund investments are held with Merrill Lynch in the accounts separate and apart from the assets of the financial institution. According to the brokerage, "customer securities are legally the property of customers - they are not on Merrill Lynch's balance sheet and are not exposed to Merrill Lynch's creditors. Under the SEC's customer protection rule, customers' securities must be segregated from Merrill Lynch's proprietary securities." The securities are held in central depositories with the record of ownership reflected on a book entry basis. The brokerage account is held in the Ferguson Township Police Pension Fund name.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Trustees do not have a formal deposit policy for credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Police Pension fund investment policy requires that investments meet asset allocation formulas prevalent in balanced portfolios using a strategic allocation of 60 percent S&P 500, 30 percent Lehman Brothers Government/Credit Index Intermediate, and 10 percent cash equivalents. Allocations may range from a minimum of 30 percent equities and/or fixed income investments to a maximum of 70 percent equities and/or fixed income.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trustees investment guidelines have no formal policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Information about the sensitivity of the fair values of the investments to market interest rate fluctuation is provided by the following table that shows distribution of the investments by maturity as of December 31, 2018:

Maturity	Amount
None	\$ 8,239,078
Less than one year	-
One to two years	-
Two to three years	-

Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The Trustees do not have a formal policy for foreign currency risk.

3. Capital Assets

A summary of changes in capital assets is as follows:

	January 1, 2018	Additions	Transfers	Disposals	December 31, 2018
Governmental activities:					
Capital assets not being depreciated,					
Land	\$ 2,404,693	\$ 6,000	\$ -	\$ -	\$ 2,410,693
Construction in progress	80,026	236,501	-	-	316,527
Total capital assets not being depreciated	2,484,719	242,501	-	-	2,727,220
Capital assets being depreciated:					
Buildings and improvements	8,754,449	3,300	-	-	8,757,749
Equipment	2,979,219	314,675	-	-	3,293,894
Vehicles	3,158,851	443,613	-	(54,746)	3,547,718
Infrastructure	32,528,643	1,631,877	-	-	34,160,520
Total capital assets being depreciated	47,421,162	2,393,465	-	(54,746)	49,759,881
Accumulated depreciation:					
Buildings and improvements	(5,906,969)	(353,866)	-	-	(6,260,835)
Equipment	(2,158,374)	(79,062)	-	-	(2,237,436)
Vehicles	(2,201,957)	-	-	54,746	(2,147,211)
Infrastructure	(13,316,879)	(1,710,491)	-	-	(15,027,370)
Total accumulated depreciated	(23,584,179)	(2,143,419)	-	54,746	(25,672,852)
Governmental activities capital assets, net	\$ 26,321,702	\$ 492,547	\$ -	\$ -	\$ 26,814,249

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Depreciation expense was charged to governmental activities as follows:

General government	\$ 429,037
Public safety	117,059
Highway and streets	1,568,551
Culture and recreation	<u>28,772</u>
Total	<u>\$ 2,143,419</u>

4. Long-Term Liabilities

The changes in long-term liabilities for the year ended December 31, 2018 are as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2018</u>	<u>Current Portion</u>
Compensated absences	\$ 236,839	\$ 41,267	\$ 15,508	\$ 262,598	\$ 20,000

For governmental activities, compensated absences are generally liquidated by the General Fund.

5. Interfund Accounts

The Township records receipts in the General Fund typically and records a liability/receivable for other funds as needed. Individual fund receivables and payables at December 31, 2018, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 81,701	\$ 274,631
Transportation Improvement Fund	312,433	3,111
Capital Reserve Fund	-	4,211
Park Improvement Fund	-	236
Liquid Fuels Fund	-	37,802
Street Light Fund	-	28,280
Hydrant Fund	-	45,373
Fiduciary Funds	-	<u>490</u>
Total	<u>\$ 394,134</u>	<u>\$ 394,134</u>

Interfund transfers for the year ended December 31, 2018 were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 2,523,375
Transportation Improvement Fund	1,420,995	-
Capital Reserve Fund	995,000	-
Liquid Fuels Fund	7,380	-
Debt Service Fund	<u>100,000</u>	<u>-</u>
Total	<u>\$ 2,523,375</u>	<u>\$ 2,523,375</u>

Transfers are primarily attributable to funding of capital projects and debt service as well as timing and the receipt of funds into the General Fund.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

6. Pensions

The Township has two pension plans for its employees. A single-employer defined benefit pension plan covers all full-time police and a single-employer defined contribution plan covers all full-time non-uniformed employees. The Township's payroll for employees fully and partially vested by the police and non-uniform pension plans for the year ended December 31, 2018 was \$1.740 million and \$1.960 million, respectively, which in total, represents 95 percent of the Township's total payroll of \$3.878 million for all employees.

Defined Benefit Plan, Police Employees

Plan Description and Administration

The Township of Ferguson Police Pension Plan (the "Plan") is a contributory defined benefit single employer retirement plan covering all full-time police. The plan is included in the accompanying financial statements of the Township as a pension trust fund and does not issue a separate plan financial statement.

The Plan is governed by the Township of Ferguson Board of Supervisors.

At January 1, 2017, the date of the latest valuation, members of the plan were as follows:

Inactive plan members currently receiving benefits	12
Inactive plan members entitled to benefits but not yet receiving them	2
Current employees	<u>22</u>
Total membership	<u><u>36</u></u>
Number of participating employers	<u><u>1</u></u>

Benefits Provided

Normal Retirement

If a member is hired before January 24, 2001, such member is eligible for normal retirement after attainment of age 50 and completion of 20 years of service. If a member is hired on or after January 24, 2001, such member is eligible for normal retirement after attainment of age 55 and completion of 25 years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50 percent of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50 percent of average monthly compensation.

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Disability Retirement

If an active member was hired before January 24, 2001, and becomes totally and permanently disabled, such member is eligible for a disability pension after six months of disability. If an active member was hired on or after January 24, 2001 and becomes totally and permanently disabled in the line of duty, such member is eligible for a disability pension after six months of disability. The disability pension is equal to the present value of the accrued benefit at the date of disability.

If an active member becomes totally and permanently disabled in the line of duty after April 17, 2002, such member is eligible for a minimum monthly disability pension equal to 50 percent of the member's monthly salary at the time of disability.

Death Benefits

If an active member is killed in the line of duty, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 100 percent of the member's monthly salary at the time of death.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50 percent of the monthly benefit the member would have been receiving had he been retired at the time of death.

Upon the death of an active member who does not have a surviving spouse or eligible child who is entitled to the survivor's benefit, a death benefit is payable to his elected beneficiary equal to the present value of this accrued benefit at the date of death.

Vesting

If a member is hired before January 24, 2001, such member's benefits vest according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
0-4 Years	0%
5	25
6	30
7	35
8	40
9	45
10	50
11	60
12	70
13	80
14	90
15 or more years	100

If a member is hired on or after January 24, 2001, such member's benefits vest upon completion of 12 years of service.

The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination multiplied by the applicable vesting percentage.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Funding Policy and Contributions

The Township's funding policy provides for periodic employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The employer contribution rate is determined based on the annual required contribution. Based on this calculation, employees were required to contribute 5 percent of their base salary to the plan. Member contributions are credited with 6 percent interest. The annual required contribution was determined by the actuary based on the actuarial valuation as of January 1, 2017. The contribution requirements of Plan members and the Township are established and may be amended by the Board of Supervisors. The Township funded 100 percent of required contributions.

The annual required contribution for the current year was determined as part of the January 1, 2017 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used for the police pension include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 5.0 percent per year, (c) no post-retirement benefit increases, (d) assets valued at market value as determined by the Trustee, (e) IRS Static Combined Table for Small Plans, (f) a disability benefit factor of 3.0 percent added to basic pension costs, and (g) moderate inflation rate of 3.0 percent based on long-term historical average rates. The amortization method is level dollar closed, over a remaining amortization period of 12 years. The assumptions made provision for administration expenses to be added to the normal cost.

Deposits and Investments

The Plan allows funds to be invested in and established the following target allocation across asset categories:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	30 %	1.0 - 3.0 %
Domestic equity	50	5.5 - 7.5
Alternatives	15	5.5 - 7.5
Cash and cash equivalents	5	0.0 - 1.0

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was (6.40) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Net Pension Liability

The Township's net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The components of the net pension liability of the Plan as of December 31, 2018 were as follows:

Total pension liability	\$ 6,657,034
Plan fiduciary net position	<u>5,157,393</u>
Plan net pension liability	<u>\$ 1,499,641</u>
Plan fiduciary net position as a percentage of total pension liability	<u>77.5%</u>

Changes in the Net Pension Liability

The changes in the Township's net pension liability during the year ended December 31, 2018 are as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 6,231,866	\$ 5,467,122	\$ 764,744
Changes for the year:			
Service cost	212,516	-	212,516
Interest cost	504,176	-	504,176
Contributions, employee	-	84,077	(84,077)
Contributions, employer	-	227,121	(227,121)
Net investment income	-	(323,603)	323,603
Benefit payments, including refunds	(291,524)	(291,524)	-
Administration	-	(5,800)	5,800
Net changes	<u>425,168</u>	<u>(309,729)</u>	<u>734,897</u>
Balances at December 31, 2018	<u>\$ 6,657,034</u>	<u>\$ 5,157,393</u>	<u>\$ 1,499,641</u>

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

The General Fund has been used in prior years to liquidate pension liabilities.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2017 using the following actuarial methods and assumptions:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	5.0%
Inflation	3.0%
Interest rate	8.0%
Cost-of-living adjustments	0.0%
Asset valuation method	Market

Mortality rates were based on the IRS Static Combined Table for Small Plans. The actuarial assumptions used in the January 1, 2017 valuation were selected jointly by the actuary and the governing body of the pension.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 8.00 percent, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Plan calculated using the discount rate of 8.0 percent as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate	1% Increase (9.0%)
Net pension liability	\$ 2,363,317	\$ 1,499,641	\$ 776,758

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the Township recognized pension expense of \$427,411. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 60,418
Changes in assumptions	137,213	-
Difference between projected and actual earnings on investments	629,845	-
Total	<u>\$ 767,058</u>	<u>\$ 60,418</u>

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2019	\$	(224,407)
2020		(153,661)
2021		(124,267)
2022		(159,902)
2023		(8,098)
Thereafter		<u>(36,305)</u>
Total	\$	<u>(706,640)</u>

Defined Contribution Plan, Non-Uniform Employees

The Township of Ferguson Municipal Employees Money Purchase Pension Plan is a 401 qualified, defined contribution plan for all non-uniform employees. Employees who retire at or after age 55 with 10 years of credited service are entitled to retirement benefits. Vesting starts after 3 years of service and employees are fully vested after 7 years. The plan requires that the Township contribute an amount equal to 10 percent of the employee's base salary (with no contribution from the employee). In conjunction with the 401 plan, the Township requires all participating non-uniform employees to contribute a minimum of 2 percent of their base salary to the 457 Deferred Compensation Plan.

The Township, as the employer, is specifically identified as the plan trustee and has selected the ICMA Retirement Corporation as the plan administrator. The Township holds the fiduciary duty to select the fund or funds that the employer's share of the contributions are invested. The Township has limited employer contributions to four model portfolios commonly referred to as the Savings Oriented, Long-term Growth, Conservative Growth, and Traditional Growth portfolios. The Township has chosen not to allow loans on the plan's assets. As specified in the plan document section VI, 6.01, the trustee shall be the employer or such other person which agrees to act in that capacity hereunder. In accordance with the adoption agreement and the plan document, sections XIV 14.05 and XV 15.01, the employer may amend or terminate the plan and the plan administrator may amend the plan upon 30 days written notice to the employer for the express purpose of maintaining compliance with applicable federal laws and regulations of the Internal Revenue Service. The plan document, under section XIV, the employer has the authority to amend the future contributions and vesting schedule, to the extent that current account balances and current vesting may not be reduced.

At December 31, 2018, there were 50 active 401 plan members and 65 active 457 plan members.

Pension contributions for year ended December 31, 2018:

	<u>401 Qualified Pension Plan</u>	<u>457 Deferred Compensation Plan</u>
Township contributions	\$ 201,166	\$ -
Employee contributions	<u>-</u>	<u>92,459</u>
Total contributions	<u>\$ 201,166</u>	<u>\$ 92,459</u>

The Commonwealth of Pennsylvania provided \$360,698 during 2018 toward the Township contributions to the police and non-uniform pension plan through Act 205.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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The following financial statements present data for the individual pension plans maintained by the Township.

Combining Statement of Pension Trust Funds

December 31, 2018

	<u>Police Pension Trust Fund</u>	<u>Non-Uniformed Pension Trust Fund</u>	<u>Total Pension Trust Funds</u>
Assets			
Cash and cash equivalents	\$ 37,940	\$ 49	\$ 37,989
Prepaid items	24,542	-	24,542
Investments, at fair value:			
Cash and cash equivalents	171,834	187,319	359,153
Fixed income	1,211,550	3,579	1,215,129
Equities	2,862,293	3,319	2,865,612
Mutual funds	849,724	2,949,460	3,799,184
	<u>5,157,883</u>	<u>3,143,726</u>	<u>8,301,609</u>
Total			
Liabilities			
Due to other funds	<u>490</u>	<u>-</u>	<u>490</u>
Net Position			
Net position restricted for pensions	<u>\$ 5,157,393</u>	<u>\$ 3,143,726</u>	<u>\$ 8,301,119</u>

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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Combining Statement of Changes in Pension Trust Funds For the Year Ended December 31, 2018

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Total Pension Trust Funds
Additions			
Contributions:			
Employer contributions	\$ 227,121	\$ 191,146	\$ 418,267
Employee contributions/forfeitures	84,077	13,526	97,603
Total contributions	<u>311,198</u>	<u>204,672</u>	<u>515,870</u>
Investment income (loss):			
Net depreciation in fair value of investments	(436,777)	(219,023)	(655,800)
Interest and dividends	149,006	526	149,532
Investment expense	(41,632)	(425)	(42,057)
Net investment loss	<u>(329,403)</u>	<u>(218,922)</u>	<u>(548,325)</u>
Total additions	(18,205)	(14,250)	(32,455)
Deductions			
Benefits paid to participants	<u>291,524</u>	<u>107,747</u>	<u>399,271</u>
Net Changes in Net Position	(309,729)	(121,997)	(431,726)
Net Position Restricted for Pensions, Beginning	<u>5,467,122</u>	<u>3,265,723</u>	<u>8,732,845</u>
Net Position Restricted for Pensions, Ending	<u>\$ 5,157,393</u>	<u>\$ 3,143,726</u>	<u>\$ 8,301,119</u>

Summary of Significant Accounting Policies, Pension Trust Funds

The plans' financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by Act 205 of the Commonwealth. Benefits and refunds are recognized when due and payable in accordance with the terms of the appropriate plan.

Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Fair value is determined by quoted market price.

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments whose market value exceeds five percent or more of net position available for benefits. There are no long-term contracts for contributions. There is no outstanding employer liability as of December 31, 2018 for the Non-Uniformed Pension Trust Fund.

Township of Ferguson, Pennsylvania

Notes to Financial Statements
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7. Private Purpose Trust Fund

On June 22, 1993, the Township established the Tom Tudek Memorial Park Trust (the "Trust"). The Trust received its 501(c)(3) status from the Internal Revenue Service on December 22, 1993. The Trust will receive annual contributions from Robert and Elsie Tudek until the principal of the Trust reaches \$100,000. Income amounts will be used by the Township to pay the operating maintenance and improvement expense for the park. Principal amounts may only be used for legal consultation or actions relating to enforcing the terms and conditions of the Trust.

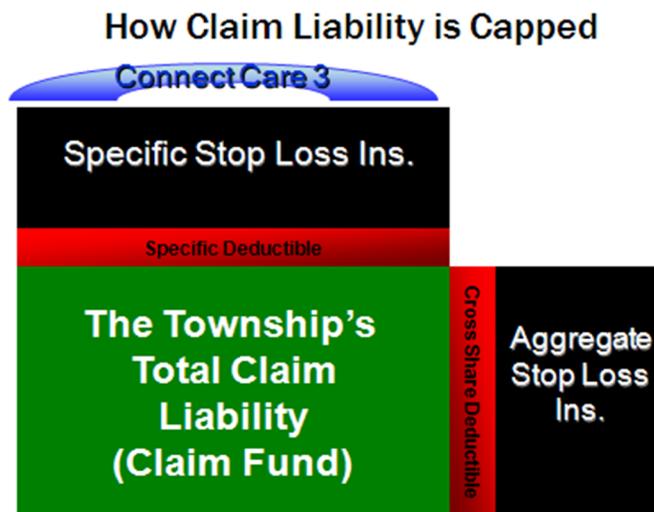
8. Risk Financing

The Township maintains a self-insured plan in the General Fund. The plan is for the employee health coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Health Insurance

The health insurance plan is administered by the PMHIC (Pennsylvania Municipal Health Insurance Cooperative) in conjunction with the Benecon Group. The PMHIC is made up of members combining employees to reduce the overall risk and cost of the plan. Many of the Centre Region municipalities are members of the cooperative.

The plan provides for shared risk up to the amount of cross share assigned to each member for claims below the stop loss protection. If a participant's claim exceeds \$30,000, it is first paid from the specific deductible and then, depending on the amount over \$30,000, it is paid from the specific stop loss insurance. This protects the Township from very high dollar claims.



Township of Ferguson, Pennsylvania

Notes to Financial Statements
December 31, 2018

If the Township has many claims under \$50,000 that exceed the amount in the Township's claim fund, this amount is paid from the Cross Share deductible. This fund is created through mutual agreement of the members to share some of the surpluses of members. As of the date of this report, there have been no claims against the Aggregate Stop Loss since the member contributions have been sufficient to cover the claims.

9. Fund Balance Classifications

The Township presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Transportation Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
Non-spendable for, Prepaid items	\$ 15,598	\$ -	\$ -	\$ -	\$ 15,598
Restricted for:					
Transportation improvement	\$ -	\$ 4,581,975	\$ -	\$ -	\$ 4,581,975
Liquid fuels	-	-	-	735,537	735,537
Capital projects	-	-	-	19,784	19,784
Regional capital projects	-	-	-	1,264,093	1,264,093
Park improvement	-	-	-	124,053	124,053
Agricultural preservation	-	-	-	63,714	63,714
Total	<u>\$ -</u>	<u>\$ 4,581,975</u>	<u>\$ -</u>	<u>\$ 2,207,181</u>	<u>\$ 6,789,156</u>
Committed for, Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,279</u>	<u>\$ -</u>	<u>\$ 1,234,279</u>
Assigned for, Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,959</u>	<u>\$ 104,959</u>

Township of Ferguson, Pennsylvania

Notes to Financial Statements

December 31, 2018

10. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The Township is required to adopt Statement No. 84 for its 2019 financial statements.

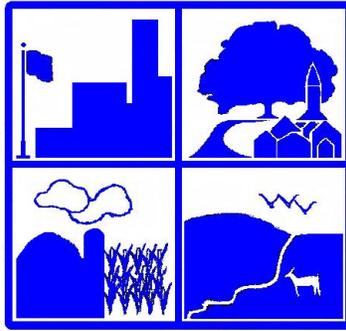
In June 2017, the GASB issued Statement No. 87, *Leases*. Statement No. 87 improves recognition of certain lease assets and liabilities for leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. To the extent applicable, the Township is required to adopt Statement No. 87 for its 2020 financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and direct Placements*. This Statement expands note disclosures related to debt, including unused lines of credit, assets pledged for collateral; terms specified in contracts related to significant events of default with financial consequences; and subjective acceleration clauses. The Township is required to adopt Statement No. 88 for its 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. The Township is required to adopt Statement No. 89 for its 2020 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Township is required to adopt Statement No. 90 for its 2019 financial statements.

Township management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.



Required Supplementary Information - Supplementary Pension Trend Information

Township of Ferguson, Pennsylvania

Schedule of Changes in the Township's Net Pension Liability and Related Ratios Most Recent Year

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 212,516	\$ 202,396	\$ 193,519	\$ 184,304	\$ 169,971
Interest cost	504,176	472,997	455,966	401,750	380,013
Changes for experience	-	(30,480)	-	(65,866)	-
Changes of assumptions	-	163,400	-	-	-
Benefit payments, including refunds of member contributions	<u>(291,524)</u>	<u>(286,684)</u>	<u>(243,148)</u>	<u>(227,391)</u>	<u>(227,366)</u>
Net changes in total pension liability	425,168	521,629	406,337	292,797	322,618
Total Pension Liability, Beginning	<u>6,231,866</u>	<u>5,710,237</u>	<u>5,303,900</u>	<u>5,011,103</u>	<u>4,688,485</u>
Total Pension Liability, Ending (a)	<u><u>\$ 6,657,034</u></u>	<u><u>\$ 6,231,866</u></u>	<u><u>\$ 5,710,237</u></u>	<u><u>\$ 5,303,900</u></u>	<u><u>\$ 5,011,103</u></u>
Plan Fiduciary Net Position					
Employer contributions	\$ 227,121	\$ 220,640	\$ 218,386	\$ 272,819	\$ 210,393
Employee contributions	84,077	72,237	80,947	74,524	69,108
Net investment income	(323,603)	566,445	246,300	10,204	235,734
Benefit payments, including refunds of member contributions	(291,524)	(286,684)	(243,148)	(227,391)	(227,366)
Administration	<u>(5,800)</u>	<u>(8,500)</u>	<u>(4,000)</u>	<u>(6,400)</u>	<u>(9,353)</u>
Net changes in plan fiduciary net position	(309,729)	564,138	298,485	123,756	278,516
Plan Fiduciary Net Position, Beginning	<u>5,467,122</u>	<u>4,902,984</u>	<u>4,604,499</u>	<u>4,480,743</u>	<u>4,202,227</u>
Plan Fiduciary Net Position, Ending (b)	<u><u>\$ 5,157,393</u></u>	<u><u>\$ 5,467,122</u></u>	<u><u>\$ 4,902,984</u></u>	<u><u>\$ 4,604,499</u></u>	<u><u>\$ 4,480,743</u></u>
Township's Net Pension Liability, Ending (a) - (b)	<u><u>\$ 1,499,641</u></u>	<u><u>\$ 764,744</u></u>	<u><u>\$ 807,253</u></u>	<u><u>\$ 699,401</u></u>	<u><u>\$ 530,360</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>77.47%</u>	<u>87.73%</u>	<u>85.86%</u>	<u>86.81%</u>	<u>89.42%</u>
Covered Payroll	<u><u>\$ 1,740,086</u></u>	<u><u>\$ 1,661,121</u></u>	<u><u>\$ 1,702,848</u></u>	<u><u>\$ 1,640,148</u></u>	<u><u>\$ 1,443,614</u></u>
Township's Net Pension Liability as a Percentage of Covered Payroll	<u>86.18%</u>	<u>46.04%</u>	<u>47.41%</u>	<u>42.64%</u>	<u>36.74%</u>

Note to Schedule:

The Township implemented GASB Statement No. 67 in 2014. Information prior to 2014 is not available.

Township of Ferguson, Pennsylvania

Schedule of Employer Contributions
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 108,605	\$ 125,120	\$ 221,588	\$ 189,018	\$ 204,059	\$ 210,393	\$ 255,274	\$ 218,386	\$ 220,640	\$ 227,121
Contributions in relation to the actuarially determined contribution	<u>125,120</u>	<u>129,394</u>	<u>245,751</u>	<u>189,018</u>	<u>204,060</u>	<u>210,393</u>	<u>272,819</u>	<u>218,489</u>	<u>220,640</u>	<u>227,121</u>
Contribution deficiency (excess)	<u>\$ (16,515)</u>	<u>\$ (4,274)</u>	<u>\$ (24,163)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (17,545)</u>	<u>\$ (103)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,265,496	\$ 1,310,355	\$ 1,323,391	\$ 1,428,127	\$ 1,542,479	\$ 1,443,614	\$ 1,496,680	\$ 1,513,832	\$ 1,551,929	\$ 1,624,971
Contributions as a percentage of covered payroll	9.89%	9.87%	18.57%	13.24%	13.23%	14.57%	18.23%	14.43%	14.22%	13.98%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level Dollar Closed
Remaining amortization period	12 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	8%
Retirement age	Members hired before January 24, 2001: Attainment of age 53 and completion of 20 years of service. Members hired on or after January 24, 2001: Normal Retirement Age.
Mortality	RP-2000 Table prior to 2017, then IRS 2017 Static Combined Table for Small Plans

Township of Ferguson, Pennsylvania

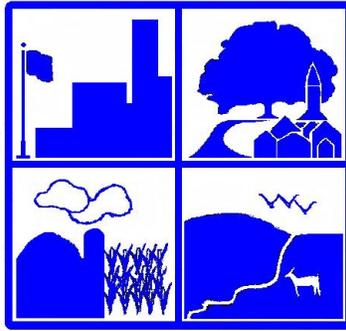
Schedule of Investment Returns

Most Recent Year

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>-6.40%</u>	<u>5.40%</u>	<u>0.70%</u>	<u>6.50%</u>	<u>17.70%</u>

Notes to Schedule:

The Township implemented GASB Statement No. 67 in 2014. Information prior to 2014 is not available.



Combining Statements of Non-Major Governmental Funds

Township of Ferguson, Pennsylvania

Description of Non-Major Governmental Funds
December 31, 2018

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than for debt service and major capital projects) that are legally restricted to expenditures for specified purposes.

The Street Light Fund accounts for assessments specifically restricted for the maintenance of street lights.

The Hydrant Fund accounts for assessments specifically restricted for the installation and maintenance of hydrants.

The Liquid Fuels Fund accounts for state aid revenues used for the building of and improving of roads and bridges. Financing is provided by the Township's share of state taxes on gasoline and diesel fuel.

Capital Projects Funds

Capital Projects Funds account for the capital purchases of the Township.

The Agricultural Preservation Fund accounts for the Township's contributions towards the County's agricultural conservation easements purchases in the Township.

The Regional Capital Recreation Projects Fund accounts for the Township's payments in accordance with the agreement among the Township, the Pennsylvania State University, and Lezzer-Haubert, LLC.

The Park Improvement Fund accounts for funds set aside from fees-in-lieu payments received from the developer and any private donations.

The Pine Grove Mills Streetlight Fund accounts for the specific purpose of acquiring vintage style streetlights in conjunction with a more comprehensive streetscape improvement project.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

The Debt Service Fund accounts for the payments of principal and interest for general long-term debt.

The annual adopted budgets are prepared on the basis consistent with accounting principles generally accepted in the United States of America.

Township of Ferguson, Pennsylvania

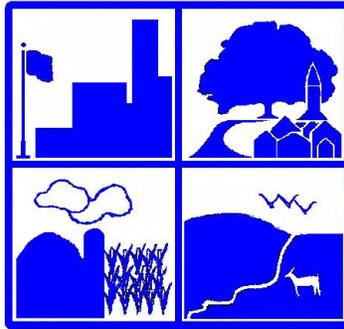
Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2018

	Special Revenue Funds			Capital Projects Funds				Debt Service Fund	Total Non-Major Funds
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Agricultural Preservation Fund	Regional Capital Recreation Projects	Pine Grove Mill Street	Park Improvement Fund		
Assets									
Cash	\$ 17,189	\$ 26,672	\$ 219,001	\$ 63,714	\$ 1,003,621	\$ 19,784	\$ 124,289	\$ 104,959	\$ 1,579,229
Investments			554,588		260,472				815,060
Total assets	<u>\$ 17,189</u>	<u>\$ 26,672</u>	<u>\$ 773,589</u>	<u>\$ 63,714</u>	<u>\$ 1,264,093</u>	<u>\$ 19,784</u>	<u>\$ 124,289</u>	<u>\$ 104,959</u>	<u>\$ 2,394,289</u>
Liabilities and Fund Balances (Deficit)									
Liabilities:									
Accounts payable			\$ 250						\$ 250
Due to other funds	\$ 28,280	\$ 45,373	37,802				\$ 236		111,691
Total liabilities	<u>28,280</u>	<u>45,373</u>	<u>38,052</u>				<u>236</u>		<u>111,941</u>
Fund balances (deficit):									
Restricted			735,537	\$ 63,714	\$ 1,264,093	\$ 19,784	124,053		2,207,181
Assigned								\$ 104,959	104,959
Unassigned (deficit)	(11,091)	(18,701)							(29,792)
Total fund balance (deficit)	<u>(11,091)</u>	<u>(18,701)</u>	<u>735,537</u>	<u>63,714</u>	<u>1,264,093</u>	<u>19,784</u>	<u>124,053</u>	<u>104,959</u>	<u>2,282,348</u>
Total liabilities and fund balance (deficit)	<u>\$ 17,189</u>	<u>\$ 26,672</u>	<u>\$ 773,589</u>	<u>\$ 63,714</u>	<u>\$ 1,264,093</u>	<u>\$ 19,784</u>	<u>\$ 124,289</u>	<u>\$ 104,959</u>	<u>\$ 2,394,289</u>

Township of Ferguson, Pennsylvania

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Funds
Year Ended December 31, 2018

	Special Revenue Funds			Capital Projects Funds				Debt Service Fund	Total Non-Major Funds
	Street Light Fund	Hydrant Fund	Liquid Fuels Fund	Agricultural Preservation Fund	Regional Capital Recreation Project	Pine Grove Mill Street	Park Improvement Fund		
Revenues									
Interest and rents	\$ 74	\$ 121	\$ 9,963	\$ 887	\$ 21,592	\$ 264	\$ 1,073	\$ 2,516	\$ 36,490
Intergovernmental			664,174						664,174
Charges for service	15,416	36,074			400,000		387		451,877
Total revenues	15,490	36,195	674,137	887	421,592	264	1,460	2,516	1,152,541
Expenditures									
Public works, highways	19,774		489,730			2,200			511,704
Public works, other services		39,164							39,164
Culture and recreation				9,015	104,138		18,959		132,112
Total expenditures	19,774	39,164	489,730	9,015	104,138	2,200	18,959	-	682,980
(Deficiency) excess of revenues over expenditures	(4,284)	(2,969)	184,407	(8,128)	317,454	(1,936)	(17,499)	2,516	469,561
Other Financing Sources									
Transfers, in			7,380					100,000	107,380
Net (decrease) increase in fund balances	(4,284)	(2,969)	191,787	(8,128)	317,454	(1,936)	(17,499)	102,516	576,941
Fund Balances (Deficit), Beginning	(6,807)	(15,732)	543,750	71,842	946,639	21,720	141,552	2,443	1,705,407
Fund Balances (Deficit), Ending	\$ (11,091)	\$ (18,701)	\$ 735,537	\$ 63,714	\$ 1,264,093	\$ 19,784	\$ 124,053	\$ 104,959	\$ 2,282,348



Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget-to-Actual Comparisons

- **Transportation Improvement Fund**
- **Capital Reserve Fund**
- **Non-Major Governmental Funds -
Special Revenue Funds**
- **Non-Major Governmental Funds -
Capital Projects Funds**
- **Non-Major Governmental Fund -
Debt Service Fund**

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Transportation Improvement Fund

Year Ended December 31, 2018

	<u>Budget</u> <u>Original &</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues			
Interest and rents	\$ 35,000	\$ 68,884	\$ 33,884
Intergovernmental	756,000	103,392	(652,608)
Miscellaneous revenue	-	-	-
	<u>791,000</u>	<u>172,276</u>	<u>(618,724)</u>
Expenditures			
General government	194,000	75,859	118,141
Public works, highways	<u>4,537,300</u>	<u>1,775,093</u>	<u>2,762,207</u>
	<u>4,731,300</u>	<u>1,850,952</u>	<u>2,880,348</u>
Total expenditures			
Excess of expenditures over revenues	(3,940,300)	(1,678,676)	2,261,624
Other Financing Sources			
Transfers, in	<u>1,370,000</u>	<u>1,420,995</u>	<u>50,995</u>
Net changes in fund balances	<u>\$ (2,570,300)</u>	<u>(257,681)</u>	<u>\$ 2,312,619</u>
Fund Balances, Beginning		<u>4,839,656</u>	
Fund Balances, Ending		<u>\$ 4,581,975</u>	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Capital Reserve Fund

Year Ended December 31, 2018

	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Interest and rents	\$ 25,000	\$ 10	\$ (24,990)
Intergovernmental	109,100	29,447	(79,653)
Total revenues	<u>134,100</u>	<u>29,457</u>	<u>(104,643)</u>
Expenditures			
General government	1,237,310	213,342	1,023,968
Public safety	353,800	160,899	192,901
Public works, highways	775,350	399,763	375,587
Culture and recreation	315,400	267,767	47,633
Other operating	6,000	3,945	2,055
Total expenditures	<u>2,687,860</u>	<u>1,045,716</u>	<u>1,642,144</u>
Excess of expenditures over revenues	<u>(2,553,760)</u>	<u>(1,016,259)</u>	<u>1,537,501</u>
Other Financing Sources			
Transfers, in	500,000	995,000	495,000
Proceeds from long-term debt	1,000,000	-	(1,000,000)
Sale of capital assets	2,000	4,705	2,705
Total other financing sources	<u>1,502,000</u>	<u>999,705</u>	<u>(502,295)</u>
Net changes in fund balance	<u>\$ (1,051,760)</u>	<u>(16,554)</u>	<u>\$ 1,035,206</u>
Fund Balance, Beginning		<u>1,250,833</u>	
Fund Balance, Ending		<u>\$ 1,234,279</u>	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Special Revenue Funds

Year Ended December 31, 2018

	Street Light			Liquid Fuels		
	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues						
Interest and rents	\$ 15	\$ 74	\$ 59	\$ 30	\$ 121	\$ 91
Intergovernmental						
Charges for service	25,000	15,416	(9,584)	50,000	36,074	(13,926)
Total revenues	<u>25,015</u>	<u>15,490</u>	<u>(9,525)</u>	<u>50,030</u>	<u>36,195</u>	<u>(13,835)</u>
Expenditures						
Public works, highways	21,500	19,774	1,726			
Public works, other services				35,500	39,164	(3,664)
Total expenditures	<u>21,500</u>	<u>19,774</u>	<u>1,726</u>	<u>35,500</u>	<u>39,164</u>	<u>(3,664)</u>
Other Financing Sources						
Transfers, in						7,380
Net changes in fund balances	<u>\$ 3,515</u>	<u>(4,284)</u>	<u>\$ (7,799)</u>	<u>\$ 14,530</u>	<u>(2,969)</u>	<u>\$ (17,499)</u>
Fund Balances (Deficit), Beginning		<u>(6,807)</u>			<u>(15,732)</u>	<u>543,750</u>
Fund Balances (Deficit), Ending		<u>\$ (11,091)</u>			<u>\$ (18,701)</u>	<u>\$ 735,537</u>

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2018

	Pine Grove Mill Street			Agricultural Preservation		
	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues						
Interest and rents	\$ 150	\$ 264	\$ 114	\$ 600	\$ 887	\$ 287
Expenditures						
Public works, highways	-	2,200	(2,200)			
Culture and recreation				9,200	9,015	185
Total expenditures	-	2,200	(2,200)	9,200	9,015	185
Excess of expenditures over revenues	150	(1,936)	(2,086)	(8,600)	(8,128)	472
Other Financing Sources						
Transfers, in				25,000	-	(25,000)
Net changes in fund balances	<u>\$ 150</u>	<u>(1,936)</u>	<u>\$ (2,086)</u>	<u>\$ 16,400</u>	<u>(8,128)</u>	<u>\$ (24,528)</u>
Fund Balances, Beginning		<u>21,720</u>			<u>71,842</u>	
Fund Balances, Ending		<u>\$ 19,784</u>			<u>\$ 63,714</u>	

(Continued)

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget-to-Actual Comparison

Non-Major Governmental Funds

Capital Projects Funds

Year Ended December 31, 2018

	Regional Capital Recreation Projects			Park Improvement		
	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues						
Interest and rents	\$ 8,000	\$ 21,592	\$ 13,592	\$ 500	\$ 1,073	\$ 573
Intergovernmental					-	-
Contributions from private sectors		400,000	400,000		387	387
Total revenues	8,000	421,592	413,592	500	1,460	960
Expenditures						
Culture and recreation	104,138	104,138	-	40,000	18,959	21,041
Net changes in fund balances	\$ (96,138)	317,454	\$ 413,592	\$ (39,500)	(17,499)	\$ 22,001
Fund Balances, Beginning		946,639			141,552	
Fund Balances, Ending		\$ 1,264,093			\$ 124,053	

Township of Ferguson, Pennsylvania

Schedule of Revenues, Expenditures, and Changes in Fund Balance

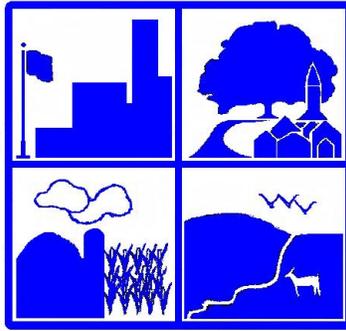
Budget-to-Actual Comparison

Non-Major Governmental Funds

Debt Service Fund

Year Ended December 31, 2018

	<u>Budget</u> <u>Original &</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues			
Interest	\$ 5,000	\$ 2,516	\$ (2,484)
Other Financing Sources			
Transfers, in	<u>3,220,000</u>	<u>100,000</u>	<u>(3,120,000)</u>
Net changes in fund balance	<u>\$ 3,225,000</u>	102,516	<u>\$ (3,122,484)</u>
Fund Balance, Beginning		<u>2,443</u>	
Fund Balance, Ending		<u>\$ 104,959</u>	



Combining Statements of Pension Trust Funds

Township of Ferguson, Pennsylvania

Combining Statement of Pension Trust Funds

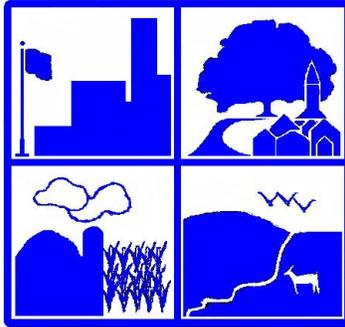
December 31, 2018

	Police Pension Trust Fund	Non- Uniformed Pension Trust Fund	Total Trust Funds
Assets			
Cash and cash equivalents	\$ 37,940	\$ 49	\$ 37,989
Prepaid items	24,542		24,542
Investments, at fair value:			
Cash and cash equivalents	171,834	187,319	359,153
Fixed income	1,211,550	3,579	1,215,129
Equities	2,862,293	3,319	2,865,612
Mutual funds	849,724	2,949,460	3,799,184
	<u>5,157,883</u>	<u>3,143,726</u>	<u>8,301,609</u>
Total assets			
	5,157,883	3,143,726	8,301,609
Liabilities			
Due to other funds	<u>490</u>	<u></u>	<u>490</u>
Net Position			
Net position restricted for pensions	<u>\$ 5,157,393</u>	<u>\$ 3,143,726</u>	<u>\$ 8,301,119</u>

Township of Ferguson, Pennsylvania

Combining Statement of Changes in Pension Trust Funds
Year Ended December 31, 2018

	Police Pension Fund	Non- Uniformed Pension Fund	Total Trust Funds
Additions			
Contributions:			
Employer contributions	\$ 227,121	\$ 191,146	\$ 418,267
Employee contributions/forfeitures	84,077	13,526	97,603
Total contributions	311,198	204,672	515,870
Investment income (loss):			
Net depreciation in fair value of investments	(436,777)	(219,023)	(655,800)
Interest and dividends	149,006	526	149,532
Less investment expense	(41,632)	(425)	(42,057)
Net investment loss	(329,403)	(218,922)	(548,325)
Total additions	(18,205)	(14,250)	(32,455)
Deductions			
Benefits paid to participants	291,524	107,747	399,271
Net changes in net position	(309,729)	(121,997)	(431,726)
Net Position Restricted for Pensions, Beginning	5,467,122	3,265,723	8,732,845
Net Position Restricted for Pensions, Ending	\$ 5,157,393	\$ 3,143,726	\$ 8,301,119



Combining Statement of Changes in Assets and Liabilities - All Agency Funds

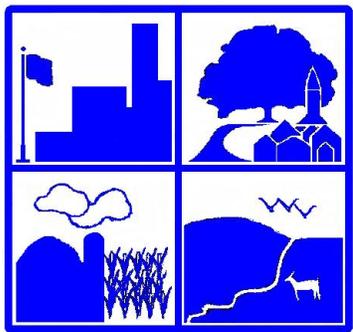
Township of Ferguson, Pennsylvania

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

December 31, 2018

	<u>Balance, January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, December 31, 2018</u>
Earned Income Tax Office				
Assets,				
Cash	\$ 53,819	\$ 709	\$ (145)	\$ 54,383
Liabilities,				
Payable to other taxing units	\$ 53,819	\$ 709	\$ (145)	\$ 54,383
Real Estate Tax Office				
Assets,				
Cash	\$ 114,696	\$ 27,356,467	\$ (27,265,284)	\$ 205,879
Liabilities,				
Payable to other taxing units	\$ 114,696	\$ 27,356,467	\$ (27,265,284)	\$ 205,879
Total All Agency Funds				
Assets,				
Cash	\$ 168,515	\$ 27,357,176	\$ (27,265,429)	\$ 260,262
Liabilities,				
Payable to other taxing units	\$ 168,515	\$ 27,357,176	\$ (27,265,429)	\$ 260,262



Statistical Section

Township of Ferguson, Pennsylvania

Statistical Section
December 31, 2018

Statistical Section

The Statistical Section presents additional detailed information as a context for understanding the information provided in the financial statements, note disclosures and required supplementary information about the Township's overall financial health.

Financial Trends

Schedules 1 through 4 provide trend information to help the reader understand the changes in the Township's financial health over time.

Revenue Capacity

Schedules 5 through 10 provide information to help the reader assess the Township's ability to generate revenues.

Debt Capacity

Schedules 11 through 13 provide information to help the reader assess the ability of the Township to fulfill the current debt requirements and to provide additional debt if needed in the future.

Demographic and Economic Information

Schedules 14 and 15 offer demographic and economic indicators to help the reader understand the economic environment of the Township as a whole.

Operating Information

Schedules 16 through 18 provide service and infrastructure information to help the reader understand how the activities and services provided by the Township affect the financial statements.

Township of Ferguson, Pennsylvania

Schedule of Government-Wide Net Position by Component
(Unaudited)
Years Ended December 31

SCHEDULE 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 21,514,479	\$ 17,881,248	\$ 20,883,275	\$ 21,228,343	\$ 25,807,727	\$ 26,359,131	\$ 26,255,099	\$ 27,036,983	\$ 26,321,702	\$ 26,814,249
Restricted			1,160,103	1,117,065	1,188,166	2,047,601	1,730,464	1,641,406	1,653,661	2,143,467
Unrestricted/unassigned	10,192,207	15,642,390	14,602,551	15,415,901	11,988,643	12,610,387	12,778,961	13,914,381	13,997,200	13,533,670
Total governmental activities net position	\$ 31,706,686	\$ 33,523,638	\$ 36,645,929	\$ 37,761,309	\$ 38,984,536	\$ 41,017,119	\$ 40,764,524	\$ 42,592,770	\$ 41,972,563	\$ 42,491,386

Note: (1) the Township has no business type activities

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Government-Wide Changes in Net Position
(Unaudited)
Years Ended December 31

SCHEDULE 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental type activities (current):										
General government	\$ 1,466,992	\$ 1,454,365	\$ 1,573,015	\$ 1,566,073	\$ 2,162,036	\$ 2,190,517	\$ 2,211,153	\$ 2,410,240	\$ 1,766,838	\$ 2,827,151
Public safety	2,437,740	2,519,983	2,671,630	2,662,723	3,647,288	3,835,519	3,816,904	4,262,964	4,612,933	4,256,331
Health and welfare	7,317	5,729	7,166	5,090	6,673	6,464	8,133	9,002	6,349	9,412
Public works	1,935,062	2,753,477	2,650,121	3,771,053	3,537,116	3,033,404	3,467,370	3,489,627	6,060,078	3,793,330
Culture and recreation	1,076,279	1,050,198	1,085,404	1,329,119	1,320,474	1,259,033	1,365,146	1,698,002	1,703,487	1,533,985
Conservation and development	11,955								187,915	26,109
Insurance and other operating	702,868	1,223,395	1,377,940	1,382,998						
Interest on long-term debt	138,215	92,996	79,627	71,586	62,219	55,422	13,141	8,393	2,801	25,942
Total governmental activities expenses	7,776,428	9,100,143	9,444,903	10,788,642	10,735,806	10,380,359	10,881,847	11,878,228	14,340,401	12,472,260
Revenues										
Governmental activities:										
Charges for services:										
General government	379,075	438,827	438,355	397,660	458,619	468,869	371,041	380,691	412,615	408,547
Public safety	132,062	128,099	117,887	135,854	120,435	115,854	117,778	105,177	73,688	87,084
Health and welfare	6,068	6,625	6,328	7,738	8,018	7,939	8,561	8,450	7,799	7,803
Public works	44,964	44,628	46,112	39,148	22,724	38,915	35,604	32,727	56,485	51,489
Operating grants and contributions	491,698	518,193	751,857	531,506	577,761	705,282	709,431	915,757	889,470	797,808
Capital grants and contributions	582,527	392,822	2,908,628	999,364	513,747	536,505	626,743	841,411	1,215,383	1,167,567
Total governmental activities revenues	1,636,394	1,529,194	4,269,167	2,111,270	1,701,304	1,873,364	1,869,158	2,284,213	2,655,440	2,520,298
Net Revenues (Expenses)	(6,140,034)	(7,570,949)	(5,175,736)	(8,677,372)	(9,034,502)	(8,506,995)	(9,012,689)	(9,594,015)	(11,684,961)	(9,951,962)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Real estate	1,264,640	1,275,750	1,285,660	1,314,567	1,323,738	1,338,977	1,357,773	1,398,977	1,397,581	1,405,986
Transfer	840,595	1,034,100	832,580	969,487	1,978,764	1,276,766	1,432,285	2,044,111	1,842,754	1,298,499
Earned income	5,846,005	6,015,241	5,890,462	5,542,488	6,029,207	6,497,093	6,211,770	7,076,928	7,001,620	6,813,065
Local services	346,277	319,906	381,124	307,512	331,371	334,138	401,208	348,927	367,017	356,249
Unrestricted investment earnings	340,381	211,615	222,331	190,669	124,685	128,308	142,073	154,790	185,226	273,184
Miscellaneous	90,294	531,289	685,870	468,029	469,964	964,296	165,818	398,528	270,556	323,802
Total governmental activities general revenues	8,728,192	9,387,901	9,298,027	8,792,752	10,257,729	10,539,578	9,710,927	11,422,261	11,064,754	10,470,785
Changes in Net Position	\$ 2,588,158	\$ 1,816,952	\$ 4,122,291	\$ 115,380	\$ 1,223,227	\$ 2,032,583	\$ 698,238	\$ 1,828,246	\$ (620,207)	\$ 518,823
Governmental activities										

Notes: (1) the Township has no business type activities

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Fund Balances of Governmental Funds

(Unaudited)

Years Ended December 31

SCHEDULE 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non-Spendable (1)			\$ 3,594	\$ 65,159	\$ 70,220			\$ 84,136	\$ 9,668	\$ 15,598
Restricted (1)										
Committed (1)			1,000,000	1,000,000						
Assigned (1)										
Unassigned (1)			4,187,743	2,991,653	4,104,239	\$ 4,824,035	\$ 6,856,644	7,658,167	7,929,758	7,969,685
Unreserved:										
Undesignated	\$ 5,058,582	\$ 5,119,166								
Total general fund	5,058,582	5,119,166	5,191,337	4,056,812	4,174,459	4,824,035	6,856,644	7,742,303	7,939,426	7,985,283
All Other Governmental Funds										
Non-Spendable (1)										
Restricted (1)			1,160,103	1,117,065	1,188,166	2,047,601	5,907,683	6,087,083	6,565,159	6,789,156
Committed (1)			7,913,681	9,240,120	5,921,213	5,816,157	1,571,509	1,458,820	1,250,833	1,234,279
Assigned (1)			27	835	1,709	5,961	1,203	1,366	2,443	104,959
Unassigned (1)							(2,093)	(18,863)	(22,539)	(29,792)
Reserved for:										
Capital Projects	1,450,563	1,411,733								
Unreserved, undesignated, reported in:										
Special Revenue Funds	325,815	330,486								
Capital Projects Funds	5,383,208	6,250,624								
Debt Service	(7,979)	(7,267)								
Total all other governmental funds	7,151,607	7,985,576	9,073,811	10,358,020	7,111,088	7,869,719	7,478,302	7,528,406	7,795,896	8,098,602
Total governmental fund balances	\$ 12,210,189	\$ 13,104,742	\$ 14,265,148	\$ 14,414,832	\$ 11,285,547	\$ 12,693,754	\$ 14,334,946	\$ 15,270,709	\$ 15,735,322	\$ 16,083,885

Note: (1) GASB Statement number 54, Fund Balance Reporting effective for years beginning after June 15, 2010, prior balances are not restated

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Changes in Governmental Fund Balances
(Unaudited)
Years Ended December 31

SCHEDULE 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 7,948,380	\$ 8,082,875	\$ 8,403,023	\$ 8,478,220	\$ 9,771,549	\$ 9,343,175	\$ 10,570,286	\$ 10,638,051	\$ 10,718,353	\$9,970,036
Licenses and permits	220,608	262,036	250,463	239,880	309,657	287,061	304,284	316,873	332,571	322,747
Fines and forfeits	132,062	128,099	117,887	135,854	120,435	115,854	117,778	105,177	73,688	87,084
Interest and rents	340,381	211,615	222,331	190,669	124,685	128,308	142,073	154,790	185,226	243,749
Intergovernmental	1,074,225	911,015	3,660,485	1,530,870	1,091,508	1,241,787	1,336,174	1,757,168	2,104,853	1,594,821
Charges for services	234,625	240,954	253,990	223,269	259,019	277,645	165,218	158,769	196,719	598,814
Miscellaneous revenues	61,281	472,726	661,005	409,016	355,649	889,269	92,207	296,695	141,546	265,365
Refund of prior year expenditures	3,887	6,946	7,296	255	274	18,118				
Total revenues	10,015,449	10,316,266	13,576,480	11,208,033	12,032,776	12,301,217	12,728,020	13,427,523	13,752,956	13,082,616
Expenditures										
General government	1,169,636	1,125,718	1,143,935	1,278,323	1,469,596	1,465,556	1,455,268	1,659,254	1,830,673	1,792,802
Public safety	2,485,741	2,488,052	2,718,215	2,649,349	2,907,932	2,947,837	2,940,786	3,037,735	3,247,529	3,304,684
Health and welfare	7,317	5,729	7,166	5,090	6,673	6,464	8,133	9,002	6,349	409,175
Public works	2,685,156	2,994,141	5,206,287	3,542,450	7,411,752	3,017,784	2,477,421	3,601,864	3,847,554	3,466,251
Culture and recreation	1,099,725	1,075,672	1,365,651	1,711,634	1,321,946	1,297,150	1,845,643	1,729,172	1,766,343	1,671,087
Community development	11,955				30,415	30,415	30,415	30,515	187,915	26,109
Insurance and other operating	1,164,589	1,212,337	1,421,872	1,352,827	1,576,850	1,616,637	1,791,891	1,920,074	1,917,756	2,038,763
Debt issuance costs						21,442				
Debt service, principal	329,053	465,000	475,000	485,000	495,000	505,000	543,000	551,200	556,000	
Debt service, interest	143,515	93,771	81,860	73,830	64,490	43,242	13,585	8,843	3,255	25,942
Other costs	116,462							2,430	1,681	3,945
Total expenditures	9,213,149	9,460,420	12,419,986	11,098,503	15,284,654	10,951,527	11,106,142	12,550,089	13,365,055	12,738,758
Excess (deficiency) of revenues over expenditures	802,300	855,846	1,156,494	109,530	(3,251,878)	1,349,690	1,621,878	877,434	387,901	343,858
Other Financing Sources (Uses)										
Net transfers in (out)				23,587	75,617					
Sale of capital assets		38,707	3,912	16,567	46,976	13,317	19,314	58,329	76,712	4,705
Net proceeds from long-term debt	4,435,000					1,650,200				
Bond premium	12,249									
Payments to refund bonds and notes payable	(4,327,147)					(1,605,000)				
Total other financing sources	120,102	38,707	3,912	40,154	122,593	58,517	19,314	58,329	76,712	4,705
Net changes in fund balances	\$ 922,402	\$ 894,553	\$ 1,160,406	\$ 149,684	\$ (3,129,285)	\$ 1,408,207	\$ 1,641,192	\$ 935,763	\$ 464,613	\$ 348,563
Debt service as a percentage of non capital expenditures (1)	6.47%	6.91%	6.70%	5.84%	5.93%	6.26%	5.85%	5.61%	5.02%	0.26%

Note: (1) Capital outlay is integrated in all functions of current expenditures. Amount is subtracted from amount used in calculation

Source: Independent Auditors' Report

Township of Ferguson, Pennsylvania

Schedule of Earned Income Tax

(Unaudited)

Years Ended December 31

SCHEDULE 5

<u>Year</u>	<u>Rate</u>	<u>Total Earned Income Tax Collected (1)</u>	<u>% Change</u>
2009	1.40%	\$ 5,496,867	-1.91%
2010	1.40%	5,453,119	-0.80%
2011	1.40%	5,890,462	8.02%
2012	1.40%	5,542,488	-5.91%
2013	1.40%	6,029,207	8.78%
2014	1.40%	6,497,093	7.76%
2015	1.40%	6,211,770	-4.39%
2016	1.40%	7,076,928	13.93%
2017	1.40%	7,001,620	-1.06%
2018	1.40%	6,813,065	-2.69%

Sources:

Ferguson Township Operating Budgets (actual)
Independent Auditors' Report

Notes: (1) Modified Accrual Basis

Township of Ferguson, Pennsylvania

Schedule of Earned Income Tax Rates -
All Direct and Overlapping Governments
(Unaudited)
Years Ended December 31

SCHEDULE 6

Tax Rates (% per \$1 of Taxable Income)

Fiscal Year	Township (1)	School (2)	Total
2009	1.40%	0.95%	2.35%
2010	1.40%	0.95%	2.35%
2011	1.40%	0.95%	2.35%
2012	1.40%	0.95%	2.35%
2013	1.40%	0.95%	2.35%
2014	1.40%	0.95%	2.35%
2015	1.40%	0.95%	2.35%
2016	1.40%	0.95%	2.35%
2017	1.40%	0.95%	2.35%
2018	1.40%	0.95%	2.35%

Sources:

- (1) Ferguson Township tax office
- (2) State College Area School District

Township of Ferguson, Pennsylvania

Schedule of Principal Earned Income Taxpayers
(Unaudited)
Current Year and Nine Years Ago
Years Ended December 31

SCHEDULE 7

Income Level	2018 (1)				2009 (4)			
	Number of Filers	Percentage of Total	Tax Liability (3)	Percentage of Total Levy	Number of Filers	Percentage of Total	Tax Liability (3)	Percentage of Total Levy
Greater than \$100,000.00	1,439	12.72%	\$ 3,540,160	49.80%	733	9.82%	\$ 1,678,897	38.14%
\$75,000.01 - \$100,000.00	794	7.02%	959,645	13.50%	555	7.44%	666,086	15.13%
\$50,000.01 - \$75,000.00	1,198	10.59%	1,023,248	14.40%	894	11.98%	771,116	17.52%
\$25,000.01 - \$50,000.00	1,953	17.27%	1,003,681	14.12%	1,626	21.78%	826,573	18.78%
\$10,000.01 - \$25,000.00	1,759	15.55%	409,438	5.76%	1,490	19.96%	343,696	7.81%
Less than or equal to \$10,000.00	4,169	36.86%	171,947	2.42%	2,167	29.03%	115,449	2.62%
Total	11,312	100.00%	\$ 7,108,119	100.00%	7,465	100.00%	\$ 4,401,817	100.00%

Notes: (1) 2018 collections represent the 2017 tax year and 2008 collections represent the 2007 tax year

(2) specific taxpayers do not necessarily correlate between current and nine years ago

(3) calculated based on Township tax rate of 1.4%

(4) 2009 data is not available, so 2008 data was used

Source: Centre Tax Agency & Ferguson Township Tax Office

Township of Ferguson, Pennsylvania

Schedule of Assessed Value of Taxable Properties

(Unaudited)

Years Ended December 31

SCHEDULE 8

Fiscal Year (1)	Real Property Assessed Taxable Value							TAV as		Tax Exempt \$ (Memo)
	Agricultural Property	Commercial Property	Industrial Property	Land	Residential Property	Total	Direct Rate	Actual Taxable Value	% of ATV (2)	
2009	\$ 15,720,705	\$ 132,576,170	\$ 12,172,300	\$ 7,400,445	\$ 358,974,380	\$ 526,844,000	1.58	\$ 1,053,688,000	50%	\$ 30,912,005
2010	16,470,715	133,017,220	11,164,945	6,936,740	364,063,395	531,653,015	1.58	1,063,306,030	50%	32,160,585
2011	17,001,920	138,668,730	10,948,925	6,191,775	367,974,515	540,785,865	1.58	1,081,571,730	50%	33,146,690
2012	17,138,480	139,442,480	11,015,825	5,968,120	370,636,915	544,201,820	1.58	1,088,403,640	50%	33,370,925
2013	17,143,675	140,072,895	11,307,210	5,661,630	375,567,930	549,753,340	1.58	1,099,506,680	50%	35,560,310
2014	17,346,975	148,383,300	6,343,510	4,115,330	380,023,120	556,212,235	1.58	1,112,424,470	50%	40,463,395
2015	17,504,845	152,558,035	6,343,510	5,113,425	383,746,530	565,266,345	1.58	1,130,532,690	50%	40,657,855
2016	17,568,525	158,095,150	6,353,110	4,958,695	388,538,545	575,514,025	1.58	1,151,028,050	50%	41,233,525
2017	17,773,375	159,274,870	6,353,110	4,596,755	394,706,885	582,704,995	1.58	1,165,409,990	50%	42,103,120
2018	17,858,545	161,319,740	6,351,535	4,362,860	397,634,760	587,527,440	1.58	1,175,054,880	50%	46,087,310

Notes:

(1) As of March 1 of each year

(2) TAV=taxable assessed value, ATV=actual taxable value

Sources:

Centre County Assessment Office Township Tax Duplicate

Township of Ferguson, Pennsylvania

Schedule of Principal Property Taxpayers

(Unaudited)

Year Ended December 31

SCHEDULE 9

Taxpayer	2018			2009		
	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Values	Rank	Percentage of Total Taxable Assessed Value
Circleville Road Partners	\$ 9,320,605	1	1.59%			0.00%
Minitab Inc.	9,190,030	2	1.56%	\$ 5,979,120	2	1.13%
Copper Beach Townhouses et al	8,431,470	3	1.44%	6,062,815	1	1.15%
C2S LP	7,199,185	4	1.23%			0.00%
SC Park Apartments LLC	4,511,265	5	0.77%			0.00%
HFL Corporation	4,040,310	6	0.69%			0.00%
Suso 4 Northland	3,598,730	7	0.61%			0.00%
Blue Course Associates	3,291,750	8	0.56%			0.00%
Park Crest Terrace Limited	3,250,550	9	0.55%	3,250,550	6	0.62%
Centre Holdings LP	2,919,825	10	0.50%			0.00%
WHGMH Realty (Accuweather)			0.00%	4,511,265	3	0.86%
Inland Western State College (Raytheon)			0.00%	4,119,650	4	0.78%
Edens & Avant Financing			0.00%	4,053,860	5	0.77%
S&A Homes			0.00%	3,085,240	7	0.59%
QSI Partnership			0.00%	2,692,945	8	0.51%
WcWhirter Family Limited Partnership			0.00%	2,587,830	9	0.49%
Hemmingway Place			0.00%	2,375,995	10	0.45%
Total	\$ 55,753,720		9.49%	\$ 38,719,270		7.35%
Total Taxable Assessed Value	\$ 587,527,440			\$ 526,844,000		

Source: Centre County Township Real Estate Tax duplicate

Township of Ferguson, Pennsylvania

Schedule of Property Tax Levies and Collections

(Unaudited)

Years Ended December 31

SCHEDULE 10

Fiscal Year	Tax Levy for the Year (1)	Current Tax Collections (2)	Percent of Current Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes (3)	Outstanding Delinquent Taxes as a Percent of Current Levy
2009	\$ 1,276,016	\$ 1,247,574	97.77%	\$ 10,800	\$ 1,258,374	98.62%	\$ 17,642	1.38%
2010	1,287,664	1,238,257	96.16%	19,938	1,258,195	97.71%	29,468	2.29%
2011	1,309,783	1,284,797	98.09%	13,829	1,298,626	99.15%	11,157	0.85%
2012	1,318,057	1,285,000	97.49%	9,000	1,294,000	98.17%	24,057	1.83%
2013	1,331,503	1,307,069	98.16%	16,669	1,323,738	99.42%	7,765	0.58%
2014	1,347,146	1,321,780	98.12%	17,198	1,338,978	99.39%	8,168	0.61%
2015	1,369,075	1,336,271	97.60%	16,978	1,353,249	98.84%	15,826	1.16%
2016	1,393,895	1,384,965	99.36%	14,012	1,398,977	100.36%	(5,082)	-0.36%
2017	1,411,311	1,383,463	98.03%	9,219	1,392,682	98.68%	18,629	1.32%
2018	1,422,991	1,394,319	97.99%	11,667	1,405,986	98.80%	17,005	1.20%

Sources:

- (1) Taxable Assessed value (face)(Centre County Assessment Office tax duplicate) multiplied by tax rate
- (2) Ferguson Township Operating Budgets (actuals) (does not include supplementals) & Bond applications
Independent auditors' report, DCED audit report, Springbrook accounting system
- (3) discount 2%, penalty 10%. If more taxpayers pay in penalty period, it is possible to have a negative delinquent balance

Township of Ferguson, Pennsylvania

Schedule of Ratios of Outstanding Debt by Type

(Unaudited)

Years Ended December 31

SCHEDULE 11

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Percentage of Actual Value of Taxable Property (2)	Per Capita Debt (2)
	General Obligation Bonds	Notes Payable				
2009	\$ 4,030,000	\$ -	\$ 4,030,000	0.96%	0.38%	243
2010	3,565,000	-	3,565,000	0.81%	0.34%	202
2011	3,090,000	-	3,090,000	0.69%	0.29%	174
2012	2,605,000	-	2,605,000	0.56%	0.24%	146
2013	2,110,000	-	2,110,000	0.42%	0.19%	116
2014	-	1,650,200	1,650,200	0.30%	0.15%	91
2015	-	1,107,200	1,107,200	0.19%	0.10%	61
2016	-	556,000	556,000	0.09%	0.05%	30
2017	-	-	-	0.00%	0.00%	-
2018	-	-	-	0.00%	0.00%	-

Notes: 1. The Township has no business type debt and therefore is not shown in the schedule.

Sources: (1) Schedule of Demographic and Economic Statistics for population and personal income data.
 (2) Schedule of Assessed Value of Taxable Properties for property value data.

Township of Ferguson, Pennsylvania

Schedule of Direct and Estimated Overlapping Debt

(Unaudited)

Year Ended December 31, 2018

SCHEDULE 12

<u>Governmental Unit</u>	<u>Estimated Debt Outstanding</u>	<u>Township Percentage of Debt</u>	<u>Township Share of Overlapping Debt</u>
Bonded Debt			
Total bonded debt	\$ -		\$ -
Notes Payable (Note 1)			
Direct Township debt, Ferguson Township	-	100.00%	-
Overlapping debt:			
Centre Region Parks & Rec (pools)	3,853,600	26.84%	1,034,306
Centre Region Parks & Rec (parks)	5,083,200	28.04%	1,425,329
Total overlapping debt	8,936,800		2,459,635
Total direct and overlapping debt	8,936,800		2,459,635
Total	\$ 8,936,800		\$ 2,459,635

Notes: (1) The percentage of overlapping debt for the Centre Region Parks & Rec is based upon the CROG formula for Parks & Rec. for 2008 and is fixed for 10 years.

Sources: (1) Independent Auditors' Report
(2) Centre Region Parks & Rec

Township of Ferguson, Pennsylvania

Schedule of Legal Debt Margin Information

(Unaudited)

Years Ended December 31

SCHEDULE 13

Fiscal Year	Borrowing Base	Debt Limit Percentage	Debt Limit	Total Net Debt (Note 2)	Net NonElectoral Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2009	\$ 13,684,413	250%	\$ 34,211,033	\$ 4,580,623	\$ 29,630,410	13.4%
2010	13,571,071	250%	33,927,676	4,927,973	28,999,703	14.5%
2011	13,917,882	250%	34,794,705	4,718,383	30,076,322	13.6%
2012	14,713,903	250%	36,784,758	6,130,093	30,654,665	16.7%
2013	15,987,861	250%	39,969,653	5,442,905	34,526,748	13.6%
2014	15,562,756	250%	38,906,890	4,796,957	34,109,933	12.3%
2015	15,142,976	250%	37,857,440	4,062,448	33,794,992	10.7%
2016	14,728,266	250%	36,820,665	3,336,990	33,483,675	9.1%
2017	15,330,118	250%	38,325,295	2,623,473	35,701,822	6.9%
2018	15,520,317	250%	38,800,793	2,459,635	36,341,158	6.3%

Notes:

1. The Commonwealth of PA has enacted the "Local Government Debt Act" which limits debts to revenues. In short, revenues of the most recent three years are adjusted for various non recurring and excludable items. The results are then averaged to calculate the "borrowing base". Certain percentages are applied to the borrowing base to determine the debt limits.
2. The total net debt includes the Township portion of the CRCOG debt. The Township is not liable for any more than its share of the debt

Sources:

- (1) Department of Community and Economic Development filings
- (2) Independent Auditors' Reports
- (3) Centre Region Council of Governments

Township of Ferguson, Pennsylvania

Schedule of Demographic and Economic Statistics

(Unaudited)

Years Ended December 31

SCHEDULE 14

Fiscal Year	Population (1)	Personal Income (2)	Per Capita (Median) Income (3)	Public School Enrollment (4)	Housing Units (5)	Unemployment Rate (6)
2009	16,616	\$ 418,208,104	\$ 25,169	7,253	6,855	6.3%
2010	17,690	442,603,800	25,020	6,950	7,246	5.7%
2011	17,729	448,969,196	25,324	6,927	7,425	5.1%
2012	17,828	465,079,036	26,087	6,856	7,533	6.0%
2013	18,174	505,491,636	27,814	6,817	7,704	6.0%
2014	18,206	553,589,842	30,407	6,775	7,779	6.0%
2015	18,238	578,162,838	31,701	6,776	7,833	3.5%
2016	18,420	595,530,885	32,330	6,787	6,363	3.7%
2017	18,604	658,588,680	35,400	6,781	7,342	3.2%
2018	18,837	686,834,694	36,462	6,891	8,089	2.9%

Note: (a) 2010 data is taken from 2010 US census. 2011-2015 data from US Census estimates. Some data is extrapolated.

- Sources:
- (1) US Census Bureau, factfinder.census.gov 5 year estimates
 - (2) Determined by multiplying population by per capita income
 - (3) [Factfinder.census.gov](http://factfinder.census.gov), estimated current year
 - (4) State College Area School District, does not include charter schools or private schools
 - (5) American Community Survey 5 year estimates
 - (6) US Bureau of Labor Statistics for State College PA (MSA) annual rate @ 12/31

Township of Ferguson, Pennsylvania

Schedule of Principal Employers
(Unaudited)
Years Ended December 31

SCHEDULE 15

Employer	2018			2009		
	Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Sound Technologies	172	10	1.46%			0.00%
Hellenic Ventures Inc.	176	9	1.49%	202	9	1.93%
Driscoll Automotive Group	176	8	1.49%			0.00%
Minitab, Inc.	188	7	1.59%	301	6	2.87%
CATA	211	6	1.79%			0.00%
Ahold Financial Services	214	5	1.81%	196	10	1.87%
Raytheon Company	289	4	2.45%	475	1	4.53%
HRI Inc.	533	3	4.51%	388	2	3.70%
Accu Weather Inc.	533	2	4.51%	343	4	3.27%
Penn State University	1,049	1	8.88%	224	7	2.14%
Jostens			0.00%	344	3	3.28%
MBNA (Bank of America)			0.00%	336	5	3.20%
Spectrum Control Technology			0.00%	211	8	2.01%
Total	3,541		29.99%	3,020		28.79%
Total Township Employment	11,808			10,490		
Net Gain/(Loss) of Employment		1,318				

Source: Centre Tax Agency EIT/LST data

Township of Ferguson, Pennsylvania

Schedule of Full-time Equivalent Township Employees by Function

(Unaudited)

Years Ended December 31

SCHEDULE 16

Year	General Government	Public Works	Public Safety	Planning & Zoning	Total
2009	7.3	19.3	24.3	3.9	54.8
2010	7.5	19.6	25.0	4.0	56.1
2011	7.3	20.2	24.9	3.8	56.2
2012	7.0	20.0	25.0	3.6	55.6
2013	7.4	21.1	23.8	3.5	55.8
2014	7.4	21.5	24.9	3.6	57.4
2015	7.5	23.5	24.7	3.4	59.1
2016	7.6	24.9	25.2	5.2	62.9
2017	8.4	25.7	25.0	5.6	64.7
2018	10.2	27.1	24.9	5.7	67.8

Notes:

1. Totals include part time employees and overtime hours
2. FTEs are based on 2080 hours for full-time employees

Source:

Microdata Payroll Services, Keystone Payroll

Township of Ferguson, Pennsylvania

Schedule of Operating Indicators by Function/Program

(Unaudited)

Years Ended December 31

SCHEDULE 17

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration (5)										
Electricity Costs, Office	\$ 22,168	\$ 19,704	\$ 24,478	\$ 18,533	\$ 20,867	\$ 21,657	\$ 21,495	\$ 21,198	\$24,026	\$ 21,657
Electricity Costs, Public Works	8,155	6,344	8,212	5,629	6,744	2,310	4,370	6,844	4,753	7,106
Heating Costs (gas), Office	7,136	3,348	3,676	2,505	4,722	5,972	4,195	3,547	3,800	5,972
Heating Costs (gas), Public Works	4,163	4,577	7,387	4,790	6,414	8,560	6,546	5,858	6,187	8,560
Police (1)										
Number of Sworn Officers	20	20	20	20	21	21	22	22	22	22
Total Calls for Service	4,787	4,760	4,479	4,486	4,879	4,695	4,926	4,869	5,151	4,878
Traffic Citations	1,869	1,553	781	1,080	1,242	1,228	992	818	690	754
Criminal Arrests	399	401	312	363	385	303	281	214	194	175
Traffic Stops	2,712	3,254	1,975	2,214	3,428	3,257	2,692	2,305	1,928	2,104
Parking Tickets	1,058	720	812	655	572	565	878	1,256	1,004	1,268
Public Works/Engineering (2,4)										
Highway Occupancy Permits issued	33	31	71	82	52	69	57	36	59	63
Land Development/Subdivision plans reviewed	15	17	10	16	26	16	19	12	14	19
Tons of Salt purchased	971	1,119	1,375	924	1,382	1,676	1,410	1,182	1,385	1,589
Cubic yards/tons of leaves/brush collected (a)	12,456	9,721	10,585	11,068	8,709	1,214	1,297	1,082	1,234	1,594
Planning & Zoning (3)										
Zoning permits issued	230	379	249	349	197	186	232	210	348	331
Sign permits issued	37	62	53	54	46	43	30	38	28	36
Home Occupation permits issued	NA	NA	NA	NA	NA	11	7	12	4	4
Rental permits issued (b)	48	52	73	90	277	83	244	272	81	105
Land Development permits issued	NA	NA	NA	11	10	11	3	7	3	6

NA= data not available

Notes: (a) Beginning in 2014, leaf and brush measured by weight rather than volume
 (b) Beginning in 2014, rental permits are reported separately from home occupation permits

Sources: (1) Ferguson Township Police Department
 (2) Ferguson Township Public Works Department
 (3) Ferguson Township Planning and Zoning Department
 (4) Ferguson Township Annual Operating Budgets
 (5) Ferguson Township accounting records

Township of Ferguson, Pennsylvania

Schedule of Capital Asset Statistics by Function/Program

(Unaudited)

Years Ended December 31

SCHEDULE 18

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles (2)	17	17	17	17	17	17	10	10	17	17
CNG Vehicles (a)							3	4	4	4
Information Technology (1)										
Servers (Physical)	4	4	4	4	5	5	5	8	10	10
Servers (Virtual) (b)										6
Desktops/Towers	35	35	35	28	30	36	34	28	26	29
Laptops	10	14	16	15	13	16	22	28	31	31
Tablets				1	1	3	4	4	4	8
Police Vehicle Laptops (including MCP)	13	13	13	13	13	13	13	13	10	10
Public Works (3)										
Road miles of road surface	89.8	89.8	89.8	91.7	91.7	91.7	91.7	94.4	94.4	94.7
Heavy Trucks	16	16	16	16	17	19	17	14	17	12
Pickup Trucks and Autos	5	6	6	6	7	6	2	13	11	8
Parks and Recreation (4)										
Township owned developed Parks	10	10	10	10	10	10	10	10	11	11
Number of developed acres	172.5	172.5	172.5	172.5	188.6	188.6	172.5	172.5	178.0	178.0
Township owned un-developed Parks	2	2	2	2	2	2	2	2	1	1
Number of un-developed acres	85.7	85.7	116.1	96.1	96.1	96.1	96.1	96.1	183.0	183.0
Number of Regional Park acres located in Ferguson Township (undeveloped)	75	75	100	100	100	100	100	100	103	103

Notes (a) tracking of CNG vehicles began in 2015
 (b) tracking of virtual servers began in 2018

Sources: (1) Hinton Associates Inventory
 (2) Police Department
 (3) Public Works Department
 (4) Centre Region Parks & Rec